

Mowair Co is an international airline which flies to destinations all over the world.

Mowair Co experienced strong initial growth but in recent periods the company has been criticised for under-investing in its non-current assets.

Extracts from Mowair Co's financial statements are provided below.

**Statements of financial position as at 30 June:**

	<b>20X7</b>	<b>20X6</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	317,000	174,000
Intangible assets (note ii)	20,000	16,000
	<hr/> 337,000	<hr/> 190,000
<b>Current assets</b>		
Inventories	580	490
Trade and other receivables	6,100	6,300
Cash and cash equivalents	9,300	22,100
Total current assets	<hr/> 15,980	<hr/> 28,890
<b>Total assets</b>	<hr/> 352,980	<hr/> 218,890
<b>Equity and liabilities</b>		
<b>Equity</b>		
Equity shares	3,000	3,000
Retained earnings	44,100	41,800
Revaluation surplus	145,000	Nil
Total equity	<hr/> 192,100	<hr/> 44,800

**Liabilities****Non-current liabilities**

6% loan notes	130,960	150,400
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**Current liabilities**

Trade and other payables	10,480	4,250
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6% loan notes	19,440	19,440
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Total current liabilities	29,920	23,690
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<b>Total equity and liabilities</b>	<b>352,980</b>	<b>218,890</b>
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**Other EXTRACTS from Mowair Co's financial statements for the years ended 30 June:**

	<b>20X7</b>	<b>20X6</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	154,000	159,000
Profit from operations	12,300	18,600
Finance costs	(9,200)	(10,200)
Cash generated from operations	18,480	24,310

The following information is also relevant:

- (i) Mowair Co had exactly the same flight schedule in 20X7 as in 20X6, with the overall number of flights and destinations being the same in both years.
- (ii) In April 20X7, Mowair Co had to renegotiate its licences with five major airports, which led to an increase in the prices Mowair Co had to pay for the right to operate flights there. The licences with ten more major airports are due to expire in December 20X7, and Mowair Co is currently in negotiation with these airports.

**Required:**

- (b) **Comment on the performance and position of Mowair Co for the year ended 30 June 20X7.**

Note: Your answer should highlight any issues which Mowair Co should be considering in the near future. (14 marks)