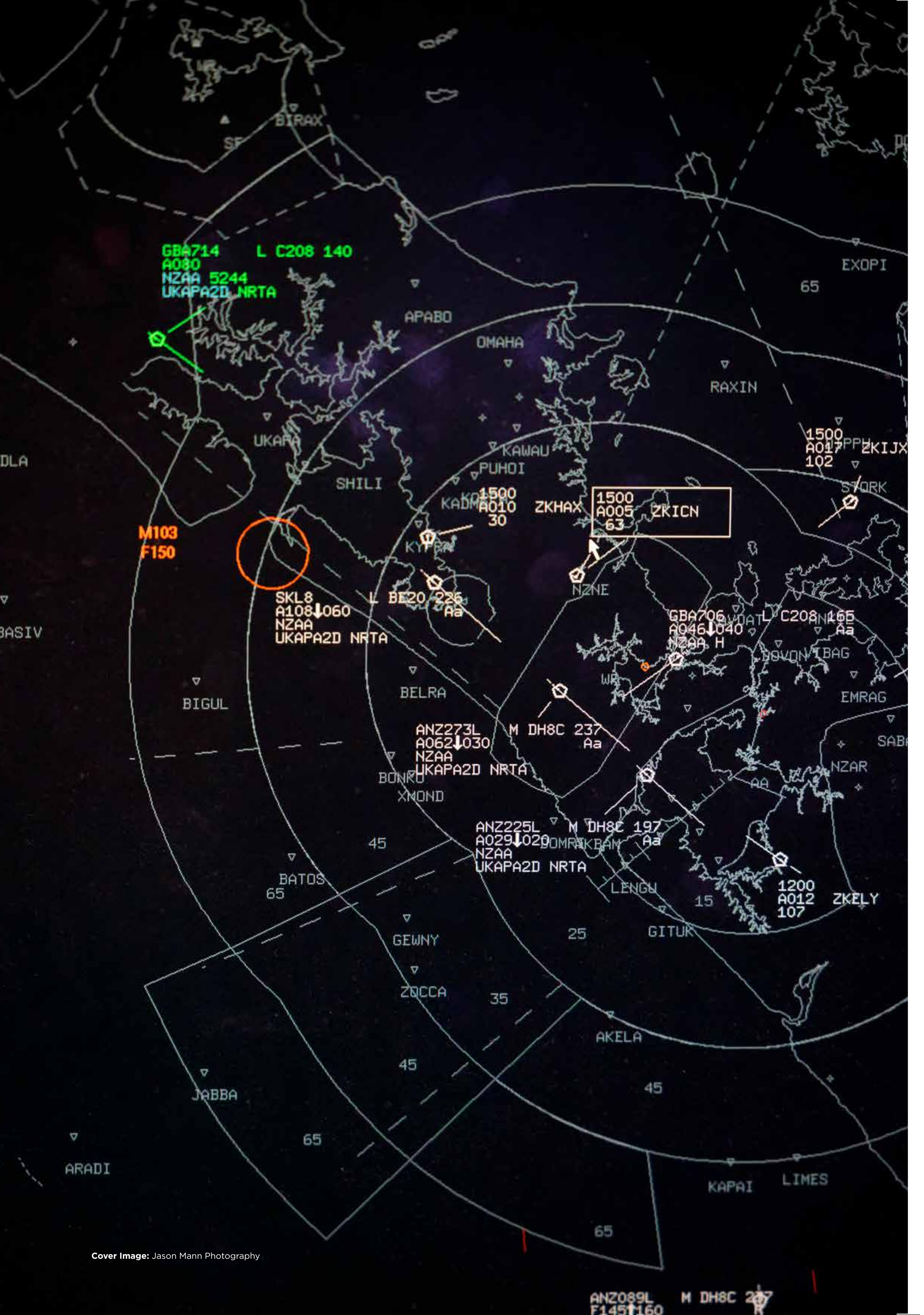
SAFE SKIES TODAY AND TOMORROW

AIRWAYS INTEGRATED REPORT 2023

AIRWAYS



Cover Image: Jason Mann Photography

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OUR PERFORMANCE

Overview of 2023 performance against leading Key Performance Indicators

Flights handled	478,131
Uncrewed Aerial Vehicle (UAV) flights	49,483
Core systems availability	99.99%
Air proximity events (category A)	0
Aircraft accidents (attributable to Airways)	0
Airways Group net profit after tax	$5.4m
Airways International Ltd net profit after tax (part of Airways Group)	$5.0m
Carbon reduction	16.24kt
Track miles saved for flights	833,664NM
Women in leadership	41.4%
Notifiable staff safety events	2

About Airways

WHO WE ARE

Airways Corporation is the State-Owned Enterprise that provides New Zealand's air traffic management services. Our core role is to manage safe and efficient air transport through our flight information regions, and to invest in the infrastructure and people to support it.

We control 30 million square kilometres of airspace in the New Zealand Flight Information Region and the Auckland Oceanic Flight Information Region – one of the world's largest airspace regions. It stretches over the South Pacific and Southern Oceans and the Tasman Sea, from 5 degrees south of the equator to Antarctica.

Airways International Ltd (AIL) and its subsidiaries are our commercial arm. They provide training, digital products, aeronautical information management, procedure design and aviation consultancy services globally to air navigation service providers, airlines and airports in 65 countries.

We employ 826 valued staff in highly skilled roles. Our people work across our Auckland and Christchurch air traffic control centres, 19 towers and corporate offices in Auckland, Wellington and Christchurch.

OUR PURPOSE

Safe skies today and tomorrow

OUR VISION IS TO

Create the aviation environment of the future

OUR VALUES

We are **safe**

Safety is at the forefront of everything we do. We are committed to the safety of our people, our operations and the communities we serve.

We are **one Airways**

We all have our own areas of expertise and by working together and sharing knowledge, we achieve our aspiration.

We strive for **excellence**

We deliver our best work each and every day, and look for ways to continue to improve what we do.

We celebrate **success**

We recognise our people's achievements, big and small, and celebrate our successes.

Airways at a glance

WHAT WE DO

PROVIDE SAFE AND EFFICIENT AIR NAVIGATION SERVICES ACROSS

30 mil sq km

OF AIRSPACE

OVER

500,000

SAFE FLIGHTS IN THE COMING YEAR

SUPPORT

Industry recovery

AIRSPACE MANAGEMENT CONSULTANCY AND TRAINING IN

65 countries

Drone traffic management system

SERVICES

CARBON REDUCTION TARGET OF

17,000 tonnes

CO_2 EMISSIONS

HOW WE DO IT

826

highly trained people

19 towers

2 air traffic control centres

3 trading subsidiaries

AIRWAYS INTERNATIONAL, AEROPATH AND AIRSHARE

CHAIR AND CEO SUMMARY

Our purpose is to keep our skies safe, today and tomorrow. This year, we have managed air traffic safely and efficiently during our industry's rapid recovery from the global pandemic while preparing to evolve with the aviation sector.

Denise Church QSO
Chair

James Young
Chief Executive

Tomorrow's skies

Our safety performance

At Airways, we put safety at the centre of everything we do for our customers and our people. We work constantly and strategically to maintain our proud record and improve our culture of safety.

This year, we have overseen the rebound in air traffic volumes following the COVID-19 pandemic. We have safely managed 478,131 flights through the 30 million square kilometres of airspace we control in our domestic and oceanic flight information regions, which stretch over New Zealand, the South Pacific and Southern Oceans, and the Tasman Sea.

By June 2023, domestic flight movements had all but recovered compared to the same period before the COVID-19 pandemic, with international flight movements close to full recovery.

In the 12 months to 30 June 2023, we recorded no serious air proximity events attributable to Airways. We recorded two safety events involving our people that were notified to, but not investigated by WorkSafe. Airways investigated both events in order to learn from them.

We have continued to put into action the recommendations of an independent review on how best to develop our organisation's safety culture, as well as collaborating with the wider sector on broader safety initiatives.

Our safety management system has been assessed as excellent by the Civil Air Navigation Services Organisation (CANSO), which represents the international air navigation industry. CANSO has also recognised our new Safety Performance Indicator programme as global best practice for aviation safety management systems. Meanwhile, CANSO has awarded the CANSO Global Safety Achievement Award 2022 to Flight Advisor – a tool developed by our Aeropath subsidiary to give pilots better warning of low-level hazards in uncontrolled airspace.

Image: Courtesy of Jess Klitscher.

Our financial result

The Airways Group recorded a net profit after tax of $5.4 million. Air navigation services revenue was higher than expected at $201.8 million, compared to a budget of $190.5 million. Over the period, the company experienced the impact of the inflationary environment as input costs rose steadily. We invested $38 million in new infrastructure and future-focused initiatives – this was below plan due to constraints on the supply chain and labour availability. Airways International Ltd (AIL) and its subsidiaries continued to perform strongly with a net profit after tax of $5.0 million for the year.

To support the recovery of the industry over the last year, Airways did not seek full recovery of costs. This was made possible by the New Zealand Government, our shareholder, which agreed to continue its financial support of Airways, allowing us to limit price increases to our customers so that we recover in step with the wider industry. Full price recovery resumed from 1 July 2023.

Airways International

As the pace of change in aviation accelerates, Airways is preparing to move with it.

Our core air navigation business and our commercial arm – Airways International and its subsidiaries – work in synergy. They create new solutions that Airways International can take to global markets and revenue we can invest back into our business.

Working with customers and partners in 65 countries, Airways International has continued to deliver products and services that confirm our reputation as a global leader in safe airspace management.

Tomorrow's skies

Technology is driving fundamental changes in the nature of aircraft and the architecture of airspace.

In response, we are changing the way we work to integrate new types of aerial vehicles into the airspace – from the drones and rockets we are already guiding through our skies to the autonomous passenger vehicles we are helping international industry partners test for safety.

We are developing the systems we use to manage air navigation – from a next-generation air traffic management platform and resilient air traffic control centres to digital towers, upgraded surveillance technology and new network management systems. Meanwhile, we are working with the industry to test the space-based air traffic control systems of the future.

Airways must evolve into a more flexible operation, able to meet the needs of our existing customers and integrate new ones while keeping our focus fixed on our core duty to keep our skies safe.

We must also build more resilience to climate change into our infrastructure and systems. This year's severe weather events underline the importance of supporting a sustainable future for the aviation industry.

The transformation of our business demands change in the way we attract, train, manage and support our people to operate in new environments. We will be guided in all things by our values – that we are safe, are one Airways, strive for excellence and celebrate success.

Airways must evolve into a more flexible operation, able to meet the needs of our existing customers and integrate new ones, while keeping our focus fixed on our core duty to keep our skies safe.

By 2033, we will be positioned to capitalise on the future evolution of aviation as an employer of choice and the trusted guardian of our skies.

Our new strategy

This year, we have looked in depth at the changing environment and how we should position ourselves to meet it. We have developed a 10-year strategy founded on four pillars – to put our people first, serve all airspace users, support sustainable aviation and unlock future growth.

We plan to deliver on our strategy in three phases. By 2025, we will have rebuilt stronger connections with our people, customers, stakeholders and sector following the disruption of the pandemic. By 2028, we will have built our capacity to deliver safe, flexible solutions to a range of customers, drawing on the skills of a diverse workforce with a unified culture. By 2033, we will be positioned to capitalise on the future evolution of aviation as an employer of choice and the trusted guardian of our skies.

Our people

Our highly skilled people are the reason we are able to keep our skies safe. We want to thank them for the dedication, professionalism and initiative they show every day.

We have continued to build a skilled and diverse team of people from a wide range of backgrounds and varied ways of thinking. This is critical in driving the level of innovation we need. We have also done further work to increase our people's understanding of Māori culture and language, and have started work on new diversity, equity and inclusion initiatives.

Board and Executive

The term of Board member Nicola Greer concluded during the reporting period. We thank her for her strong contribution to our governance and wish her all the best in her future endeavours.

Board member Mark Hutchinson took an unpaid leave of absence from 1 July 2023 until after the General Election on 14 October 2023.

James Young was appointed Chief Executive of Airways New Zealand, replacing Graeme Sumner. He brings with him extensive aviation and leadership experience, including nine years as Airways' Chief Financial Officer and Acting Chief Executive, and a background in senior leadership roles in the investment management industry in Asia and North America.

We farewelled General Manager Air Traffic Services, Katie Wilkinson, after three and a half years in the role, during which she managed her team through the challenges of the pandemic and prepared Airways to respond as traffic volumes rebounded.

General Manager Commercial and Partnerships, Jamie Gray, was appointed General Manager of the new People and Partnerships group, which brings together the people, customer and stakeholder, communications, sustainability and strategy functions.

Our risk management

Airways is fully committed to maintaining an effective risk management programme. We foster a risk-aware culture that enables us to respond to opportunities and threats consistently, efficiently and cost effectively.

Risk management is critical to achieving the goals of our strategy. It underpins decision-making and enables continuous improvement. We are working constantly to improve the risk management processes in all our business operations, projects and day-to-day decisions. This provides us with increasing confidence that decisions will result in the expected outcomes, in line with our Just Culture.

The top ten risks are continuously reviewed, with oversight and challenge from the Executive Leadership Team and the Airways Board. The threats the risk register manages include natural disasters, loss of life of Airways people or the public, cybersecurity, climate change, and industry and workforce pressures. Risks are actively managed and monitored, with the ability to report provided to all levels of the business.

We continue to raise awareness of risk across the company. The future focus of our risk management strategy is to further emphasise and develop our people's risk management capability, and to drive control effectiveness programmes. This will give Airways greater transparency as to where improvements can be made to prevent our risks being realised.

Our approach to reporting

As part of our commitment to sustainability, Airways is transitioning to reporting against the Integrated Reporting Framework. The shift to integrated reporting enables us to demonstrate the short, medium and long-term value we create, beyond our financial result.

This is Airways' second integrated report. We are taking a staged approach to adopting integrated reporting and will continue to develop our strategic thinking and reporting practices using the framework over the coming years.

Airways' Statement of Corporate Intent for the 2022 to 2024 period sets out the business objectives and measures of success that form the basis for this report. These objectives and measures of success are aligned with the capitals and outcomes identified in our value creation model (VCM).

During the development of the VCM, we engaged with our people, customers and stakeholders to identify topics which they held to be significant in terms of our influence and impact. These material issues are embedded within the framework. Alongside this, our New Zealand Government shareholder's letter of expectations for the year confirms the priority focus areas for Airways.

Image: Courtesy of Rex Wilson.

How we create value

OUR RESOURCES

Financial
Our financial capability and flexibility

Our infrastructure
Networks and assets that support operations and services

Our expertise
Progressive, innovative, customer-focused technologies and capabilities

Our people
The skills and knowledge of our people

Our relationships
With our customers, aviation industry, communities and government

Our environment
The natural resources and environmental assets integral to delivering our services

WHAT WE DO TO CREATE VALUE

OUR PURPOSE

Safe skies today and tomorrow

OUR VISION

Create the aviation environment of the future

OUR STRATEGIC PILLARS

- Put our people first
- Serve all airspace users
- Support sustainable aviation
- Unlock future growth

HOW WE MEASURE SUCCESS

- Employee experience
- WorkSafe notifiable incidents
- Staff turnover
- Women in the workforce
- Women as senior leaders

- Flight count
- Customer experience score
- Core system availability
- Service availability
- Serious Air Proximity Events[1]
- UAV incursions[2]

- CO_2 savings via fewer track miles
- EV/hybrid fleet transition
- Printed paper used
- Waste recycled[3]

- Revenue
- Profit before tax
- Capital expenditure
- Gearing
- Dividends
- New products
- New customers
- Thought leadership events

AND ACHIEVE THESE OUTCOMES

Better work and careers
We are committed to creating a diverse workplace where people feel valued and safe. By focusing on attracting, developing and retaining our people, we will become an employer of choice in the aviation industry.

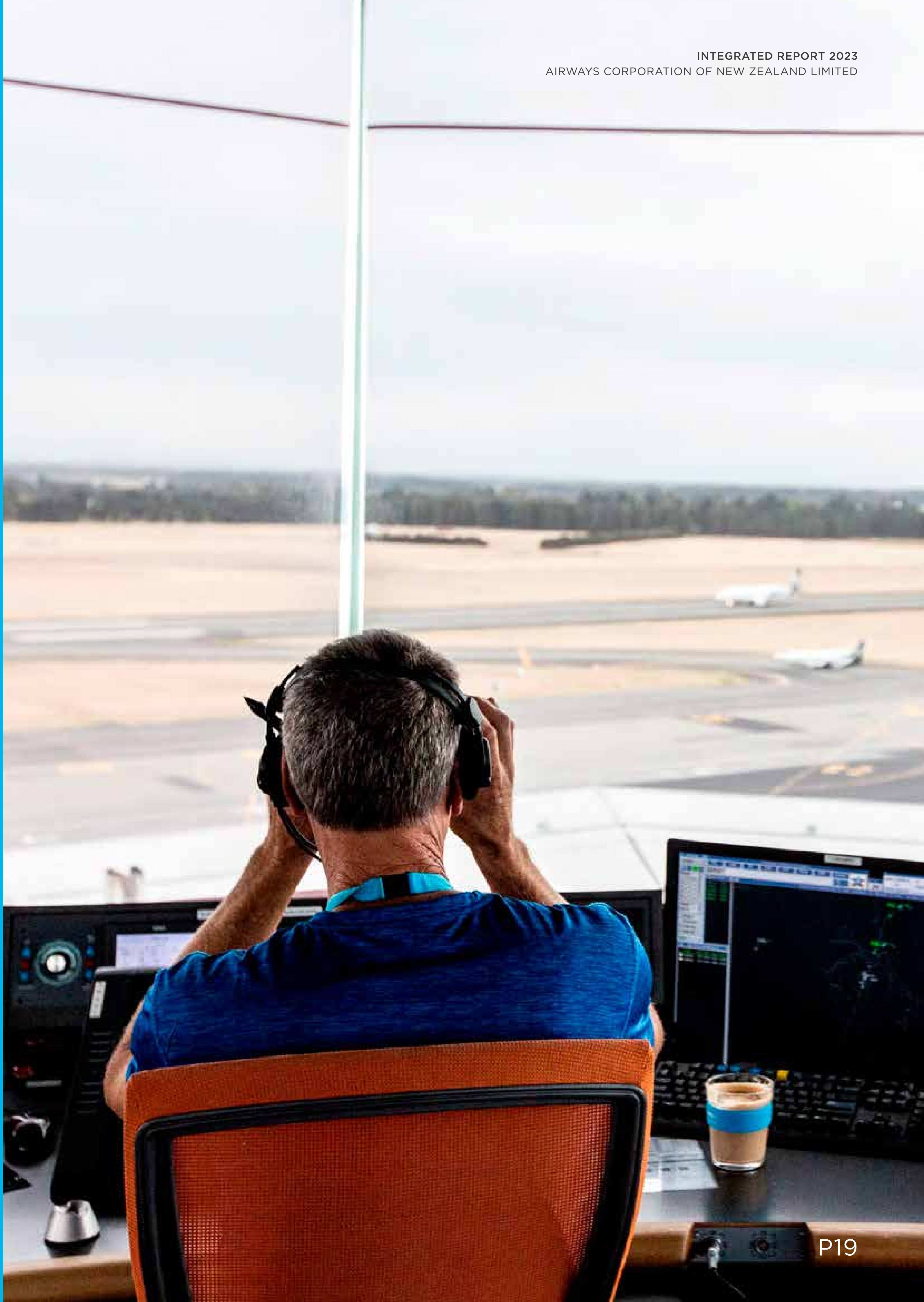
Value for all airspace users
We are committed to delivering a safe, flexible and accessible customer experience at a fair price, for current and future users, through the use of technology and innovation.

Sustainable outcomes
We will continue to play our part in championing a sustainable approach to airspace management to ensure the industry achieves its long-term objectives.

Financial sustainability
We will ensure a sustainable return to government shareholder.

[1] Airways attributable
[2] Airways attributable, medium or above assessed risks
[3] Tonnage

Strategy



OUR ASPIRATION

We want to lead the world in the delivery of safe airspace management and services.

Starting with our own airspace and expanding out, we will use technology and innovation to unlock future growth.

We will be a company that people want to work for and with.

As the guardian of New Zealand's airspace, we will deliver a more sustainable future by supporting the reduction of emissions across all participants in the aviation sector.

OUR STRATEGY

Airways released its 10-year strategy in 2023. Our strategy is designed to support accelerated change in the aviation industry as it emerges from the pandemic.

COVID-19 revealed the need for a more adaptable, flexible and resilient industry – one better able to adapt to change while remaining strongly focused on safety and efficiency.

We developed our strategy using a comprehensive process that considered the projects underway, the changing aviation environment, our strengths and opportunities, and the pain points our people and customers identified in our staff engagement survey and face-to-face sessions with CEO James Young. We overlaid this information with our financial obligations and limitations, and our obligations as the country's air traffic service provider.

There are four pillars to the strategy:

- **Put our people first**
- **Serve all airspace users**
- **Support sustainable aviation**
- **Unlock future growth.**

Our strategy has a 10-year horizon to allow Airways to evolve with the changing aviation environment.

We plan to deliver on it in three phases:

- **Connect 2025**
- **Build 2028**
- **Adapt 2033.**

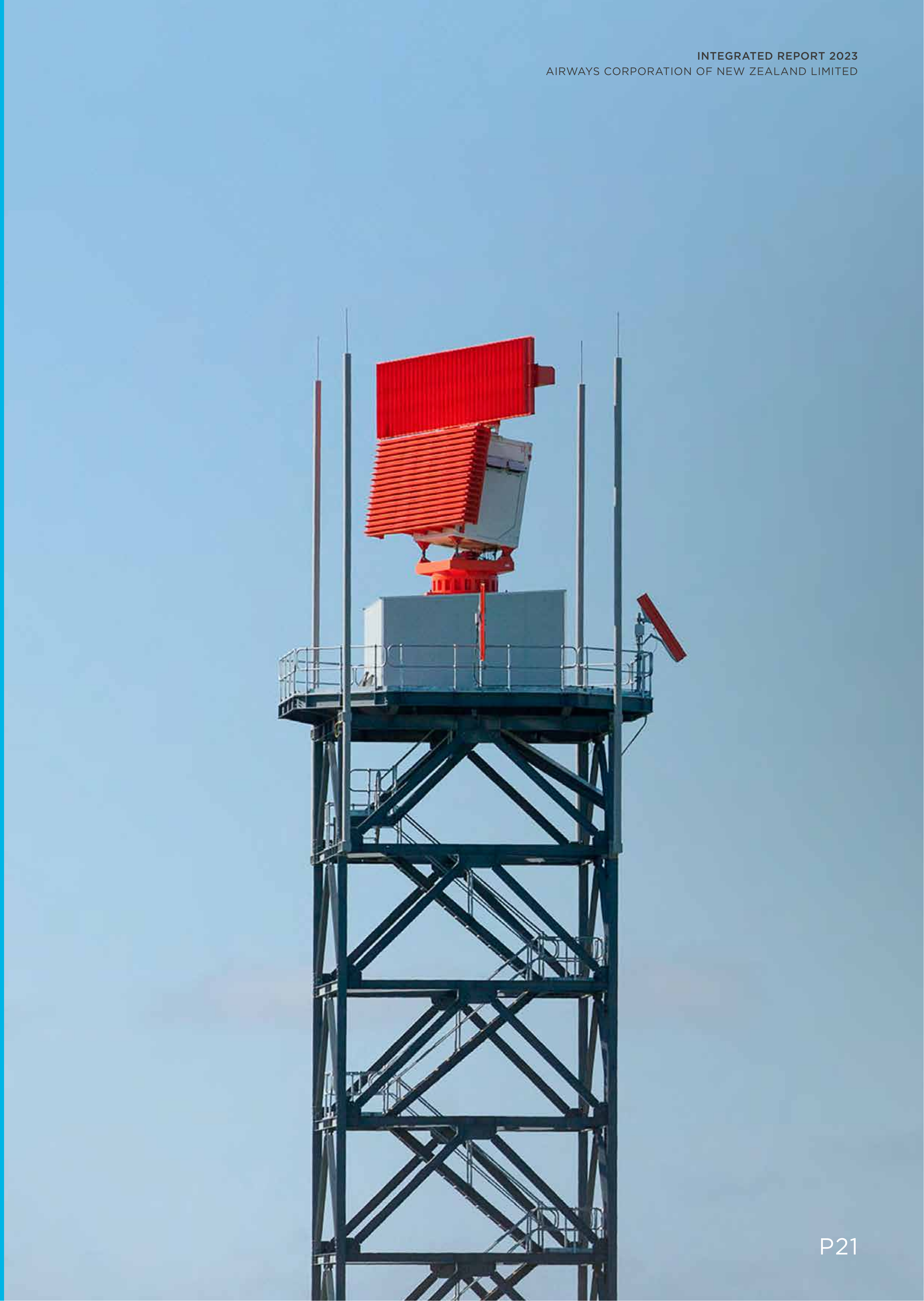
By focusing on the deliverables at each phase, we will continue to build a strong foundation while taking advantage of the rapid changes in our industry.

Our values underpin everything we do and remain broadly unchanged – we are safe, we are one Airways, we celebrate success and we strive for excellence.

Our strategy is a significant shift from the way we have operated in the past. Our priority for 2023 is to embed it into the business and to change the way we approach business planning and prioritising.

We are excited by what the future of aviation offers and look forward to continuing to deliver safe and efficient air traffic management for our New Zealand and oceanic flight information regions.

Image: Courtesy of Craig Crew.



OUR STRATEGIC PILLARS

Put our people first

Our people are our most important asset. We are creating a diverse workplace where people feel valued, rewarded and, most importantly, safe.

We will invest in our people to ensure we provide opportunities for them to grow and develop.

By attracting, developing and retaining our people, we will become an employer of choice in the aviation industry and future-proof our workforce.

Serve all airspace users

Aviation is changing and we are seeing new and different entrants into our airspace.

We are committed to delivering a safe, flexible and customer-centric experience at a fair price.

Through the use of technology and innovation, we will meet the needs of current airspace users while ensuring we continue to deliver solutions for future users.

Support sustainable aviation

The aviation industry is moving rapidly to adopt more sustainable options with a strong focus on reducing carbon emissions.

We are committed to playing our part.

We will champion a sustainable approach to airspace management to ensure the industry achieves its long-term objectives.

Unlock future growth

The rate of change in the aviation industry is accelerating.

By working collaboratively to harness the expertise across Airways, we will unlock future growth.

We will be a leader in safe airspace management and services at home and across the globe.

HOW WE GET THERE

We are taking a three-phase approach to meeting the goals of our 10-year strategy.

2025 Connect

For three years beginning in 2020, the COVID-19 pandemic disrupted travel, delayed significant projects and fragmented the aviation industry more than at any time since World War 2.

As the industry recovers from the impact of the pandemic, our focus is on renewing connections – between our people, with our customers and stakeholders, and with the wider industry.

In addition, we are focused on completing strategic projects commenced before COVID-19 in order to have a strong foundation on which to build the aviation environment of the future.

2028 Build

Our focus in this period is to build our capability to deliver safe, flexible and customisable solutions for all airspace users.

We will grow and diversify our revenue streams, and leverage partnerships to develop innovative solutions in response to a changing aviation environment.

We will continue to build a diverse workforce with a strong one Airways culture. We will embed te ao Māori values and the principle of kaitiakitanga – guardianship of the environment – in our ways of working.

2033 Adapt

Having built a strong culture, become an employer of choice and delivered key strategic projects, we will be well positioned to take advantage of an evolving aviation sector.

This will include more flexible, customisable services for all airspace users, diversified revenue streams and a continued focus on kaitiakitanga.

STRATEGY

Putting our people first

Putting our people first

Our success depends on our people. We rely on them to keep our skies safe and we will put them first.

We are investing to attract, develop and retain the best talent, and to create a diverse workplace where our people feel valued, rewarded and safe. By offering meaningful opportunities to grow and develop, we will future-proof our company as a place people want to work for and with.

Investing in our people

The pace of change in aviation and the demand for skilled workers challenges us to keep people in our business and attract the next generation of Airways employees.

We offer unique, rewarding careers and are investing more to promote them.

The wellbeing of our people is critical to keeping our skies safe and our responsibility as an employer is to protect and promote it. We are running Mental Wellbeing by Design workshops to help our teams identify the work-related factors that may either harm or protect and improve their wellbeing, and develop ideas together to eliminate or minimise risks and maximise factors that support them.

We are investing in the growth and development of our people. Over the past year, we have offered workshops on wellbeing, mindfulness, career and retirement planning, te reo Māori, neurodiversity and rainbow awareness, to name just a few. We are investing heavily in leadership development with a focused approach for our new leaders, a comprehensive toolbox for experienced leaders and tailored career planning for senior leaders.

To help our people grow, we are offering financial assistance through Te Tohu Poutama – our updated employee scholarship programme. Poutama is the stepped pattern on a tukutuku panel which represents levels of learning and achievement. People offered a scholarship can take a course, join a programme or attend an event outside Airways, related to their current or desired role, which benefits them, Airways, their local community or the wider aviation industry. Applicants commit to sharing what they learn within Airways or with their wider community.

We value our close relationship with the unions that represent a number of our people – the New Zealand Air Line Pilots' Association and the Aviation and Marine Engineers Association. We continue to invest in these important relationships in an open and collaborative way for the betterment of our people.

Creating a diverse workplace

A diverse workforce has been proven to serve both the individual and their company, generating more innovation and better decisions. We are embedding diversity, equity and inclusion into our culture through new recruitment, development and management practices.

We have set up a Diversity, Equity, and Inclusion Committee to agree measurable and meaningful three-year goals and hold the business accountable for achieving them. Our initial focus is on gender, ethnicity, LGBTTQIA+ and neurodiversity.

Our updated Diversity, Equity and Inclusion Policy sets out the steps we are taking, while a new Diversity, Equity and Inclusion Process supports employees to raise a concern and helps to guide other initiatives, including our anti-bullying and harassment policy and Code of Conduct. We introduced a new anti-bullying, harassment and discrimination e-learning module which has had a positive response from our people and is compulsory for all new staff joining Airways.

41% SENIOR LEADERSHIP ROLES HELD BY WOMEN.

Women hold 41.4 per cent of our senior leadership positions. But this is not the case across the business, particularly in technical and Air Traffic Services roles, where we are working towards greater equity for women and non-binary people.

Our workforce and working environment should reflect the ethnic diversity of Aotearoa New Zealand. We aim to connect with potential candidates from all the communities in which we operate, in particular, Māori and Pasifika candidates.

We want each person to feel safe to bring their whole self to work including those who identify as members of the rainbow community. This year, we released our Transitioning at Work guidelines and issued over 100 rainbow ally lanyard pins across Airways to those employees who wish to be identified as rainbow allies.

In 2023, Airways applied for Rainbow Tick accreditation, which tests that a workplace welcomes sexual and gender diversity, and took the Pride Pledge to show support to our rainbow staff and the wider communities we operate in.

We recognise the importance of neurodiversity. Learning to embrace and work with neurodiverse brains helps us ensure we are creating a safe space for our people to be their full selves at work and realise the amazing potential they bring. This year we partnered with DivergenThinking to train 160 people, including all our senior leaders, in an Introduction to Neurodiversity workshop, and we plan to build on this foundation in our recruitment, performance and development practices.

Te ao Māori

We are working to weave tikanga and te reo Māori into daily life at Airways.

We now begin large events with a karakia and celebrate Matariki together – this year we flew the Tino Rangatiratanga over our Ōtautahi Christchurch campus.

We are continuing to encourage te reo Māori, with 10 people graduating from a programme run in person over three months by Au Consulting, and over 80 people now signed up to our online Education Perfect programme.

In partnership with Education Perfect, we held a successful Te Tiriti o Waitangi workshop in Ōtautahi Christchurch earlier in 2023 and are planning to offer this to more staff.

A group of our people visited Rāpaki Marae on Te Pātaka o Rākaihautū Banks Peninsula, where they learned more about te ao Māori and experienced a pōwhiri.

We are refreshing our three-year te ao Māori plan and working with our people and external consultants to decide what it will look like for Airways in 2024 and beyond.

Image: Courtesy of NASA/Aqua-MODIS. Public Domain-USGov.

CASE STUDY

Keeping our skies safe in a crisis

On Monday 13 February 2023, Cyclone Gabrielle tore into Hawke's Bay and Tairāwhiti Gisborne, leaving devastation in its wake.

Power, internet and cell phone connections to the region were cut, shutting down or disrupting our air traffic control services there.

On Tuesday morning, Gisborne controllers were able to reach the tower and communicate with pilots on the usual radio channels, but they were cut off from communications with the outside world. Napier Tower had to restrict services as staff were forced to leave or reached shift limits because replacements could not reach the tower over flooded roads and broken bridges.

Meanwhile, a huge, makeshift fleet of official and private rescue aircraft was preparing to get airborne. Over the coming days they would navigate crowded airspace to lift people off roofs and land emergency supplies.

Airways declared a Level 1 Crisis. Amid the events engulfing them, their families, friends and communities, our Gisborne and Napier Tower teams fixed their eyes firmly on the skies. They kept an unprecedented number of aircraft safe in a disaster zone.

An Airways team boarded a rescue flight with a satellite phone and a Starlink satellite internet connection to reconnect Gisborne Tower on Wednesday and allow more rescue aircraft into the area. Another technical team was able to reach Napier Tower that night with a generator to reconnect the very high frequency omni-directional range (VOR) navigation aide.

The Civil Aviation Authority declared restricted airspace areas in the region over the weekend to limit swelling traffic volumes to essential aircraft – a situation that would persist for weeks as communities struggled to recover.

Airways CEO James Young commended all the Airways people involved in the response to the cyclone.

"Our tower teams demonstrated a level of excellence, teamwork and courage of which Airways is immensely proud, and people across the company worked with great dedication to support them."

Gisborne Chief Controller Iain Hickling says his team performed with great professionalism in extraordinary circumstances.

"Despite being without power and water at home, cut off from family outside the area, and unable to use bank cards or withdraw cash for food and essential supplies, the controllers came to work and maintained their composure while managing a hectic and complex airspace for long periods."

For Napier Chief Controller Rainier Bron, the team's training in robust, comprehensive procedures contributed greatly to their effectiveness and resilience under stress.

"It was deeply satisfying to see how our team pulled together despite the chaos around us to focus on the job and to perform at an incredibly high level."

Both agree that the new Automatic Dependent Surveillance-Broadcast (ADS-B) system made a crucial difference.

ADS-B OUT equipment had been mandatory for aircraft in controlled airspace for only a few months before it proved its worth in a crisis. The system locates an aircraft using satellite data – sending air traffic controllers a more precise fix on an aircraft's position than radar and operating in areas where radar coverage is limited. ADS-B gave the tower teams a much clearer picture of what was happening in a crowded airspace – especially with aircraft like helicopters from outside the region that were unfamiliar with the environment and behaving in unpredictable ways.

STRATEGY

Serving all airspace users

Serving all airspace users

Aviation is in a state of rapid evolution. A host of autonomous vehicles are taking to our skies, with more new kinds of aircraft to follow. The technology to control them is evolving just as fast. To serve all airspace users, we need to adapt the way we manage airspace.

We will evolve to meet the needs of our current customers while creating solutions for the future – providing a safe, flexible and customer-centric experience at a fair price. Our expertise is already recognised internationally. By spearheading innovation and the use of new technology, we will lead the world in safe airspace management and services.

Our people deliver operational excellence every day, as demonstrated by our safety record and the demand for our expertise around the world.

The Air Traffic Services team in our towers and air traffic control centres manages 30 million square kilometres, one of the largest areas of airspace in the world, while our technical team designs, installs and maintains the navigation and communication equipment they rely on. Meanwhile, our experts develop new solutions for the airspace of the future.

Alongside our core air traffic management functions, our Airways International business takes training and technology to the global market. The two arms of our company reinforce and strengthen each other. Our knowledge and experience in delivering safe air traffic services at home allows us to develop relevant products and services that can be commercialised globally and generate income to reinvest into the company.

A safer system

Safety is at the heart of everything we do today and will remain so as we build the systems of tomorrow. The excellence of our systems and innovations has been recognised globally.

The Civil Air Navigation Services Organisation (CANSO), which represents the international air navigation industry, this year reported that Airways has an excellent safety management system when compared with air navigation service providers across the globe. This assessment, under the CANSO Standard of Excellence in Safety Management Systems Measurement, allows operators to independently validate and benchmark themselves against the wider industry and continually improve their efforts to manage safety.

CANSO has also recognised our new Safety Performance Indicator (SPI) programme as global best practice for aviation safety management systems. It uses enhanced safety metrics, data mining and presentation to help measure the safety of our operations and our people, and to report on and respond to our performance.

Airways has been working with safety culture expert Presage to continuously improve our safety culture. In 2021, we surveyed our people in depth and working groups of staff from across the business collaborated with Presage to identify recommendations for improvement. We have put in place agreed foundation actions and in April 2023, we surveyed our people to reassess their views. We are making good progress in implementing the recommendations and plan to complete this work by the end of 2024.

Working with the wider industry, we brought around 100 experts from across the safety and aviation sectors together in Christchurch in May 2023 for the annual Airways Safety Forum. The group tackled the challenges of change including climate change, emerging technologies and human wellbeing.

Airways International has also been creating tools to help pilots keep their aircraft and other airspace users safer.

The Flight Advisor tool developed by Aeropath, our aeronautical information and procedure design subsidiary, won the CANSO Global Safety Achievement Award 2022. This interactive web-based mapping tool helps pilots operating at low levels in uncontrolled airspace by improving situational awareness of traffic and hazards. Aeropath collaborated with the Royal New Zealand Air Force (RNZAF) to create the tool, which is also open to all civilian operators across New Zealand.

Aeropath also joined forces with MetService to create PreFlight, a platform giving commercial and recreational pilots safety-critical weather and aeronautical information in a more modern, interactive format, on a mobile-friendly interface. The platform launched in September 2022, along with a paid version offering extras including visual navigation charts, advanced briefing features, interactive map overlays of meteorological phenomena and webcam data.

The evolving airspace

Technology is driving change in air navigation. Under the coming advanced air mobility (AAM) model, and with the advent of sustainable fuels, new types of aircraft are entering the airspace to move people, products and services to urban and rural destinations that traditional aircraft cannot reach. Meanwhile, commercial space and near-space travel is becoming more frequent, with everything from rockets to scientific balloons traversing our airspace.

Our skies are becoming more complex to manage and posing new challenges for us – such as how best to manage the changing interplay between controlled and uncontrolled airspace, or to integrate uncrewed traffic management (UTM) into our existing air traffic management (ATM) system. These changes are happening against the background of wider global shifts, from artificial intelligence and cybersecurity threats to decarbonisation using electric, hydrogen and hybrid propulsion systems, as well as electric vertical take-off and landing (eVTOL) technology.

Airways is positioning itself to be flexible enough to respond effectively to new disruption in the sector and capitalise on the opportunities this offers. We will work collaboratively with our customers in a changing regulatory framework to deliver results that benefit everyone.

We collaborated with the Ministry of Transport's Air Navigation System Review Panel this year, as it examined the changes required in policy and regulatory approaches, institutions and funding. The review panel heard that while we have a safe aviation system with many strengths on which to build, and the physical and digital infrastructure we need right now, it needs to evolve from a relatively closed and siloed system to one that remains safe, but is more open and dynamic. We fully support the recommendations and are committed to working with the New Zealand Government and the aviation sector to put them into place.

Meanwhile, the New Zealand Government has this year launched a national space policy and an aerospace strategy which sets goals for 2030 – a sustainable air-passenger journey, safe integration of autonomous aerial vehicles, sustainable space activities, space exploration and enhanced decision-making using aerospace-enabled data. Airways' new business strategy positions us to play our vital part in achieving these national goals.

Future-fit infrastructure

Airways has marked important milestones this year in the evolution of its digital and physical infrastructure.

We are in the process of moving our air traffic centres in Auckland and Christchurch into two new buildings. These Importance Level 4 (IL4) buildings are designed to be operational immediately after an earthquake or another disastrous event. The Auckland oceanic controllers set up in their new centre, Te Pāho Rangi or Communication with the Sky, in July 2023. Our Christchurch teams are due to have moved into their new IL4 base, Te Whare Ao Rangi or The World of the Sky, by the end of 2023.

As we move into the new centres, we are finalising preparations to move to SkyLine-X, our new air traffic management platform. This resilient, flexible and future-fit system will replace two platforms which date from the early 2000s. Tailored to our needs with leading information technology engineer Leidos, SkyLine-X will allow Airways to operate from the two centres for greater resilience, standardise air traffic control functions for greater flexibility, and use advanced tools to optimise the air traffic system and staff deployment. These tools include medium-term conflict detection, optimised trajectory management and a resilient, multi-channel architecture. SkyLine-X delivers an integrated approach that allows a single system for tower, terminal and en route control operations.

Planning continues to replace Auckland Tower, which dates from the 1960s. In September 2022, we began consulting our stakeholders and our people on three options – a conventional, hybrid or full digital tower. In December, we announced plans for a hybrid tower with future digital capability, along with a remote digital contingency. However, we will also look at what we learn as we develop the digital contingency to reconsider whether a full digital option would be better, and will finalise plans before construction begins.

Digital towers

A digital tower replicates the environment around a physical tower using cameras that send images to controllers in a digital centre elsewhere. Digitisation builds more resilience and efficiency into the system because it gives controllers new digital tools to help them in their decision-making and allows them to work from more favourable locations. Airways has this year also been examining the merits of a Digital Aerodrome Services (DAS) infrastructure model at suitable aerodromes.

Airspace optimisation

We are continuing our work towards optimising our network management and airspace architecture. Some regional towers currently manage approaching aircraft using procedures that do not rely on surveillance control technology. However, with the advent of Automatic Dependent Surveillance-Broadcast (ADS-B) technology to locate aircraft, we can now begin to introduce surveillance services. Queenstown Tower was the first regional tower to move to a surveillance service for approaches, and work is underway to introduce it into the remaining towers. This, combined with plans to standardise the upper airspace management of aircraft en route, will allow our staff to work more flexibly across more sectors, improving efficiency.

We continue to work with our stakeholders to improve our network management. The introduction of SkyLine-X will build on our achievements with Performance Based Navigation (PBN) and the Collaborative Arrivals Manager (CAM), as well as the safety and efficiency gains of the Divergent Missed Approach Protection Systems (DMAPS) at Christchurch and Wellington.

These developments rely on continuous improvement at the foundations such as procedure standardisation, as well as recruitment and training reviews to ensure we are supporting our people throughout the change.

A resilient system

Airways experts have this year worked to introduce a number of new systems to make our skies safer and more resilient.

Our transition from secondary surveillance radar (SSR) to ADS-B as our main cooperative surveillance system reached a milestone on 31 December 2022, as ADS-B OUT equipment became mandatory for all aircraft operating in controlled airspace. The system uses global navigation satellite system (GNSS) data to pinpoint an aircraft's location more precisely than radar and is available in areas where radar coverage is limited or non-existent. A transponder broadcasts the data to air traffic control, which uses it to separate aircraft. A programme is underway to replace our aging SSRs at Auckland, Wellington and Christchurch. This will provide a contingency surveillance source in the highly unlikely event of a GNSS outage. The ADS-B system proved a game changer for air traffic controllers managing the unpredictable skies over Hawke's Bay and Tairāwhiti Gisborne after Cyclone Gabrielle in February 2023.

49,483

FLIGHTS BY UNCREWED AERIAL VEHICLES (UAVS) LOGGED THIS YEAR.

A new Runway Condition Report (RCR) system will make landings and take-offs safer when it is introduced in November 2023. By detailing the runway surface condition in thirds over its length, the RCR system better alerts pilots to contamination such as standing water, a slippery wet surface, snow, ice, slush, wet ice or wet snow. The overall responsibility for assessing and reporting runway conditions to pilots lies with the aerodrome operators, but they may delegate it to air traffic control as long as conditions are not contaminated.

After introducing remote air traffic control training during the pandemic, we have this year equipped our Auckland and Christchurch centres with simulators that can recreate any of our surveillance or tower units.

Airways continues to actively improve its resilience to risks such as severe weather events, natural disasters, cybersecurity, disinformation and geopolitical issues.

Aerial vehicles

Drones are taking to our skies in ever increasing numbers and uncrewed commercial passenger vehicles will be lifting off by the end of the decade.

AirShare, the airspace intelligence and uncrewed traffic management system owned by Airways International, has logged 49,483 flights by uncrewed aerial vehicles (UAVs) this year.

AirShare is now bringing its innovation to New Zealand's Airspace Integration Trials Programme (AITP) – a collaboration with the Ministry of Business, Innovation and Employment, the Ministry of Transport and the Civil Aviation Authority to support the safe testing, development and market validation of advanced uncrewed aircraft.

Programme partners will trial the AirShare uncrewed traffic management (UTM) system, allowing drone operators to gain authorisation to enter the airspace by submitting an electronic flight plan on a digital app rather than phoning the control tower. AirShare will demonstrate its systems, share data and test integration with operator systems.

Meanwhile, our Air Traffic Services team has this year made strides in its cutting-edge work under the AITP with industry partners including Boeing subsidiary Wisk – the developer of a self-flying, all-electric air taxi. We are working closely with Wisk to prepare for live trials to integrate its electric vertical take-off and landing (e-VTOL) passenger vehicle into active airspace under the management of air traffic control.

The space industry

Airways plays a critical role in the safe and efficient development of the New Zealand space industry.

We are now managing regular commercial launches by New Zealand pioneer Rocket Lab from its Mahia Peninsula range. The reusable Electron rocket carries satellites into precise orbits for a growing market. Rocket Lab is now developing a Neutron rocket for large constellation deployment, deep space missions and human spaceflight.

Meanwhile, NASA returned to Wānaka Airport this year for the successful launch of two super-pressure science balloons, with Airways guiding them to the edge of space. The balloons carried scientific equipment to help map dark matter by imaging large galaxy clusters, and to detect ultra-high-energy cosmic ray particles. The NASA programme is designed to develop the performance of the balloons, which allow scientific research at a fraction of the cost of launching a rocket.

Te ao Māori

In December 2022, Airways launched Whakatere – a free interactive web map to help the aviation community with the pronunciation of te reo Māori. Whakatere means 'to navigate' and the tool gives air traffic controllers and pilots the correct pronunciation of Māori place names and visual reporting points (VRPs) – the easily recognisable geographical points that pilots use to navigate and communicate with air traffic control about their location.

We have named our new air traffic centres in Christchurch and Auckland in collaboration with local iwi. The Christchurch centre is Te Whare Ao Rangi or The World of the Sky – a name developed in collaboration with Ngāi Tūāhuriri. It acknowledges the care and protection role those working in the building play for those travelling in our skies, and all the elements that we share the airspace with. The Auckland centre is Te Pāho Rangi or Communication with the Sky, a name given following a hui with Te Ākitai Waiohua. Communication with the sky father is a daily cultural or religious practice for many people, and Te Pāho Rangi communicates with those travelling the skies.

CASE STUDY

Airways partners with NASA to launch stadium-sized balloon to the edge of space

NASA has launched two stadium-sized super pressure balloons from Wānaka Airport this year, with Airways safely managing their ascent to the edge of space.

We worked with the team from NASA's Wallops Flight Facility in Virginia, United States to plan the airspace logistics for the launches in April and May 2023. The scientific balloons inflate fully in flight to 532,000 cubic meters – about the size of Dunedin's Forsyth Barr Stadium.

The flights tested the helium-filled balloons' super pressure technology, which is designed to maintain their internal pressure, keeping them at a constant density altitude regardless of the temperature changes between day and night.

The wind-propelled balloons circumnavigate the globe at about 33.5 kilometres or 110,000 feet above the earth for as long as possible, collecting data on their own performance and the Southern Hemisphere flight environment.

Carrying a payload of several tonnes, they take about an hour to reach 18.3 kilometres or 60,000 feet – the upper limit of controlled airspace that Airways manages, surprising unsuspecting sky-gazers across the South Island, before heading east across the Pacific.

The first balloon carried the Super Pressure Balloon Imaging Telescope (SuperBIT) from Princeton University, which used a wide field of view to image large galaxy clusters in a near-space environment. By measuring the way these massive objects warp the space around them, an effect called weak gravitational lensing, scientists can map the dark matter present in these clusters.

The second mission flew the Extreme Universe Space Observatory 2 (EUSO-2) from the University of Chicago, which was designed to detect ultra-high-energy cosmic ray particles from beyond our galaxy as they penetrate Earth's atmosphere.

The origins of these particles are not well understood.

NASA chooses Wānaka because of the relatively low population around the airport and its generally favourable weather conditions, and has been launching balloons there since 2017. After disappointments in 2020 due to the COVID-19 pandemic and in 2022 due to a ground system anomaly, the NASA and Airways teams were overjoyed to get two balloons airborne this year.

While the second balloon developed a leak after about a day and was brought safely down, the first stayed aloft for nearly 40 days, completing a record five full circuits of the Southern Hemisphere's mid-latitudes and returning stunning images of the Tarantula Nebula and the Antennae, Southern Pinwheel and Sombrero galaxies.

Image: Courtesy of NASA.

CASE STUDY

Testing space-based air traffic management

Airways is helping to develop Skykraft's space-based air traffic management service.

The Australian space services company aims to improve the safety and efficiency of air travel by providing global surveillance and communication for air traffic, especially over remote and oceanic areas not covered by existing infrastructure.

To help prove the concept, Skykraft will use its satellite constellation to gather data on aircraft movements, and test it against the rich data set Airways gathers across the 30 million square kilometres of airspace we manage.

The project aims to demonstrate Skykraft's world-first combination of space-based air traffic surveillance and very high frequency (VHF) radio communications.

Skykraft's satellite-based VHF system will be a key element in the proof-of-concept process and has the potential to create a step change for aviation.

The project will give Airways the opportunity to explore how we can integrate the space-based air traffic management of the future into our infrastructure.

The goal of the collaboration is to help drive the evolution of the next generation of air traffic management services, making flying across the Pacific and the Tasman even safer and more efficient.

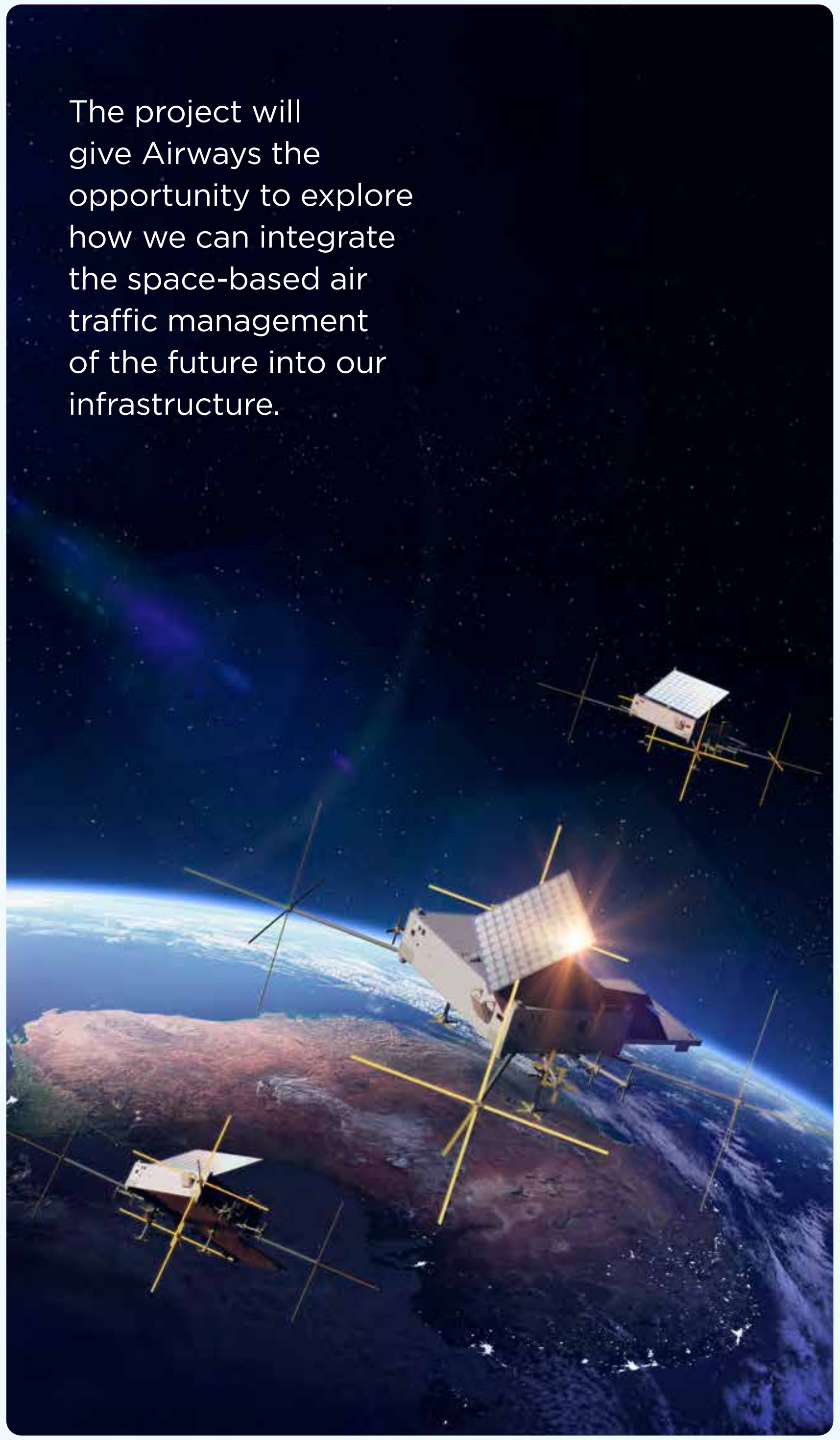
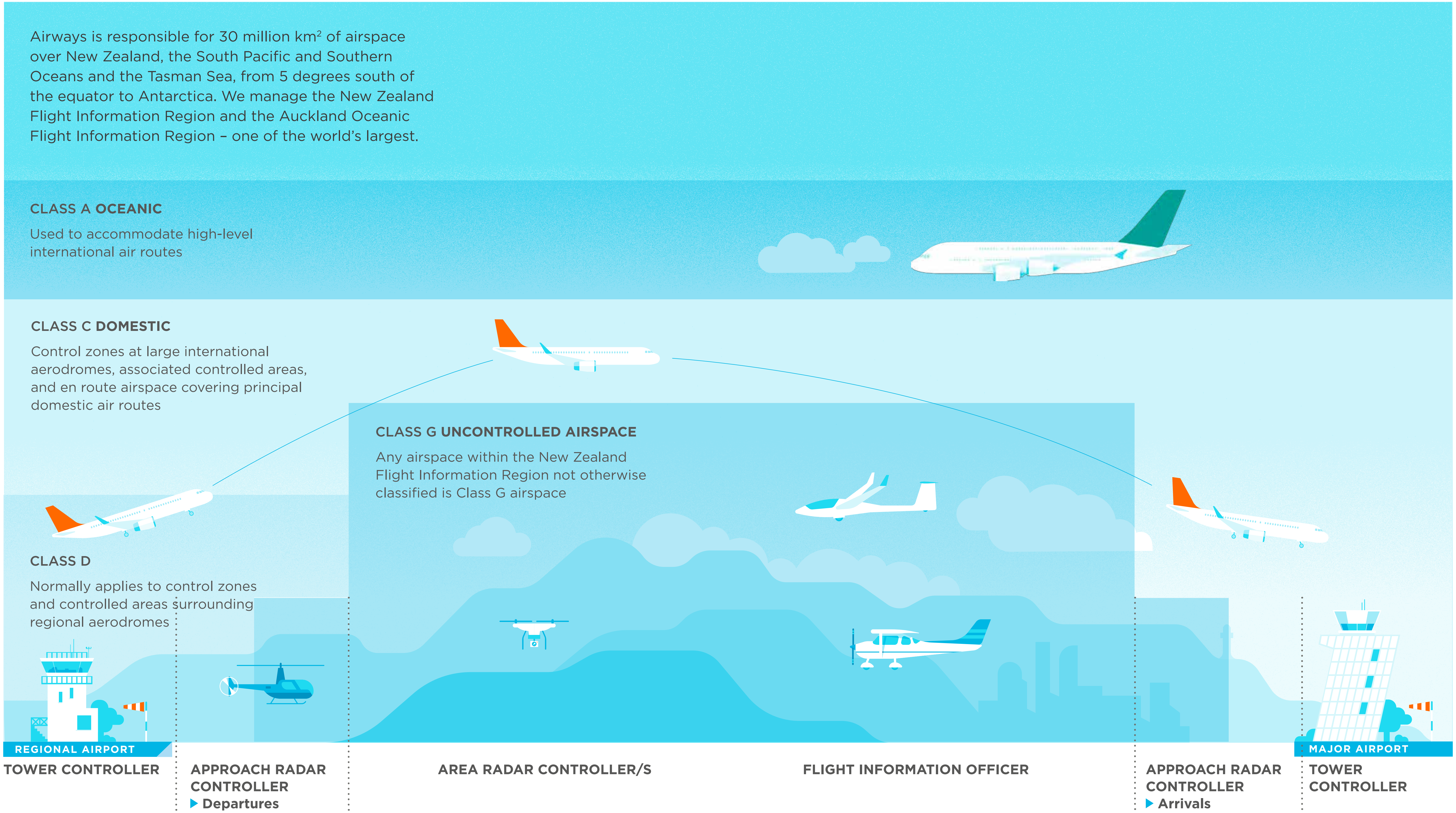


Image: Courtesy of Skykraft. Illustration by Tony Bela.

Structure of New Zealand's airspace



STRATEGY

Supporting sustainable aviation

Image: Courtesy of Roy McEwan.

Supporting sustainable aviation

Airways has a responsibility to make a positive contribution to the world we live in. We are committed to achieving our strategic goals in a socially and environmentally sustainable way that works for us, our people, our communities and all of New Zealand.

As the guardian of New Zealand's airspace, we are finding more sustainable ways to manage it. From optimising the way aircraft operate in our airspace to integrating a cleaner generation of aircraft into it, we are working to help reduce carbon emissions. We are also managing our own business more sustainably. By bringing our expertise to bear on the challenges, we will help to create a greener future.

The severe weather events of early 2023 were a stark reminder that sustainability is not a nice-to-have – it is a necessity if we want to continue to have a planet on which we can operate.

The aviation industry accounts for over two per cent of global energy-related CO_2 emissions. In New Zealand, this figure climbs to 6.3 per cent of emissions from domestic aviation alone. At a time when other transport options such as rail and road are rapidly converting to renewable fuel sources, aviation remains reliant on fossil fuels.

The sector as a whole is moving to adopt more sustainable options with a strong focus on reducing carbon emissions. Whether through sustainable aviation fuel for existing aircraft or the development of the electric and hydrogen-powered aircraft of the future, we are entering what is likely to be the greatest evolution in technology since the aviation industry began.

The International Civil Aviation Organization (ICAO) has adopted a collective long-term global aspiration – net-zero emissions by 2050. Many of our customers are aggressively targeting greater sustainability in their operations and fleets.

Supporting sustainable aviation

Work is underway to develop a refreshed sustainability roadmap and framework for Airways that will guide our approach and initiatives.

Over the year, we have been engaging closely with our customers, stakeholders and people to develop an updated roadmap. This will guide us towards realising our growing ambition for a more sustainable future and ensure we play our part in tackling climate change. This work is informed by our recent materiality assessment and carbon emission mapping projects.

The success of our sustainability strategy and the ability to drive the level of holistic thinking required to deliver the solutions we need relies heavily on the relationships we have with our customers, communities and regulator.

Collaboration on sustainability initiatives

In late 2022, Airways was confirmed as a member of the Sustainable Aviation Aotearoa (SAA) Leadership Group – a public-private partnership that will provide advice and coordination to accelerate the decarbonisation of the nation's aviation sector. This project is one of the actions from the New Zealand Government's Emissions Reduction Plan which sets targets to reduce transport emissions by 41 per cent by 2035.

The Carbon Neutral Government Programme (CNGP) has been set up to accelerate the reduction of emissions in the public sector. Airways is considering participating in Tranche Three of the CNGP with a view to formally joining in FY23–24.

We recognise the options available to us are limited compared to those of airlines in particular. But we have an important role to play and we will continue to champion a sustainable approach to airspace management.

Airspace optimisation

For a number of years, Airways has been at the forefront of developing and deploying procedures and technology that reduce the environmental footprint of the aviation industry. Advanced navigation procedures and intelligent flow management tools have improved the efficiency of flight paths and reduced aircraft fuel burn and carbon emissions, as well as enhancing overall safety.

Airspace optimisation, the Divergent Missed Approach Protection System (DMAPS) and other initiatives produce results that will reduce aircraft fuel burn and significantly reduce emissions over time. This is where Airways can, and will, make the biggest contribution to a more sustainable future for the aviation industry. In the year to 30 June 2023, Airways was proud to reduce carbon emissions from aviation in our airspace by 16.24 kilotonnes.

Throughout the year, we have continued to progress the airspace optimisation programme. The design of New Zealand's air traffic control airspace sectors has developed piecemeal over several decades, resulting in a number of inefficiencies.

In 2019, Airways began a comprehensive ground-up review of the way we sectorise airspace. It has identified opportunities for adjustments that would improve the overall efficiency of flight paths and reduce aircraft fuel burn and carbon emissions. As an initial step, we are now working on track shortening for some flight paths at high altitudes. This programme will continue over the coming year.

Improving our sustainability

We have continued to electrify the Airways vehicle fleet over the last year, recycle our waste and reduce our use of paper. In line with our sustainability roadmap, we will accelerate these initiatives and introduce a wide range of others related to our workplaces, infrastructure and energy use, as well as the way we work, and our procurement and supply chains.

Importantly, protecting the natural environment isn't the whole story – sustainability is much bigger than the way it has traditionally been defined. It now takes into account every dimension of the business environment – social, economic and cultural as well as natural. We will consider those impacts as well. That is why the work to support sustainable aviation – one of our strategic pillars – is closely tied into the work on the other three pillars of our company strategy. We will ensure we have an integrated sustainability strategy across our people, systems, practices and growth plans.

Te ao Māori

We have included in our strategy our commitment to embed te ao Māori values and the principle of kaitiakitanga or guardianship of the environment into our ways of working. We recently ran a training session with our senior leadership team on the full meaning of kaitiakitanga in te ao Māori.

CASE STUDY

New fuel cell moves Airways one step closer to sustainability goals

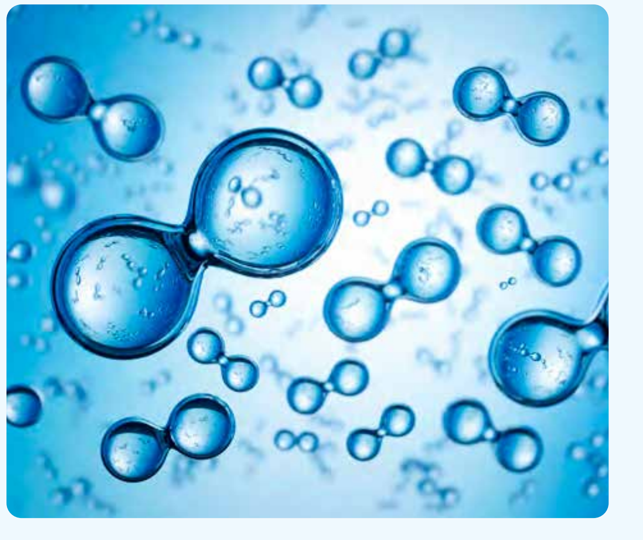
Airways has purchased a fuel cell – a device that provides electricity directly from hydrogen gas – for our Newlands Non-Directional Beacon site in Wellington.

This follows work in partnership with AECOM, an infrastructure consulting firm, to research a sustainable, scalable replacement for the many diesel generators and batteries currently in use across Airways sites.

These devices provide power for our navigational aids during electricity outages, of which there are a handful each week across the country.

Unlike diesel generators, fuel cells are carbon-free and exhaust only pure water. They are lightweight and contain far fewer rare earth minerals than other batteries. They do not have the hazardous waste inherent in the batteries currently in use. They are the type of clean, sustainable and desirable technology which Airways is looking to take advantage of.

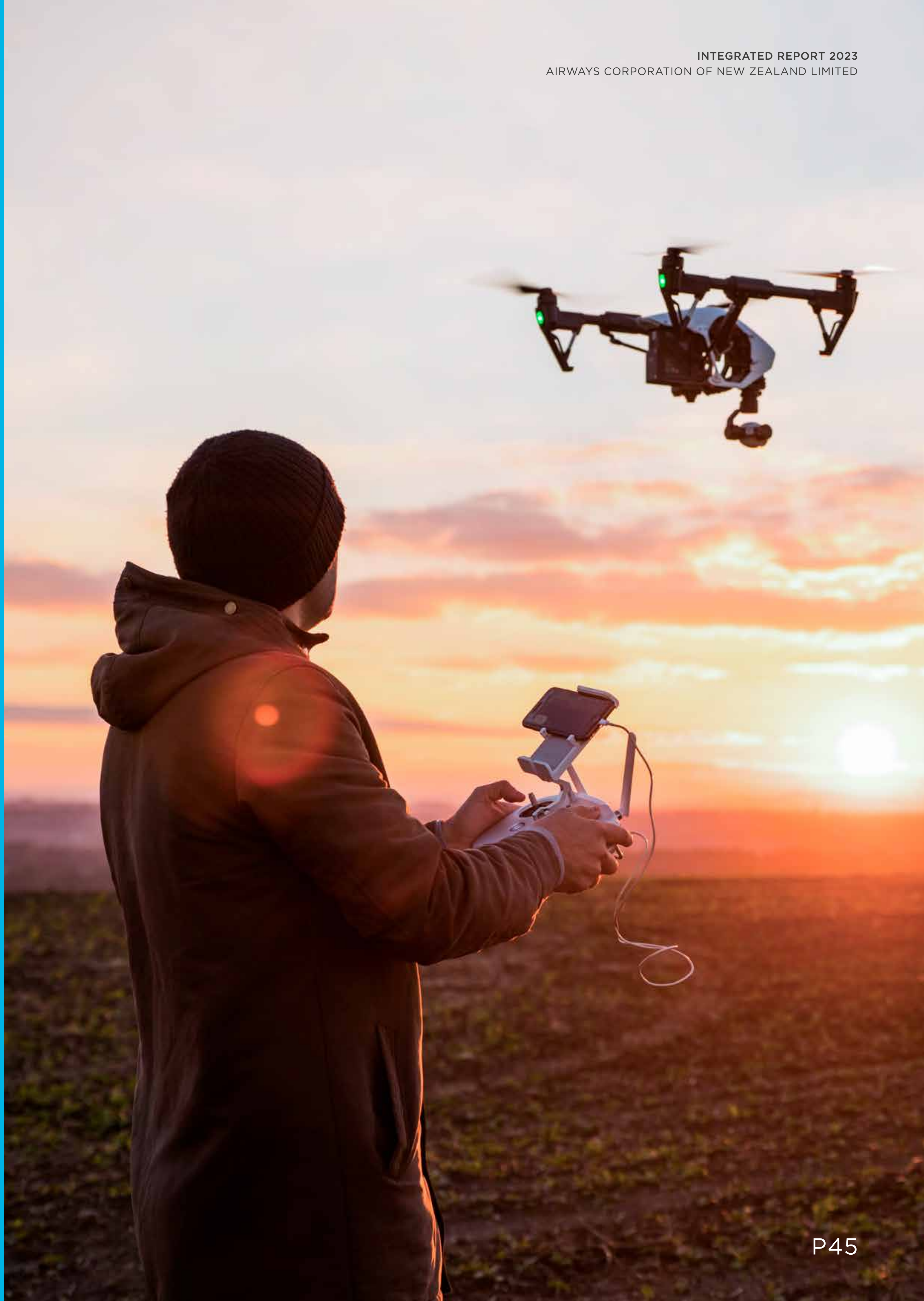
Once the fuel cell unit has been installed, Airways will conduct extensive testing to simulate producing power under a variety of scenarios at the company's other remote sites.



AECOM

STRATEGY

Unlocking future growth



Unlocking future growth

As the aviation sector evolves, Airways is preparing to grow with it.

Our air navigation service and our commercial arm work in synergy, building on our expertise at home to create assets for the global market and investing the revenue back into the core business. By harnessing the skills of people across our company and working with international partners, we are unlocking our future as a global leader in safe airspace management.

Taking our expertise to the world

Nepalese air traffic controllers will soon train on TotalControl simulators from Airways International. We have this year signed a contract to supply the Civil Aviation Academy of Nepal with a 360-degree tower simulator, an approach surveillance simulator and an area surveillance simulator, as well as six simulator pilot positions.

We developed four tower environments using TotalControl's advanced TrueView visuals, recreating Nepal's conditions in a simulation almost indistinguishable from the real world. It features next-generation graphics technology – a hybrid rendering of high-resolution imagery from the control tower and underlying terrain data.

TotalControl simulation is also moving into the cloud – an example of the way Airways International's cloud-based strategy is taking flight. Key TotalControl customers are now able to set up their sim-in-a-suitcase on any PC in 20 minutes, run simulation exercises remotely, and take advantage of advanced cloud-based systems, monitoring, analytics and secure backup. Staff can be trained more frequently, in less time, with less travel.

Other solutions in our cloud-based suite include Airways Knowledge Online (AKO), a world-leading virtual training academy for the aviation sector developed in response to the COVID-19 pandemic, and the SureSelect tool that helps air navigation providers to select the trainees most likely to succeed as air traffic controllers.

The uncrewed traffic management system (UTM) AirShare developed for uncrewed flight planning and authorisation is another example of the way we can bring our competitive advantage as an air navigation service provider to bear, as technology start-ups flood into the sector.

Airways International has this year begun collaboration to improve satellite-based positioning systems in Australasia under the Southern Positioning Augmentation Network (SouthPAN) project – a partnership between Land Information New Zealand and Geoscience Australia. The SouthPAN technology boosts the accuracy and reliability of global navigation satellite systems (GNSS), using a network of ground stations to calculate and correct errors. Originally developed for aviation safety, it has wide-ranging potential uses, from crop management to maritime tracking and navigation for drones and other unmanned vehicles. We will work on a safety case with New Zealand's Civil Aviation Authority and the Civil Aviation Safety Authority in Australia.

We renewed the partnership between Airways International and the United States-based MITRE Corporation this year, to continue supporting future aviation developments in the Asia-Pacific region. The partnership has so far delivered a complex multi-runway airspace and instrument flight procedure solution for a major airport customer in Asia, and MITRE has brought valuable technical expertise to our airspace optimisation project. The opportunity to collaborate on projects that shape the global airspace systems and operations of the future will create value for customers and open new paths to growth.

Taking air navigation into the future

We are working toward our vision for our airspace in 2033 – a system that is performance-based and optimised for efficiency using operations that are dynamic and predictable from take-off to landing.

We are planning for enhanced flow management tools to better sequence aircraft in the air and collaborative ground delay tools to enhance sustainability.

Whether they use our control tower or flight information services, aerodromes will have access to an array of digital tools from cameras to advance surface movement systems and artificial intelligence software.

Air traffic controllers are likely to be located on site at major aerodromes but regional aerodromes may be able to take advantage of more efficient services from remote digital towers.

Controllers managing upper airspace en route services will be able to work across a number of sectors using decision support tools for conflict detection – enhancing safety, efficiency and resilience.

Our Auckland centre will control oceanic services using next-generation long-range flow management tools and may work with space-based surveillance and communications systems.

These air traffic management systems will allow us to evolve safely with the increasingly busy and complex airspace of the future – delivering a safe, efficient and flexible service to all airspace users.

Te ao Māori

As our business evolves, we will continue to integrate a greater appreciation of te ao Māori into our work.

We will support our people to become stronger in tikanga and te reo Māori. As the guardian of our skies and a company committed to a more sustainable future, we will grow in our understanding of how to put into practice the principles of kaitiakitanga and the values of te ao Māori.

CASE STUDY

Airways gets the next generation of aviators airborne

Image: Courtesy of Scott Cowley.

Over 60 teenagers descended on Matamata Aerodrome in the Waikato in January 2023 for the Walsh Memorial Scout Flying School.

The camp, sponsored by Airways, offers young aviators two weeks of intensive theory and practical flight training, including flight theory, air traffic control, engineering, meteorology and time in the pilot's seat.

It draws young aviators from a range of backgrounds including Scouts Aotearoa and Girl Guides, and is now in its 56th year, with Airways involved for the last 30 years.

Seven air traffic controllers help to keep the camp running, along with 26 flying instructors, refuellers, kitchen staff, flight operations support and administration people.

The Airways people control a very busy airspace with a mobile control tower. They also give briefings, mow runways, help with the catering, and explain how air traffic control works to those who might be interested in the career.

Each year, Airways awards the Glenn C Ashton Memorial Scholarships, in memory of a respected controller, to several of the children of our staff, to help towards the cost of attending the camp.

This year, 40 students made their first solo flight there.

Despite bad weather, the daily average of flight movements – take-offs and landings – still totalled more than 500, busier than Auckland Airport's busiest month in 2022.

Governance

Our Board of Directors

DENISE CHURCH
CHAIR, QSO, CFINSTD

Denise was appointed as Chair of the Airways Board in January 2019, bringing with her a wide range of governance and management experience.

She is a Chartered Fellow of the Institute of Directors and holds degrees in zoology, economics and resource management.

Denise is currently Chair of Predator Free 2050 Ltd, a director of Predator Free Wellington Ltd, and a trustee of the South Youth Foundation.

She was previously Chair of the Institute of Environmental Science and Research (ESR) and Zealandia, and has held a number of board roles.

Denise was Chief Executive of the Ministry for the Environment from 1996 to 2001.

As director of Leadership Matters Ltd, she works with boards and executive teams on leadership and strategy development.

MARK PITT
DEPUTY CHAIR, BSC, ATPL

Mark was appointed to the Airways Board in November 2015. He has 40 years of experience as a pilot, initially as an international military pilot instructor and then as a domestic airline pilot instructor. He now enjoys private flying.

Mark has also served as a director on a number of boards including Virgin Australia New Zealand, Virgin Samoa, the Board of Airline Representatives New Zealand Inc (BARNZ) and Airwork Holdings Ltd. He is the owner and director of distribution company Quinn International Ltd.

Mark has a deep understanding of commercial, private and military flying operations and safety systems, and is a current practitioner in aviation.

His experience as an airline CEO for Air New Zealand Link, Pacific Blue Airlines and Virgin Australia New Zealand has allowed him to develop valuable insights into the broader challenges and opportunities in the aviation system in New Zealand and overseas.

DARIN CUSACK
MINSTD

Darin was appointed to the Airways Board in April 2018. He is a Member of the Institute of Directors.

Darin's current governance roles include directorships of Hawke's Bay Airport Ltd, Auckland One Rail Ltd, ACL Ltd, Absolute Solutions Group Ltd, and in the not-for-profit space with Youth Hostel Association (YHA) of New Zealand and the Canterbury Cricket Association.

Darin brings with him a background in aviation, transport and tourism, having held chief executive and senior executive roles across airport, air navigation, aviation security and airline organisations throughout New Zealand and the Pacific region.

Most recently, he led the Pacific Aviation Investment Program (PAIP) on behalf of the World Bank Group across six countries in the Pacific region, and the reform and restructure of the Pacific Aviation Safety Office. The programme delivered over US$350 million of infrastructure renewal, technical assistance, regulatory oversight and capacity building.

Darin undertakes a variety of work within New Zealand, as well as continuing to work across the Pacific region, supporting donor organisations in the development and preparation of investment programmes.

GAVIN FERNANDEZ
MBA, CMINSTD

Gavin (Ngāti Maru and Ngāti Porou) was appointed to the Airways Board in March 2022. He has wide experience in governance and senior management and is presently on the boards of New Zealand Green Investment Finance (NZGIF) and the Museum of Transport and Technology (MOTAT).

He began his career as a Licenced Avionics Engineer with Air New Zealand and holds a New Zealand and a Federal Aviation Administration (FAA) Private Pilot Licence. He is a graduate of Lincoln University, United Kingdom (MBA) and INSEAD, France (Finance) and a Chartered Member of the Institute of Directors.

Gavin has experience in past and present senior technical, commercial and governance roles in New Zealand, Hong Kong and North America – including work in the aviation, engineering, sustainability, environmental finance and social enterprise industries.

He aims to help businesses succeed whilst caring for the environment and the community.

Gavin has a diverse background with Māori heritage and is a member of the Rainbow Community.

JOHN HOLT
BA, PGDIP BUSADMIN

John was appointed to the Airways Board in January 2019. He is an experienced company director and entrepreneur with governance and executive experience across a wide range of company stages and industries.

His purpose statement is to "actively engage the world, learn, grow and share with others."

John founded Technology and Innovations New Zealand (TAINZ) at age 17 to pursue his passion for evolving innovative ideas that solve meaningful problems into successful, scalable companies.

He is the co-founder of New Zealand technology start-ups Sonar6 (sold to United States company Cornerstone in 2012) and Homes.co.nz, (sold to New Zealand corporate Trade Me in 2021).

He is currently a director of Orbica Ltd, Kiwi Landing Pad Ltd (trading as Territory3), and Chair/Trustee of the Free For All Charitable Trust and of Technology and Innovations Ltd (TAINZ).

Since 2020, John has focused on applying his experience, connections, curiosity and applied skills specifically to the areas of strategy, sales, and cultural and digital transformation, to enhance the readiness of organisations for the future.

John has a Bachelor of Arts degree in Military History and a Postgraduate Diploma in Business Administration. He has had a lifelong interest in aviation and is a flying member of the Wellington Aero Club.

MARK HUTCHINSON
BSC (HONS), MSC, PGDIP CLPS, MINSTD

Mark was appointed to the Airways Board in November 2019. He is Managing Director of his own leadership consultancy, Divergent & Co – where he works predominately supporting boards and chief executives to improve executive leadership performance and drive change by linking strategy to capability and culture.

Starting his career in clinical psychology in New Zealand, Mark joined a global leadership consulting firm in London in 2001 and worked with senior leaders in a range of multinational and scale businesses such as RBS, BP and Sainsbury's; then became Organisational Development Manager for Barclays UK Retail Bank during the global financial crisis.

Since returning to New Zealand in 2010, he has consulted across a range of industries in both the public and private sector, with clients such as Trustpower, Fonterra, Chorus, NZ Post, Waka Kotahi, Mercury Energy and Fletcher Building.

NOTE: Mark took an unpaid leave of absence from the Board from 1 July 2023 until after the New Zealand General Election on 14 October 2023.

LISA JACOBS
BCOM, LLB, FCA, CMINSTD

Lisa Jacobs was appointed to the Airways Board in November 2018.

She brings a strong legal, financial and risk management focus to the role. Lisa is the Chief Executive Officer of national law firm Anthony Harper and has extensive experience in the professional firm environment and the investment management sector, where she has held both senior executive and Board roles.

Lisa holds a Bachelor of Commerce and a Bachelor of Laws from the University of Auckland, is a Fellow Chartered Accountant, and a Chartered Member of the Institute of Directors.

TERRY PADDY
BSC, MINSTD

Terry was appointed to the Airways Board in November 2022. He has over 20 years of experience in military and civilian airline aviation and was a qualified flying instructor, check and training captain and Civil Aviation Authority-appointed flight examiner.

Terry is the Managing Director of the software development company Cortexo and has held positions as the President of the New Zealand Software Association and Canterbury Software Incorporated.

He is a director of The Travel Supermarket Ltd.

He is a member of the Electricity Authority's Innovation and Participation Advisory Group and an Advisory Board Member of the Sustainable Energy Association of New Zealand.

Terry is a Member of the Institute of Directors and was previously an Associate Member of Chartered Secretaries and Administrators and an Associate Fellow of the New Zealand Institute of Management and Leadership.

DANNY TUATO'O
LLB, BA (HONS), MA

Danny (Ngāpuhi) was appointed to the Airways Board in July 2023. He was admitted as a barrister and solicitor of the High Court of New Zealand in 2005. In addition to his legal expertise, Danny has significant leadership experience as a business owner in New Zealand, a director in the public and private sectors, and a senior manager in law and education.

He is currently Managing Partner in Northland law practice Marsden Woods Inskip Smith and a member of the boards of Fire and Emergency New Zealand and Maritime New Zealand.

Danny was a panel member on the Air Navigation System Review commissioned by the Ministry of Transport, which concluded in May 2023.

Proficient in te reo Māori, Danny also volunteers for the Coastguard New Zealand Board and is actively involved in Kiwi recovery and pest control projects in Northland.

He lives with his wife and four children in Whangārei.

NICOLA GREER
MCOM (HONS)

Nicola was appointed to the Airways Board in June 2020.

She has extensive experience in New Zealand, Australia and the United Kingdom in the banking and finance sectors, having previously held a range of roles in financial markets and asset and liability management at ANZ, Citibank and Goldman Sachs.

Nicola's current governance roles include directorships at Fidelity Life Assurance, Precinct Properties, South Port NZ and New Zealand Railways Corporation. She is a Member of the New Zealand Markets Disciplinary Tribunal.

Nicola also has a significant background in the New Zealand commercial property market, successfully developing and owning commercial property across a variety of sectors.

NOTE: Nicola's term concluded on 30 April 2023.

Governance at Airways

Commitment to sound governance

Directors and management recognise the importance of robust and effective governance and are committed to delivering this at Airways. The following sections set out the systems and processes Airways has in place to foster high standards of ethical and safety-conscious behaviour and sound decision making. It also explains how Airways ensures those systems and processes are supported by the right people and achieve the desired outcomes.

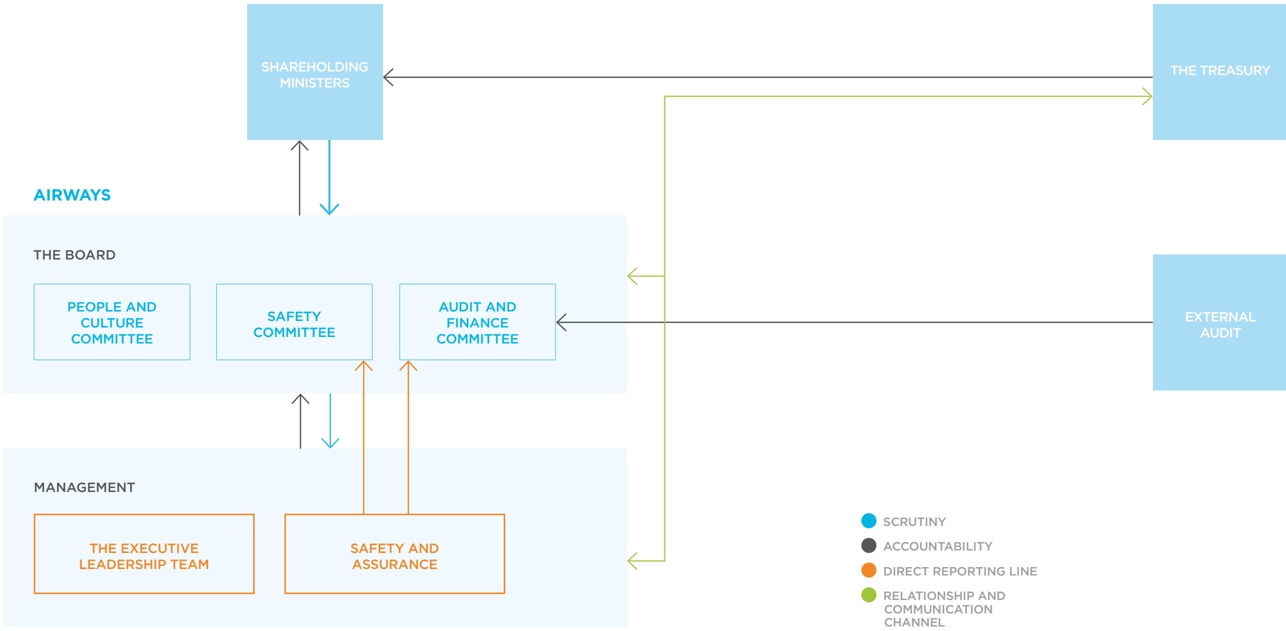
The Code of Conduct underpins governance at Airways, from the Board through to operational staff. It is a comprehensive guide communicated to all employees which sets out explicit expectations of the highest standards of integrity, good conduct and concern for the public interest, as well as providing clear guidelines for when these expectations are not being met.

Governance framework

Airways operates under a range of legislative and regulatory obligations; however the key principles of Airways' governance framework are established by the Companies Act 1993, the State-Owned Enterprises Act 1986, the Owners Expectation Manual and the Civil Aviation Authority (CAA) Act 1990. Those key principles are:

- Airways is ultimately accountable to the shareholding Ministers, who have support from Treasury (through the Commercial Operations group).
- This accountability is achieved through the annual expectations letter issued by the shareholding Ministers and the compilation of (and reporting against) the Statement of Corporate Intent (SCI) by the Airways Board. The SCI sets out the objectives, the nature and scope of activities, the financial and non-financial performance indicators and an estimate of the current commercial value of Airways.
- The Office of the Auditor-General (OAG) is responsible for providing additional financial oversight, primarily through the appointment of an external auditor.
- Starting with the Board, and flowing through to all areas of the company, Airways adopts a 'no surprises' policy.
- Airways must adhere to all applicable civil aviation rules and regulatory requirements to ensure continuing operational certification from the CAA, including establishing and maintaining an effective safety management system.

The key parties in Airways' governance structure, and the lines of reporting and accountability between them, are set out in the diagram below.



Governance at Airways CONTINUED

Relevant roles and responsibilities

The Board

The Board's key role is to represent and promote the interests of the shareholder, by providing leadership in the development of Airways' vision, strategy and activities. It is ultimately accountable for adding long-term value to Airways while ensuring all obligations are met.

Some of the key Board responsibilities are set out below and captured in the Board charter:

- ensuring clear goals, and strategies for achieving them, are established through the annual Business Plan and SCI
- holding management responsible for delivering on that Plan
- ensuring appropriate risk management policies and strategies are established and regularly monitored
- establishing, participating in and monitoring effective governance structures and internal controls that address Airways' key financial, commercial and safety risks
- ensuring financial statements are produced
- establishing appropriate processes and internal controls to ensure those financial statements are high quality and reliable
- ensuring appropriate representations and certifications are received from the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) regarding the accuracy and reliability of the financial statements and the supporting processes and internal controls
- reporting to the shareholding Ministers on performance and other required matters
- providing leadership in building effective relationships with key stakeholders
- managing CEO appointment and performance
- providing leadership and guidance on policies and strategies for remuneration, people and culture
- ensuring systems are in place to manage statutory and regulatory compliance.

Ensuring independence

A key component of the Board's ability to deliver robust governance is maintaining independence, in both fact and appearance, from management and from any personal interests.

To ensure this, the Board has no executive directors, and directors are not permitted to provide business or professional services to Airways, unless specifically authorised by the shareholder. These, and other, expectations for non-executive directors are explicitly captured in the Board charter.

Managing conflicts of interest

All directors recognise the importance of maintaining independence and are required to record all interests, material or otherwise, in the Interests Register which is updated and reviewed at each Board meeting. Where conflicts between a director's interests and matters being reviewed by the Board do exist, the relevant director refrains from voting and will not take part in any of the preceding discussion.

During the year, 13 entries were made to the Interests Register. These disclosures are all in relation to changes (which include adding or removing) shareholdings of the relevant director or company directorships or other roles listed in the directors' profiles on pages 50 to 52 (or relating to a now-retired director).

Governance at Airways CONTINUED

Appointing new members and ensuring a balanced Board

All new directors are appointed by the shareholder, with the Chair providing advice as part of the appointment process. For the Board to meet its duties and responsibilities, it needs an appropriate mix of skills and backgrounds, a constructive board dynamic and opportunities for active learning.

Director tenure is actively monitored by both the Board and the shareholder. Appropriate succession planning for Chair roles (at both Board and committee level) and the requirement for a balanced Board are key considerations in all new appointments.

Currently, the Board has a sound mix of commercial, industry, technology, entrepreneurial, people and change leadership experience, and well-developed governance skills and practices.

Continuing education

The Board recognises the importance of individual and collective education and skills development to maintain currency in a rapidly changing environment. Airways provides ongoing support for continuous professional learning and development to all directors. Directors take responsibility for improving their own professional knowledge and skills, utilising and supplementing this support where required. Directors are also encouraged to have an individual governance development plan.

Monitoring performance

Each year, the Board critically evaluates its collective performance, processes and procedures. The performance of individual directors is also reviewed and evaluated annually and includes look-back and look-forward reviews.

Over the last year, the Board engaged an external governance specialist to undertake a comprehensive review of the Board. This included individual interviews, Board observation and feedback. The review confirmed strength areas and identified areas for practice development. In addition, the Board also applies a regular practice of reflection and feedback at the conclusion of Board meetings.

The Board also monitors and adapts to new methods of working and collaborating to ensure governance remains future fit. An example of this is the adoption of 'virtual' environments where Board meetings have been adjusted to make best use of the online environment where appropriate.

Governance at Airways CONTINUED

Committees

The Board has established a number of committees, all supported by formal charters and focused on addressing some of the key Board responsibilities. While these committees are responsible for certain activities and decisions, ultimate accountability still resides with the Board, which receives reports and meeting minutes back from all committees covering their proceedings.

Committee	Objectives	Key roles and responsibilities	Members
Audit and Finance Committee	Assists the Board in meeting its internal controls, financial reporting, audit and legal/regulatory compliance responsibilities	• Reviews audit and assurance reports from the General Manager Safety and Assurance. • Understands key financial, commercial and business recovery risks and how they are being managed. • Understands the internal control environment and any identified deficiencies. • Reviews key governance policies and any material breaches thereof. • Reviews annual and interim financial statements and related issues and complex transactions. • Manages the external audit relationship. • Oversees the internal audit function. • Reviews effectiveness of legal and regulatory compliance systems.	Lisa Jacobs (Chair) Denise Church Darin Cusack Nicola Greer (retired 30 April 2023) Danny Tuato'o (appointed 8 August 2023)
Safety Committee	Informs the Board of the performance of Airways' safety management systems	• Reviews audit and assurance reports from the General Manager Safety and Assurance. • Reviews safety reports from the General Manager Safety and Assurance including key safety metrics, status reports on incident investigations and key safety issues. • Understands key safety risks and how they are being managed.	Mark Pitt (Chair) Denise Church Darin Cusack John Holt Gavin Fernandez Terry Paddy (appointed 1 November 2022)
People and Culture Committee	Sets strategic human resources and remuneration policies within the policy structure approved by the Board	• Oversees and provide guidance on core cultural and capability streams of work including talent and succession planning, workforce planning, employee experience and engagement, capability development, career progression, ways of working and union relationships. • Ensures appropriate employment terms and conditions for the CEO and the executives and managers who report directly to the CEO. • Establishs any new and amend the terms of any existing incentive plans for the CEO and the executives and managers who report directly to the CEO. • Oversees the annual performance review of the CEO. • Monitors whether there is any gender or other inappropriate bias in remuneration for directors, senior executives, or other employees.	John Holt (Chair) Denise Church Mark Hutchinson

Governance at Airways CONTINUED

Directors' attendance

The Board held 11 meetings during the year ended 30 June 2023. Board committees also met regularly throughout the year to consider matters relevant to, and required by, their terms of reference. Director attendance at these Board and committee meetings is set out in the table below.

	Board meetings	Audit and Finance Committee	Safety Committee	People and Culture Committee
Total meetings held	**11**	**4**	**4**	**4**
Denise Church	11	4	4	4
Darin Cusack	11	4	4	–
John Holt	11	–	4	4
Lisa Jacobs	8	3	–	–
Mark Pitt	10	–	3	–
Mark Hutchinson	11	–	–	4
Nicola Greer (retired April 2023)	9	3	–	–
Gavin Fernandez	11	–	4	–
Terry Paddy (appointed November 2022)	7	–	3	–

External audit

The OAG appoints an external auditor annually, following consultation with the Board. The external auditor's primary line of communication with Airways is through the Audit and Finance Committee (AFC), which reviews the proposed audit scope and approach (to ensure there have been no restrictions placed on it), the results of the audit and management's responses to audit findings, and the auditors' performance.

An external auditor is required to maintain independence from Airways and this is reviewed by the AFC continuously through the audit cycle. Lead audit partners are also rotated every six years, in line with OAG requirements.

Annually, the AFC meets the external auditor without management present to ensure they have no issues or concerns the Board needs to be made aware of.

Safety, internal audit and assurance

The Safety and Assurance team provides the CEO and Board with assurance that Airways is meeting its governance and safety requirements, and that risks are managed through planning and delivering the annual audit programme and annual safety roadmap. It is also responsible for championing practice improvements across Airways that deliver increases to business performance, financial performance and/or stakeholder satisfaction.

The Safety and Assurance team is also responsible for providing an effective safety management system that allows the business to manage operational and people safety on a risk-prioritised basis. The team, utilising the safety management system, provides assurance to the Board, CEO and business that safety risks are being effectively and appropriately managed.

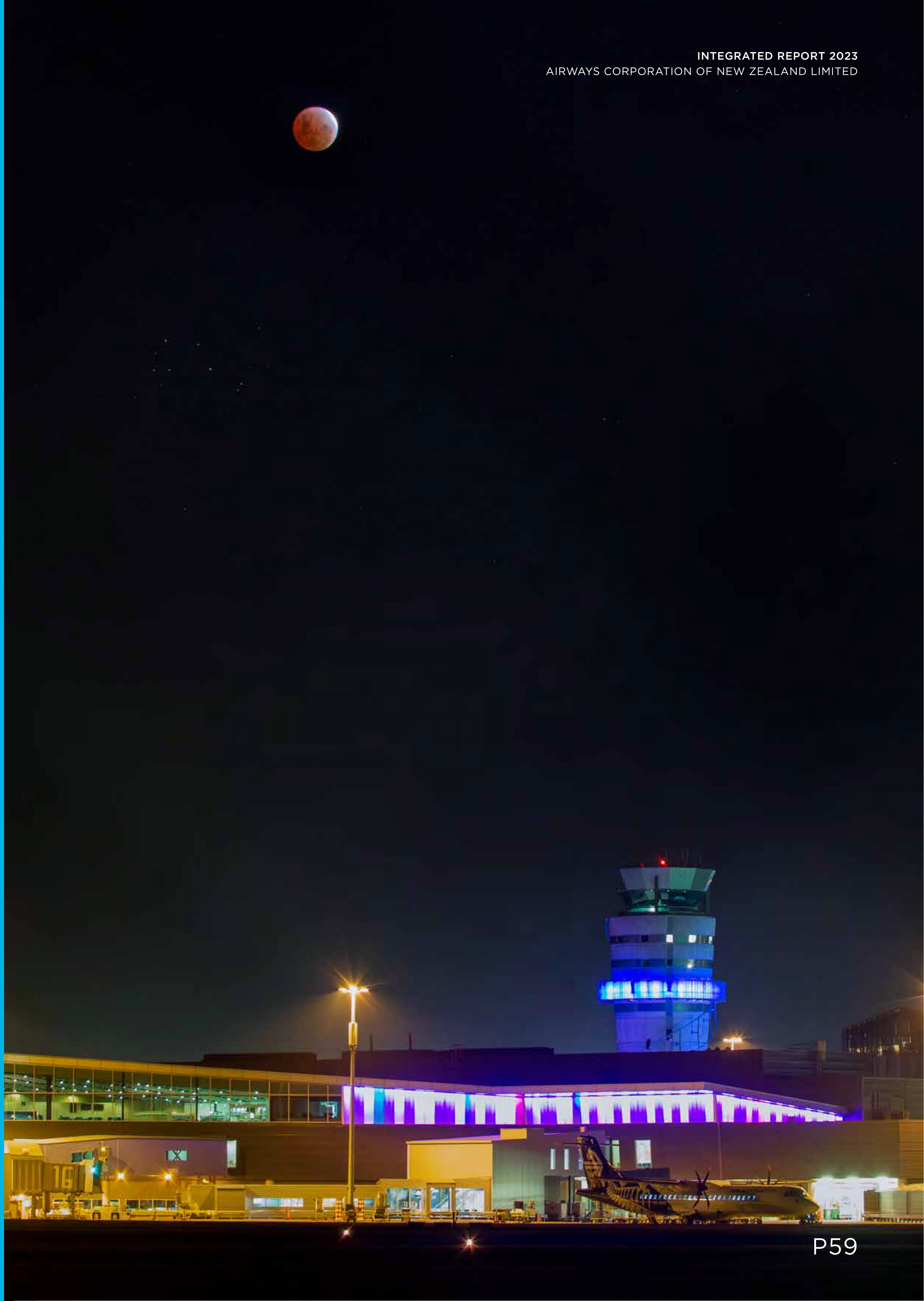
Management, with support from the Safety and Assurance team, is responsible for supporting and continuously improving a Just Culture within Airways.

Remuneration

The Board and management are committed to remuneration practices that are fair, transparent and appropriate, and which contribute to strong governance and company performance. This starts with the Board's People and Culture Committee (whose responsibilities are outlined above) and is captured in Airways' Remuneration Policy. Director remuneration is fixed at levels agreed with the shareholder on an annual basis. Levels of remuneration are set out in the Additional Financial Information section.

Performance and financial statements

Image: Courtesy of Craig Crew..



Financial performance

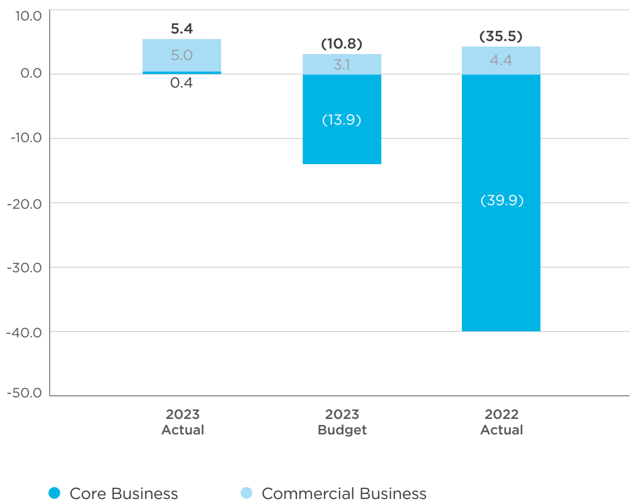
AIRWAYS GROUP
Recorded a net profit after tax of $5.4 million

CAPITAL EXPENDITURE
Delivered $38.0 million of investment

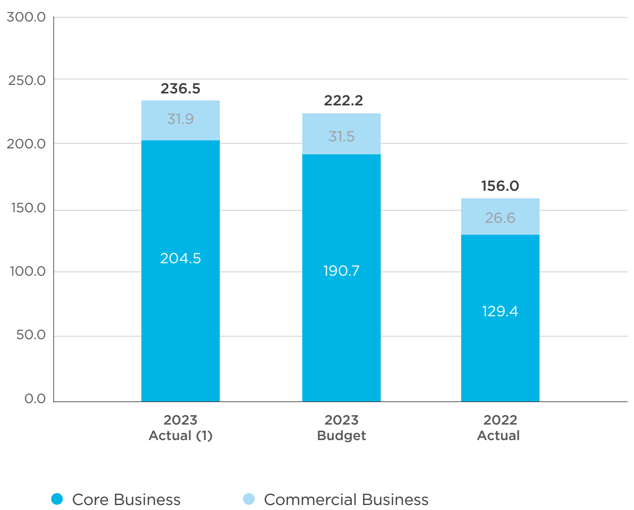
CORE BUSINESS
Revenue was $204.5 million for FY23, ahead of budget by $13.8 million or 7.2%

COMMERCIAL BUSINESS
Continued to perform strongly with a net profit after tax of $5.0 million for the year, exceeding budget 61.3%

PROFIT/(LOSS) AFTER TAX ($M)



REVENUE ($M)



1. 2023 revenue includes internal revenue of $13.5 million (2022: $11.5 million) eliminated in the Group statement of profit or loss and other comprehensive income.

Core business

The core business recorded net profit after tax of $0.4 million.

Air navigation services revenue was higher than expected at $198.7 million, compared to a budget of $187.6 million.

We invested $38 million in new infrastructure and future-focused initiatives – this was below plan due to constraints on the supply chain and labour availability.

Commercial business

The commercial business continued to perform strongly with a net profit after tax of $5.0 million for the year, exceeding budget by 61.3%.

The commercial business remains an integral part of Airways' growth aspirations and the organisation will continue to manage and fund the commercial business units independent of the core business.

Performance against Statement of Corporate Intent metrics

Additional financial performance against Statement of Corporate Intent (SCI) metrics disclosed on page 104.

Capitals	Actual 2023	SCI Target
Financial		
Revenue	$223.7m	$208.6m
Profit/(loss) before tax	$8.1m	($15.1m)
Capital expenditure	$38.0m	$74.0m
Gearing	27.2%	36.7%
Dividends	Nil	Nil
Infrastructure		
Monthly drone incursions (within aviation system)	3.30	≤5
Track miles saved vs minimum plannable route	833,664 NM	>825,000 NM
Core system availability	99.99%	≥99.98%
Service Availability		
Main trunk	99.98%	99.98%
Regional	99.60%	99.80%
Surveillance	99.98%	99.98%
En route domestic	99.96%	99.93%
En route oceanic	100.00%	99.93%
Flight information	99.96%	99.93%
Expertise		
Air proximity events (category A)	Nil	Nil
Drone incursions (attributable to Airways)	Nil	Nil
Products under development – Commercial	4	5
Thought leadership events	10	10
Number of new customers	3	3
People		
Staff engagement	Not measured[1]	57%
Work accidents resulting in lost time injury	4	Nil
Notifiable staff safety events	2	Nil
Staff turnover	8.52%	7.5%
Women in the workforce	27.5%	25%
Women in leadership	41.4%	45%
Relationships		
Flights handled	478,131	470,773
Customer engagement	Not measured[2]	>Satisfied
Environmental Capital		
Carbon reduction (CO_2 saved)	16.24kt	>17kt
Transition vehicle fleet to EV/hybrid[3]	18%	20%
Increase/(decrease) in paper printed	45%	(5%)
Waste recycled (tonnage)[4]	1.0t	700t

1. A new employee survey and baseline will be undertaken in September 2023.
2. A new customer engagement score will be set before 30 June 2024.
3. Vehicles on order but delivery backlog due to COVID-19.
4. The target was miscalculated and will be updated in FY23/24.

PERFORMANCE AND FINANCIAL STATEMENTS

Financial statements

Statement of profit or loss and other comprehensive income

	GROUP		
For the year ended 30 June	2023 ($000s)	2022 ($000s)	Notes
Operating activities			
REVENUE			
Air traffic management revenue	201,792	124,181	A5.1
Other revenue	19,228	15,765	A5.1
Government grants	–	4,322	A5.2
Other gains and losses	707	–	A14
Interest income	1,926	332	
Total revenue	**223,653**	**144,600**	
EXPENSES			
Employee remuneration	135,107	121,227	A5.4
Employee-related costs	8,141	5,805	A5.5
Depreciation	22,724	23,052	A10, A11
Amortisation	3,912	3,936	A10
Impairment	439	1,471	A10, A14
Other operating costs	40,345	34,907	A5.3
Rental expense	2,027	1,685	
Finance expense	2,828	2,815	
Total expenses	**215,523**	**194,898**	
Net profit/(loss) before taxation	**8,130**	**(50,298)**	
Taxation expense/(benefit)	2,705	(14,778)	A6
Net income/(loss) after taxation attributable to equity shareholders	**5,425**	**(35,520)**	
Other comprehensive income			
That may be reclassified to profit or loss when conditions are met:			
Movement in cash flow hedge reserve	886	2,049	
Deferred tax on other comprehensive income	(248)	(574)	A6
Total other comprehensive income	**638**	**1,475**	
Total comprehensive income/(loss) for the year attributable to equity shareholders	**6,063**	**(34,045)**	

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 68 to 92.

Balance sheet

	GROUP		
As at 30 June	2023 ($000s)	2022 ($000s)	Notes
Assets			
CURRENT ASSETS			
Cash and cash equivalents	52,060	43,128	
Trade and other receivables	26,518	18,197	A8
Assets held for sale	300	10,468	A14
Prepayments	5,301	3,426	
Derivative financial instruments	141	95	A7
Total current assets	**84,320**	**75,314**	
NON-CURRENT ASSETS			
Property, plant and equipment	159,758	140,141	A10
Right-of-use assets	65,846	68,194	A11
Intangibles	71,557	75,205	A10
Inventories	2,166	1,550	A12
Deferred tax asset	13,276	16,149	A6
Derivative financial instruments	1,841	1,214	A7
Total non-current assets	**314,444**	**302,453**	
Total assets	**398,764**	**377,767**	

Balance sheet CONTINUED

	GROUP		
As at 30 June	2023 ($000s)	2022 ($000s)	Notes
Liabilities			
CURRENT LIABILITIES			
Trade and other payables	19,126	18,617	A9
Liabilities held for sale	–	655	A14
Lease liabilities	6,702	6,595	A11
Employee entitlements	27,341	23,704	A5.6
Derivative financial instruments	334	514	A7
Total current liabilities	**53,503**	**50,085**	
NON-CURRENT LIABILITIES			
Loan facility – unsecured	58,000	58,000	B1
Lease liabilities	66,598	67,926	A11
Employee entitlements	8,355	8,516	A5.6
Derivative financial instruments	48	43	A7
Total non-current liabilities	**133,001**	**134,485**	
Total liabilities	**186,504**	**184,570**	
Net assets	**212,260**	**193,197**	
Equity			
Share capital	171,100	158,100	A13
Hedge reserves	1,083	445	
Retained earnings	40,077	34,652	
Total equity	**212,260**	**193,197**	

The Board of Directors of Airways Corporation of New Zealand Limited authorised these financial statements for issue on 5 September 2023. The Directors do not have the power to amend the financial statements once issued.

DENISE CHURCH QSO
Chair

5 September 2023

LISA JACOBS
Director

5 September 2023

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 68 to 92.

Statement of changes in equity

	GROUP				
	Attributable to equity shareholders				
	Con-tributed equity ($000s)	Hedge reserve ($000s)	Retained earnings ($000s)	Total ($000s)	Notes
Balance as at 30 June 2021	**111,100**	**(1,030)**	**70,172**	**180,242**	
COMPREHENSIVE INCOME					
Net profit after taxation	–	–	(35,520)	(35,520)	
OTHER COMPREHENSIVE INCOME					
Movements in hedge contracts	–	2,049	–	2,049	
Tax on other comprehensive income	–	(574)	–	(574)	A6
Total other comprehensive income	**–**	**1,475**	**–**	**1,475**	
Total comprehensive income	**–**	**1,475**	**(35,520)**	**(34,045)**	
TRANSACTIONS WITH OWNERS					
Issue of share capital	47,000	–	–	47,000	
Total transactions with owners	**47,000**	**–**	**–**	**47,000**	
Balance as at 30 June 2022	**158,100**	**445**	**34,652**	**193,197**	
COMPREHENSIVE INCOME					
Net profit after taxation	–	–	5,425	5,425	
OTHER COMPREHENSIVE INCOME					
Movements in hedge contracts	–	886	–	886	
Tax on other comprehensive income	–	(248)	–	(248)	
Total other comprehensive income	**–**	**638**	**–**	**638**	
Total comprehensive income	**–**	**638**	**5,425**	**6,063**	
TRANSACTIONS WITH OWNERS					
Issue of share capital	13,000	–	–	13,000	
Total transactions with owners	**13,000**	**–**	**–**	**13,000**	
Balance as at 30 June 2023	**171,100**	**1,083**	**40,077**	**212,260**	

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 68 to 92.

Statement of cash flows

	GROUP		
For the year ended 30 June	2023 ($000s)	2022 ($000s)	Notes
Cash flows from operating activities			
CASH WAS PROVIDED FROM:			
Receipts from customers	213,946	138,140	
Receipts from government	–	4,322	A5.2
Interest received	1,873	332	
CASH WAS APPLIED TO:			
Payments to suppliers	(45,801)	(28,742)	
Payments to employees	(139,951)	(124,222)	
Interest paid	(2,761)	(2,740)	
Income tax paid	(80)	–	
Net cash flows from/(used in) operating activities	**27,226**	**(12,910)**	E2
Cash flows from investing activities			
CASH WAS PROVIDED FROM:			
Sale of property, plant and equipment	10,712	18	
CASH WAS APPLIED TO:			
Purchase of property, plant and equipment	(34,923)	(14,610)	
Purchase of intangible assets	(3,050)	(10,553)	
Net cash flows used in investing activities	**(27,261)**	**(25,145)**	
Cash flows from financing activities			
CASH WAS PROVIDED FROM:			
Issuance of shares	13,000	47,000	
CASH WAS APPLIED TO:			
Principal elements of lease payments	(4,033)	(3,899)	
Net cash flows from financing activities	**8,967**	**43,101**	
Net increase in cash held	**8,932**	**5,046**	
Cash at the beginning of the year	43,128	38,082	
Cash at the end of the year	**52,060**	**43,128**	

Interest paid above includes interest expense from leases of $2.7 million (2022: $2.7 million) and excludes capitalised interest of $2.9 million (2022: $2.3 million). Total interest paid for the year was $5.8 million (2022: $5.1 million). Amounts spent on the purchase of intangible assets during the year remain in work in progress (a component of property, plant and equipment) until the relevant asset is commissioned.

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 68 to 92.

Structure of notes to the financial statements

SECTION A

How the numbers are calculated

A

A1 BASIS OF PREPARATION

These financial statements are for the consolidated Group ("Airways"), consisting of Airways Corporation of New Zealand Limited and its subsidiaries (refer to note C1 for further details). They have been prepared in accordance with:

- Generally Accepted Accounting Practice in New Zealand (as a result they comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand accounting standards and authoritative notices, as appropriate for for-profit Tier 1 entities. They also comply with International Financial Reporting Standards), and
- the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the State-Owned Enterprises Act 1986.

The financial statements have been prepared on a historical cost basis as modified by the revaluation of derivative financial instruments and are presented in New Zealand dollars, which is Airways' presentation currency and the functional currency of all entities within Airways. All values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

All components in the primary statements have been stated net of GST, with the exception of receivables and payables which include any GST invoiced.

A2 KEY ACCOUNTING POLICIES

Key accounting policies adopted in the preparation of these consolidated financial statements can be found in the specific note to which the policy applies. These policies have been consistently applied to all the years presented.

A3 CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying Airways accounting policies.

Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

A4 GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business for a period of at least 12 months from the date that these financial statements are approved.

The Group generated a profit after tax of $5.4 million for the year ended 30 June 2023 (2022: incurred an underlying loss after tax of $35.5 million) and cash inflow from operating activities of $27.2 million (2022: incurred cash outflow from operating activities of $12.9 million). The Group's working capital and net asset position are $30.8 million and $212.3 million, respectively (2022: $25.2 million and $193.2 million respectively).

Despite the positive financial indicators at 30 June 2023, the Group continues to breach two of its three banking covenants. A waiver of breach in banking covenants was obtained and is in effect until 31 December 2023.

The Group is budgeted to generate a profit before tax of $25.5 million and cash inflows from operating activities of $59.4 million for the year ending 30 June 2024. The Group is budgeted to be compliant with all banking covenants by 30 September 2023.

Based on the above, the Group is able to continue as a going concern for a period of not less than 12 months from the date of signing these financial statements.

SECTION A
How the numbers are calculated CONTINUED

A

A5 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME INFORMATION

This note provides further information about items in the statement of profit or loss and other comprehensive income that are either individually significant or involve estimates or judgements in determining their value.

A5.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

Airways recognises revenue in accordance with NZ IFRS 15 – revenue from contracts with customers. Under this standard, specific performance obligations within contracts are identified, and the revenue assigned to the obligations is recognised as control of the good or service is transferred to the customer. Depending on how this control passes, revenue is recognised either at a point in time or over time.

With respect to the different sources of revenue for the Airways Group – the following accounting policies have been adopted:

Revenue type	Accounting policy	Over time vs point in time
Air Traffic Management (ATM)	Recognised at completion of the flight or aircraft movement.	Point in time
Consulting	For consultancy contracts with specified contractual obligations where Airways retains control until the work is completed, revenue is recognised once the obligations are satisfied.	Point in time
	Revenue from on-going consultancy services, or where assets are being constructed for customers that do not have an alternative use for Airways and there are contractual rights to payment for work performed, is recognised as the service is provided or asset is constructed. Revenue recognition is based on the input method utilising direct costs incurred.	Over time
Software licences	For licences with a defined term, revenue recognition is based on straight-line recognition across the life of the licence.	Over time
	Revenue for perpetual licences that grant a right to use is recognised once the licence is available for use.	Point in time
Training	Revenue recognition is based on the output method utilising the days of training provided.	Over time
Publications	Revenue from subscriptions to aeronautical information is recognised on a straight-line basis over the life of the subscription.	Point in time
Data services	Data services include the ongoing provision of access to Airways data and revenue recognition is based on the output method utilising the days of services provided.	Over time

SECTION A
How the numbers are calculated CONTINUED

A

A5.1(A) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue derived from the transfer of goods and services, both over time and at a point in time, for each revenue type for the year is set out in the table below.

	For the year ended 30 June 2023 ($000s)							
	ATM	Consult-ing	Data services	Software	Training	Publica-tions	Other	Total
Point in time	201,792	343	319	–	–	948	1,093	204,495
Over time	–	7,090	4,844	2,796	1,795	–	–	16,525
Total	**201,792**	**7,433**	**5,163**	**2,796**	**1,795**	**948**	**1,093**	**221,020**

	For the year ended 30 June 2022 ($000s)							
	ATM	Consult-ing	Data services	Software	Training	Publica-tions	Other	Total
Point in time	124,181	75	29	688	–	989	1,024	126,986
Over time	–	5,287	4,777	2,057	839	–	–	12,960
Total	**124,181**	**5,362**	**4,806**	**2,745**	**839**	**989**	**1,024**	**139,946**

A5.1(B) ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

Airways has recognised the following assets and liabilities relating to all contract types with customers:

Contract assets	2023 ($000s)	2022 ($000s)
Current contract assets	1,751	468
Total contract assets	**1,751**	**468**

Once invoiced, ordinary payment terms are 20th of the following month.

Contract liabilities	2023 ($000s)	2022 ($000s)
Current contract liabilities	1,879	1,308
Total contract liabilities	**1,879**	**1,308**

All contract liabilities recognised as at 30 June 2022 have been subsequently recognised as revenue in the current year.

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A5.2 GOVERNMENT GRANT – WAGE SUBSIDY

Airways received $nil of COVID-19 wage subsidy extension grants from the Ministry of Social Development during the year ended 30 June 2023 (2022: $4.3 million).

The total amount of receipts was recognised in profit or loss during the respective year.

The grant has been recognised in profit or loss on a systematic basis over the period in which the grants were intended to compensate.

A5.3 INDIVIDUALLY SIGNIFICANT ITEMS WITHIN OPERATING COSTS

For the year ended 30 June	2023 ($000s)	2022 ($000s)
Bad debts written off or reversed	(5)	(111)
Material and equipment costs	825	4,651
Travel	3,239	1,272
Communications	4,454	3,960
Maintenance	14,937	12,223
Utilities	2,039	1,934
Professional fees	8,962	5,719
Insurance	2,514	2,206

A5.4 EMPLOYEE REMUNERATION

For the year ended 30 June	2023 ($000s)	2022 ($000s)
Wages and salaries	113,098	102,911
Less: labour costs capitalised	(7,792)	(6,597)
KiwiSaver/superannuation contributions	10,270	8,933
Leave entitlement expense	19,531	15,980
	135,107	**121,227**

A5.5 EMPLOYEE-RELATED COSTS

For the year ended 30 June	2023 ($000s)	2022 ($000s)
Contractor costs	4,622	3,028
Other employee-related costs	3,519	2,777
	8,141	**5,805**

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A5.6 EMPLOYEE ENTITLEMENTS

Superannuation

Airways contributes to various defined contribution schemes that are funded through fixed contributions into trustee administered funds.

Airways has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense in profit or loss when they are due for payment to the funds.

Leave benefits

Liabilities for annual leave, long service leave and retiring leave are accrued and recognised in the balance sheet. These liabilities equal the present value of the estimated future outflows as a result of employee services provided at balance date. Long service leave that has vested with employees is recognised as a current liability within employee entitlements. Actuarial estimates of future demographic trends and employee remuneration are used to calculate the long service leave and retiring leave liabilities that have not yet vested with staff. This is recognised as a long-term liability within employee entitlements.

The principal assumptions used in determining Airways' liability for non-vested long service and retiring leave entitlements are set out in the table below. Possible changes in these assumptions are not expected to materially impact Airways' financial position or performance.

Assumption	2023	2022
Employee decrement assumptions	Airways specific	Airways specific
Long-run wage increase	2.5%	2.5%
Discount rates[1]	4.3% to 5.4%	4.3% to 4.5%

1. Discount rates adopted are those specified by Treasury for reporting purposes for Crown entities.

The impact of these non-vested entitlements on the financial statements is set out in the table below

Movement in employee decrement assumptions	2023 ($000s)	2022 ($000s)
Changes in discount rate	(673)	(1,305)
Additional entitlements recognised during the year	393	772
Staff demographic and other movements	1,091	779
Total movement in non-vested long service and retiring leave recognised in profit or loss	**811**	**246**
Balance sheet obligations as at 30 June, within non-current employee entitlements		
Long service leave	1,117	1,204
Retiring leave	7,238	7,312
	8,355	**8,516**

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A6 INCOME TAX AND RELATED BALANCES

This note provides an analysis of Airways' income tax expense, and shows which amounts are recognised directly in equity and in other comprehensive income and how the tax expense is affected by non-assessable and non-deductible items.

Income tax expense

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. Current tax is measured on the basis of laws enacted, or substantially enacted at the reporting year end.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax is based on the expected manner of realisation of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting year end.

Deferred tax assets arising from tax losses are recognised only if it is probable that future taxable amounts will be available to utilise those losses.

For the year ended 30 June	2023 ($000s)	2022 ($000s)
RECONCILIATION OF PROFIT BEFORE TAXATION TO INCOME TAX EXPENSE		
Profit/(loss) before taxation	8,130	(50,298)
Tax at the New Zealand tax rate of 28%	2,276	(14,083)
Tax effect of amounts which are either non-deductible or non-taxable in calculating taxable income:		
Non-taxable income/non-deductible expenses	108	122
Foreign tax credits foregone	79	18
Other	242	(835)
Income tax expense/(benefit)	**2,705**	**(14,778)**
COMPONENTS OF INCOME TAX EXPENSE		
Foreign tax credits foregone	79	18
Movement in deferred tax	2,944	(14,778)
Other	(318)	(18)
Income tax expense/(benefit)	**2,705**	**(14,778)**

At 30 June 2023, Airways has imputation credits available for use in subsequent reporting periods of $38.1 million (2022: $38.1 million).

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Deferred tax

Deferred tax assets and liabilities are offset on the face of the balance sheet when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The components of deferred tax are set out in the table below.

	Depreciation ($000s)	Provisions ($000s)	Tax losses ($000s)	Other ($000s)	Total ($000s)
Balance as at 1 July 2022	(14,741)	10,302	19,449	1,139	16,149
Deferred tax in respect of previous years	–	(299)	317	–	18
Deferred tax charged to net profit	184	(276)	–	402	310
Deferred tax on tax losses recognised	–	–	(2,954)	–	(2,954)
Deferred tax on other comprehensive income	–	–	(247)	–	(247)
Deferred tax reclassification	60	6	52	(118)	–
Balance as at 30 June 2023	**(14,497)**	**9,733**	**16,617**	**1,423**	**13,276**
Balance as at 1 July 2021	(14,605)	8,072	7,763	715	1,945
Deferred tax in respect of previous years	–	340	–	52	392
Deferred tax charged to net loss	(136)	1,890	–	372	2,126
Deferred tax on tax losses recognised	–	–	12,260	–	12,260
Deferred tax on other comprehensive income	–	–	(574)	–	(574)
Balance as at 30 June 2022	**(14,741)**	**10,302**	**19,449**	**1,139**	**16,149**

Airways utilised deferred taxes arising from prior year losses of $3.2 million (2022: recognised deferred tax assets arising from tax losses of $11.7 million). The losses are expected to continue being offset against future taxable profit.

A7 FINANCIAL ASSETS AND LIABILITIES

Airways classifies all financial assets and liabilities as being measured either at amortised cost, fair value through profit or loss, or fair value through other comprehensive income (OCI). Financial liabilities (other than fair value through OCI) are recognised initially at fair value, net of any costs incurred, and subsequently measured at amortised cost using the effective interest method. The carrying value of trade and other payables approximate their fair value.

Airways uses forward exchange contracts to hedge expenditure and revenue denominated in foreign currency and interest rate swaps to hedge interest repayments on its term debt. The effective portion of changes in the fair value of hedging instruments is recognised in equity until the underlying transaction being hedged occurs. At this point, the fair value of the hedging instrument deferred in the cash flow hedge reserve is recognised in profit or loss (as interest costs, or foreign currency denominated revenue or expenses as appropriate) or on the balance sheet (within the recognised value of any hedged asset or stock purchase). If the hedged transaction is no longer expected to take place, then the cumulative, unrealised balance recognised in equity is recognised immediately in profit or loss.

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How the numbers are calculated CONTINUED

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Financial assets and liabilities by category

As at 30 June 2023	Derivatives used for hedging ($000s)	Amortised cost ($000s)	Total ($000s)
Assets as per balance sheet			
Cash and cash equivalents	–	52,060	52,060
Trade and other receivables	–	26,518	26,518
Derivative financial instruments	1,982	–	1,982
Total	**1,982**	**78,578**	**80,560**
Liabilities as per balance sheet			
Trade and other payables	–	14,272	14,272
Employee entitlements	–	35,696	35,696
Derivative financial instruments	382	–	382
Lease liabilities	–	73,300	73,300
Borrowings and overdrafts	–	58,000	58,000
Total	**382**	**181,268**	**181,650**
As at 30 June 2022			
Assets as per balance sheet			
Cash and cash equivalents	–	43,128	43,128
Trade and other receivables	–	18,197	18,197
Derivative financial instruments	1,309	–	1,309
Total	**1,309**	**61,325**	**62,634**
Liabilities as per balance sheet			
Trade and other payables	–	13,645	13,645
Employee entitlements	–	32,220	32,220
Derivative financial instruments	557	–	557
Lease liabilities	–	74,521	74,521
Borrowings and overdrafts	–	58,000	58,000
Total	**557**	**178,386**	**178,943**

The derivatives used for hedging are considered Level 2 financial instruments and are recognised on the balance sheet at their fair values, which are determined using observable inputs as follows:

- Forward exchange contract values are determined using observable forward exchange market rates at the balance date.
- Interest rate swaps are valued using the projected methodology. For floating rates, this method projects all future floating cash flows and discounts these back to the revaluation date. For fixed rates, the individual cash flows are discounted from the cash flow date to the revaluation date. The discount rate used to calculate the net present value (NPV) of the deal is the zero-coupon curve, based on a blended swaps curve obtained from Reuters.

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How the numbers are calculated CONTINUED

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A8 TRADE AND OTHER RECEIVABLES

As at 30 June	2023 ($000s)	2022 ($000s)
Trade accounts receivable	24,767	17,729
Contract assets	1,751	468
Total trade and other receivables	**26,518**	**18,197**

Collectability of trade receivables is reviewed on an ongoing basis and uncollectible debts are written off. Airways uses the simplified model to determine expected credit loss. A provision for expected credit losses (ECL) is recognised for groups of trade receivables that have been grouped based on shared credit risk characteristics and the days past due. The amount of the ECL will reflect the specific circumstances of individual debtors, including the expected ability and intent to pay, however as a guide and based on previous historical observed default rates for different groupings:

- debt which is greater than 90 days but less than one year overdue is provided for at 10%
- debt which is greater than one year but less than two years old is provided for at 50%, and
- debt which is greater than two years old is provided for at 100%.

In addition to this, consideration is also given to other economic factors which could contribute to further expected credit losses. There have been no significant changes to the default rates compared to the prior year. Based on the calculation performed an ECL of $0.8 million was recognised for the year ended 30 June 2023 (2022: $0.8 million).

The net impairment losses are recognised in profit or loss under other operating costs. Any subsequent recoveries of amounts previously provided for, or written off as bad debts, are credited against the same line item.

The value of Airways' ECL, in proportion to total trade receivables, is set out in the table below.

As at 30 June 2023	Current ($000s)	1 to 90 days overdue ($000s)	91 days to 1 year overdue ($000s)	1 to 2 years overdue ($000s)	2+ years overdue ($000s)	Total ($000s)
Unimpaired trade receivables	20,164	4,303	2	–	–	24,469
Impaired trade receivables	–	–	276	77	742	1,095
Total trade receivables due	**20,164**	**4,303**	**278**	**77**	**742**	**25,564**
Expected credit loss	–	–	(26)	(29)	(742)	(797)
Trade receivables recognised	**20,164**	**4,303**	**252**	**48**	**–**	**24,767**
As at 30 June 2022						
Unimpaired trade receivables	15,167	2,306	1	–	–	17,474
Impaired trade receivables	1	3	284	23	777	1,088
Total trade receivables due	**15,168**	**2,309**	**285**	**23**	**777**	**18,562**
Expected credit loss	(1)	(3)	(31)	(21)	(777)	(833)
Trade receivables recognised	**15,167**	**2,306**	**254**	**2**	**–**	**17,729**

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How the numbers are calculated CONTINUED

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A9 TRADE AND OTHER PAYABLES

As at 30 June	2023 ($000s)	2022 ($000s)
Trade accounts payable	5,967	5,367
Contract liabilities	1,879	1,308
Payroll-related payables	2,118	1,685
Accrued liabilities	7,535	7,755
Provisions	1,179	2,308
Other payables	448	194
Total trade and other payables	**19,126**	**18,617**

Trade and other payables are unsecured, non-interest bearing and typically paid within 30 days.

Movement in provisions	Make good provision ($000s)	Other provisions ($000s)	Total ($000s)
Opening balance as at 1 July 2022	1,760	548	2,308
Accrued balance utilised/released	(713)	(416)	(1,129)
Closing balance as at 30 June 2023	**1,047**	**132**	**1,179**

Other provisions primarily relate to expected costs to remove known asbestos. It is expected all sums provided for will be utilised or paid within one year.

A10 PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Recognition and measurement

All classes of property, plant and equipment and intangibles are initially recorded at cost. Cost is determined by including all charges directly associated with bringing the assets to their location in working condition. Capital work in progress includes expenditure on partially completed assets that management expects will form part of the asset cost at completion.

Where assets are generated internally, costs are only capitalised once a formal investment case has been prepared and approved in line with Airways' delegated financial authority policy. The costs on these projects may include both internal labour and third-party costs. The investment case must demonstrate that:

- the economic and other benefits of the asset are clearly articulated and consistent with Airways' strategy
- the cost associated with the project is within Airways' budget and can be reliably measured
- there are sufficient staffing and technical resources available to complete the project (either internally or externally)
- the asset to be created is technically feasible.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Airways and the cost of the item can be measured reliably. The carrying amount of any replaced parts is written off.

Capital work in progress

Individual projects within capital work in progress can incorporate both significant intangible and tangible elements. In these cases, Airways initially classifies each project to property, plant and equipment or intangible assets based on the understanding of the most predominant element at the commencement of the related project. Eligible costs incurred are then capitalised and included in the relevant category of work in progress based on the classification above. The assignment of these costs is an estimate while the project remains in progress. Upon project completion, final costs are reviewed and assigned to the appropriate asset category which may differ from the category assigned to a project at inception.

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Depreciation and amortisation

The cost of all fixed and intangible assets (excluding freehold land and work in progress), less their estimated residual value, is written off on a straight-line basis over the asset's estimated useful economic life. Asset useful lives and residual values are assessed annually and adjusted if required.

Impairment

All assets are reviewed for potential indicators of impairment at every balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For work in progress, these indicators include any changes to the scope or expected outcome of individual projects.

In addition, impairment tests are carried out at every balance date for intangible assets within work in progress regardless of whether indicators of impairment exist.

These tests involve re-assessing the feasibility of the project, the expected cost to completion and the expected economic benefit to be realised. Where the expected economic benefit provided by the asset is lower than the expected cost to completion, the difference is booked as an impairment to the current carrying value in work in progress unless a higher amount could be realised through sale of the asset less costs to sell (fair value less costs to sell). The corresponding impairment is recognised in profit or loss.

Property, plant and equipment

	Land ($000s)	Buildings ($000s)	Plant and equipment ($000s)	Computer equipment ($000s)	Furniture and fittings ($000s)	Motor vehicles ($000s)	RESTATED Work in progress ($000s)	Total ($000s)
Average useful life	Not depreciated	20 to 50 years	5 to 40 years	3 to 10 years	5 to 20 years	5 to 10 years	Not depreciated	
Cost								
As at 1 July 2022	1,445	68,288	213,730	51,359	7,462	2,790	26,434	371,508
Additions at cost	–	1,633	12,840	6,366	752	788	31,221	53,600
Deduct disposals	–	(683)	(2,641)	(2,169)	(96)	(642)	–	(6,231)
Transfers from work in progress	–	–	–	–	–	–	(15,574)	(15,574)
Reclassification to assets held for sale[1]	–	–	(920)	–	–	–	–	(920)
As at 30 June 2023	**1,445**	**69,238**	**223,009**	**55,556**	**8,118**	**2,936**	**42,081**	**402,383**
Accumulated depreciation and impairment								
As at 1 July 2022	233	28,243	149,611	40,371	4,725	2,450	5,734	231,367
Depreciation charge	–	1,580	11,330	3,772	384	312	–	17,378
Deduct disposals	–	(272)	(2,468)	(2,169)	(84)	(642)	–	(5,635)
Impairment	–	–	–	64	–	–	(64)	–
Reclassification to assets held for sale[1]	–	–	(485)	–	–	–	–	(485)
As at 30 June 2023	**233**	**29,551**	**157,988**	**42,038**	**5,025**	**2,120**	**5,670**	**242,625**
Net book value as at 30 June 2023	**1,212**	**39,687**	**65,021**	**13,518**	**3,093**	**816**	**36,411**	**159,758**

1. See note A14 for details regarding the reclassification of property, plant and equipment to assets held for sale.

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	Land ($000s)	Buildings ($000s)	Plant and equip-ment ($000s)	Computer equip-ment ($000s)	Furniture and fittings ($000s)	Motor vehicles ($000s)	RESTATED Work in progress ($000s)	Total ($000s)
Average useful life	Not depreci-ated	20 to 50 years	5 to 40 years	3 to 10 years	5 to 20 years	5 to 10 years	Not depreci-ated	
Cost								
As at 1 July 2021	1,458	69,231	235,159	51,769	7,366	3,208	16,362	384,553
Additions at cost	–	(660)	3,885	913	187	–	14,184	18,509
Deduct disposals	(13)	(283)	(2,247)	(1,323)	(91)	(139)	–	(4,096)
Transfers from work in progress	–	–	–	–	–	–	(3,899)	(3,899)
Reclassification to assets held for sale[1]	–	–	(23,067)	–	–	(279)	(213)	(23,559)
As at 30 June 2022	**1,445**	**68,288**	**213,730**	**51,359**	**7,462**	**2,790**	**26,434**	**371,508**
Accumulated depreciation and impairment								
As at 1 July 2021	233	26,959	151,395	37,987	4,438	2,638	5,670	229,320
Depreciation charge	–	1,453	12,263	3,680	367	181	–	17,944
Deduct disposals	–	(169)	(2,149)	(1,296)	(80)	(141)	–	(3,835)
Impairment	–	–	–	–	–	–	64	64
Reclassification to assets held for sale[1]	–	–	(11,898)	–	–	(228)	–	(12,126)
As at 30 June 2022	**233**	**28,243**	**149,611**	**40,371**	**4,725**	**2,450**	**5,734**	**231,367**
Net book value as at 30 June 2022	**1,212**	**40,045**	**64,119**	**10,988**	**2,737**	**340**	**20,700**	**140,141**

1. See note A14 for details regarding the reclassification of property, plant and equipment to assets held for sale.

Intangible assets

	Internally generated software ($000s)	Licences and acquired software ($000s)	RESTATED Work in progress ($000s)	Total ($000s)
Average useful life	3 to 10 years	3 to 10 years	Not depreciated	
Cost				
As at 1 July 2022	116,294	20,237	11,879	148,410
Additions at cost	3,473	37	6,327	9,837
Deduct disposals	(2,208)	(287)	–	(2,495)
Transfers from work in progress	–	–	(9,088)	(9,088)
As at 30 June 2023	**117,559**	**19,987**	**9,118**	**146,664**

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	Internally generated software ($000s)	Licences and acquired software ($000s)	RESTATED Work in progress ($000s)	Total ($000s)
Accumulated amortisation and impairment				
As at 1 July 2022	54,372	18,833	–	73,205
Amortisation charge	3,057	855	–	3,912
Impairment	–	–	305	305
Deduct disposals	(2,028)	(287)	–	(2,315)
As at 30 June 2023	**55,401**	**19,401**	**305**	**75,107**
Net book value as at 30 June 2023	**62,158**	**586**	**8,813**	**71,557**
Cost				
As at 1 July 2021	65,320	20,913	52,315	138,548
Additions at cost	51,252	–	11,122	62,374
Deduct disposals	(278)	(676)	–	(954)
Transfers from work in progress	–	–	(51,558)	(51,558)
As at 30 June 2022	**116,294**	**20,237**	**11,879**	**148,410**
Accumulated amortisation and impairment				
As at 1 July 2021	51,701	18,522	–	70,223
Amortisation charge	2,949	987	–	3,936
Deduct disposals	(278)	(676)	–	(954)
As at 30 June 2022	**54,372**	**18,833**	**–**	**73,205**
Net book value as at 30 June 2022	**61,922**	**1,404**	**11,879**	**75,205**

At 30 June 2023, significant intangible assets consist of the Skyline-X Air Traffic Management System with a carrying amount of $49.3 million and remaining useful life of 14 years.

Historically the work in progress balance presented within property, plant and equipment in the balance sheet has contained amounts relating to both intangible assets and property, plant and equipment. The opening balance sheet as at 1 July 2021 and the closing balance sheet as at 30 June 2022 have been restated in the tables above to include intangible assets work in progress in intangible assets rather than property, plant and equipment. In addition, the movements of both property, plant and equipment, and intangible assets, were also restated accordingly. The table below shows the previously disclosed balances within the balance sheet, the adjustments made and the restated balance. Given the impact of the adjustment relates to property, plant and equipment and intangible assets in the non-current assets section on the face of the balance sheet, it has not been considered necessary to present a full third balance sheet.

Property, plant and equipment	2021 ($000s)	2022 ($000s)
Opening balance as at 1 July	207,548	152,020
Adjustment	(52,315)	(11,879)
Restated	**155,233**	**140,141**

Intangible assets	2021 ($000s)	2022 ($000s)
Opening balance as at 1 July	16,010	63,326
Adjustment	52,315	11,879
Restated	**68,325**	**75,205**

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A11 LEASES

Recognition and measurement

The determination of whether a contract is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of a lease agreement, Airways recognises a right-of-use asset and a lease liability.

Right-of-use assets are recognised when Airways, as a lessee, has the right to use an underlying asset for the lease term.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using Airways' incremental borrowing rate. The incremental borrowing rate is the rate that Airways would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Airways has used an incremental borrowing rate as the discount rate for all leases.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value and short-term leases recognised on a straight-line basis by Airways comprise of IT equipment and small items of office furniture.

Right-of-use assets

	Land and buildings ($000s)	Plant and equipment ($000s)	Motor vehicles ($000s)	Total ($000s)
As at 1 July 2022	65,567	2,035	592	68,194
Depreciation charges	(4,767)	(466)	(113)	(5,346)
Additions to the right-of-use assets	1,180	–	–	1,180
Adjustments to existing right-of-use assets	1,758	20	40	1,818
As at 30 June 2023	**63,738**	**1,589**	**519**	**65,846**
As at 1 July 2021	68,702	2,400	187	71,289
Depreciation charges	(4,566)	(435)	(107)	(5,108)
Additions to the right-of-use assets	–	4	–	4
Adjustments to existing right-of-use assets	1,431	66	512	2,009
As at 30 June 2022	**65,567**	**2,035**	**592**	**68,194**

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Lease liabilities

	2023 ($000s)	2022 ($000s)
Maturity analysis – contractual undiscounted cash flows		
Less than one year	6,627	6,487
One to five years	24,287	23,822
More than five years	71,519	74,962
Total undiscounted cash flows	**102,433**	**105,271**
Current lease liabilities	6,702	6,595
Non-current lease liabilities	66,598	67,926
Total lease liabilities	**73,300**	**74,521**

Amounts recognised in profit or loss

	2023 ($000s)	2022 ($000s)
Interest on lease liabilities	2,741	2,730
Expenses relating to short-term leases	165	165

Amounts recognised in the statement of cash flows

	2023 ($000s)	2022 ($000s)
Total cash outflow for leases	**6,758**	**6,793**

Lease profile

The details for the two significant lease liabilities and right-of-use assets as at 30 June 2023 are as follows:

	26 Sir William Pickering Drive, Russley, Christchurch	5 Leonard Isitt Drive, Auckland Airport, Auckland
Start date	23 October 2019	22 August 2019
Initial lease period	25 years	25 years
Extension options	10 years	10 years
Extension options exercised	No	No
Incremental borrowing rate	3.63%	4.43%

A12 INVENTORIES

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. The costs of individual items of inventory are determined using weighted average costs.

A13 SHARE CAPITAL AND RESERVES

Airways has capital of $171.1 million (2022: $158.1 million) issued ordinary shares which confer on the holders the right to vote at any general meeting of shareholders. This consists of 171,100,000 (2022: 158,100,000) authorised ordinary shares.

During the year ended 30 June 2023, Airways called $13.0 million of its issued ordinary shares from its owners (2022: 47.0 million shares called). As at 30 June 2023, Airways has on issue 35,000,000 (2022: 48,000,000) authorised uncalled share capital to its owners amounting to a total value of uncalled share capital of $35.0 million (2022: $48.0 million).

SECTION A
How the numbers are calculated CONTINUED

A

The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument designated as a cash flow hedge that is determined to be an effective hedge.

A14 ASSETS AND LIABILITIES HELD FOR SALE

Airways is committed to a plan to sell its Airfield Power and Lighting Equipment (APLE) across all locations. At the balance date, efforts to sell the APLE assets in one of the locations have progressed to the extent that these assets are presented as a disposal group held for sale and the associated asset and liabilities were remeasured to their fair value.

Recognition and measurement

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit liabilities, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Impairment losses relating to the disposal group

Impairment losses of $0.1 million on remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been recognised as an impairment in the Statement of Profit or Loss and other Comprehensive Income.

Assets and liabilities of the disposal group held for sale

As at 30 June 2023, the disposal group was stated at fair value less costs to sell and comprised of the following asset and liabilities set out in the table below:

As at 30 June	2023 ($000s)	2022 ($000s)
Property, plant and equipment	300	9,817
Inventories	–	413
Work in progress	–	213
Assets held for sale	**300**	**10,468**
Provisions	–	655
Liabilities held for sale	**–**	**655**

Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

Measurement of fair values

The non-recurring fair value measurement for the disposal group of $0.3 million has been categorised as Level 3 fair value based on the draft Sale and Purchase Agreement.

Settlement of assets and liabilities classified as held for sale at 30 June 2022

On 30 November 2022, Airways sold some of its Airfield Power and Lighting assets for cash consideration of $12.2 million (including GST). This resulted in the following transactions:

- derecognition of assets and liabilities of $10.5 million and $0.7 million respectively, previously classified as held for sale at 30 June 2022
- recognition of a gain on sale of assets of $0.8 million for the year ended 30 June 2023 (which when offset against the earlier impairment loss of $1.4 million on the assets held for sale at 30 June 2022, totals an overall net loss of $0.6 million)

No other significant gains or losses from disposal of assets was recognised during the year ended 30 June 2023 (2022: nil).

SECTION B
Risk

B

B1 FINANCIAL RISK MANAGEMENT

Airways is exposed to a number of financial risks, which are managed through setting appropriate objectives and implementing prudent policies and controls. These objectives, policies and controls are managed through Airways' Treasury Policy and summarised below.

Liquidity risk

In the short term, Airways is exposed to liquidity risk through timing differences between cash receipts from sales or facility drawdowns and cash requirements for current capital expenditure and business operating costs. In addition, Airways is also exposed to liquidity risk in the long term through the potential unavailability of debt funding to finance future capital expenditure, business developments and loan repayments.

Airways' primary objective in managing liquidity risk is to ensure there is sufficient liquidity and funding capacity to cover known, and a reasonable level of unforeseen, funding requirements. The policies that have been established to meet this objective include:

- maintaining sufficient, short term funding capacity to accommodate the worst-case short-term event (currently defined as a delay of one month's revenue due to an inability to invoice customers e.g. as a result of a system or other process failure)
- ensuring current debt facilities have the provision to accommodate 10% surplus funding over and above the projected maximum level of debt, based on a 12-month rolling debt forecast
- ensuring all facility renewals are secured at least three months prior to maturity, with the decision to re-negotiate or tender banking arrangements being made 12 months before maturity, and
- remaining 100% compliant with banking covenants at all times.

To ensure these policies are adhered to, Airways operate the following controls:

- maintaining and monitoring cash flow forecasts monthly, to provide views on monthly, quarterly and annual cash flow requirements
- maintaining debt funding in at least three tranches to ensure funds can be drawn down monthly, and
- monitoring compliance with banking covenants monthly and reporting semi-annually to banking providers.

Airways has two bank funding facilities. The key terms of these facilities are set out in the table below.

	Amount				
Total facility	2023	2023 drawdowns	2022	Remaining term	Interest rate
$60 million	$50 million	–	$50 million	2 years (expires 31 July 2025)	Floating
$30 million	$8 million	–	$8 million	3 years (expires 28 February 2026)	Floating

Airways continues to breach two of its three banking covenants for the year ended 30 June 2023. A waiver of breach in financial covenants was in place between 1 July 2020 to 31 December 2021, which was further extended to 31 December 2022 and 31 December 2023. These were for complying with the interest coverage ratio and gearing ratio.

Neither funding facility is secured by Airways' assets.

SECTION B
Risk CONTINUED

B

Airways' exposure to liquidity risk is represented by the maturity profile of financial liabilities, as set out in the table below. These cash flows are shown at their undiscounted, contractual values.

Financial liability profile

As at 30 June 2023	Less than 3 mths ($000s)	Between 3 mths and 1 year ($000s)	Between 1 and 2 years ($000s)	Between 2 and 5 years ($000s)	Greater than 5 years ($000s)	No stated maturity ($000s)
Interest rate derivatives – inflow	236	761	773	154	–	–
Foreign currency exchange contracts – inflow[1]	6,646	3,738	1,885	2,924	–	–
Foreign currency exchange contracts – outflow	(6,810)	(3,780)	(1,887)	(2,939)	–	–
Trade and other payables	(14,272)	–	–	–	–	–
Employee entitlements	–	–	–	–	–	(35,696)
Term loan	(736)	(2,207)	(2,942)	(66,827)	–	–
Total	**(14,936)**	**(1,488)**	**(2,171)**	**(66,688)**	**–**	**(35,696)**
As at 30 June 2022						
Interest rate derivatives – inflow	–	259	460	546	–	–
Foreign currency exchange contracts – inflow[1]	4,662	3,855	1,500	2,444	–	–
Foreign currency exchange contracts – outflow	(4,889)	(4,047)	(1,501)	(2,453)	–	–
Trade and other payables	(13,645)	–	–	–	–	–
Employee entitlements	–	–	–	–	–	(32,221)
Term loan	(422)	(1,251)	(1,673)	(63,019)	–	–
Total	**(14,294)**	**(1,184)**	**(1,214)**	**(62,482)**	**–**	**(32,221)**

1. Foreign currency exchange contracts are settled gross and as a result the inflows associated with these contracts have been included in this analysis.

Lease liabilities are classified as financial liabilities and their maturity profile has been separately disclosed in A11.

Interest rate risk

Airways is exposed to interest rate risk through:

- differences between cost of debt assumptions used when setting air traffic management (ATM) service pricing for three-yearly periods, and actual interest rates available when debt is drawn down
- fluctuations in interest rates on unhedged, floating debt.

Airways' primary objective in managing interest rate risk is to secure interest rates below pricing assumptions and the long-term average cost of debt, ensuring revenue from customers is sufficient to cover interest costs. This is achieved using interest rate swaps to secure fixed debt funding costs for forecast positions, subject to the following limits:

ATM service pricing period	Minimum hedging levels	Maximum hedging levels	Maximum swap rates
Current pricing period	25% forecast debt	90% forecast debt	Current pricing cost of debt assumption
Next pricing period	None	30% forecast debt	Current 10-year government bond rate, plus the current pricing debt margin

SECTION B
Risk CONTINUED

B

To ensure these policies are adhered to, Airways operates the following controls:

- maintaining and monitoring forecast debt levels to identify required hedging activity
- requiring CFO approval for all hedging decisions.

Airways' exposure to interest rate risk is set out in the charts below, which show the extent of hedging in place to cover the total floating rate borrowing at year end of $58 million (2022: $58 million). Further interest rate swaps were also in place to hedge highly probable future debt.

As at 30 June	2023 ($000s)	2022 ($000s)
Hedged borrowings	35,400	17,400
Unhedged borrowings	22,600	40,600
Total term borrowings	**58,000**	**58,000**

Possible fluctuations in interest rates are not expected to have a material impact on Airways' financial position or performance.

The effective interest rate on borrowing in the current year was 5.1% (2022: 3.9%).

As at 30 June 2023, 61% of the outstanding debt facilities are hedged (2022: 30% of outstanding debt facilities are hedged).

Foreign exchange risk

Airways is exposed to foreign exchange (FX) risk through:

- revenue streams denominated in foreign currencies
- operational costs requiring payment in foreign currencies
- capital expenditure requiring payment in foreign currencies.

Airways' primary objective in managing foreign exchange risk is to protect foreign exchange rates implicit in project or expenditure approvals and foreign revenue streams. This is achieved by using forward exchange contracts to hedge:

- all transactions greater than NZ$50,000 and with a transaction date greater than one month, and
- all transactions greater than NZ$500,000 regardless of transaction date.
- In addition, management monitors all residual exposures to ensure they do not become material.

To ensure these policies are adhered to, Airways operate the following controls:

- no purchase order or invoice request for FX exposures above control limit levels can be approved without a hedge in place
- residual exposures are monitored and reported internally on a monthly basis, and
- all hedging transactions are approved in accordance with delegated financial authorities.

SECTION B

Risk CONTINUED

B

Airways' exposure to foreign exchange risk is set out in the table below, which shows the New Zealand dollar value of financial exposures denominated in foreign currency (at their hedged rates, where applicable), and the quantum of forward exchange contracts in place to hedge them.

	Revenue		Expenditure[1]	
As at 30 June 2023	Current trade debtors ($000s)	Revenue contracts not yet invoiced ($000s)	Current trade payables ($000s)	Expenditure commitments not yet invoiced ($000s)
Amount unhedged	178	–	(80)	–
Amount hedged	1,273	5,695	–	(7,607)
Total	**1,451**	**5,695**	**(80)**	**(7,607)**
Percentage of exposure hedged	88%	100%	0%	100%
As at 30 June 2022				
Amount unhedged	680	–	(13)	–
Amount hedged	1,165	3,243	–	(8,482)
Total	**1,845**	**3,243**	**(13)**	**(8,482)**
Percentage of exposure hedged	63%	100%	0%	100%

1. Operating and capital expenditure

Possible fluctuations in foreign exchange rates are not expected to have a material impact on Airways' financial position or performance.

Credit risk

Airways is exposed to credit risk through:

- cash and cash equivalents on deposit with banks
- interest rate swaps and foreign exchange contracts with counterparties, and
- customers with outstanding receivables.

Airways' primary objective in managing credit risk is to minimise financial loss resulting from counterparties failing to meet obligations. The policies that have been established to meet this objective include:

- requiring a credit rating of A1 (short-term) or A+ (long-term) as rated by Standard and Poor's, or equivalent credit rating from another internationally recognised rating agency, for all banking and derivative counterparties
- setting a maximum exposure of $10m to any individual counterparty.

Adherence to these policies is continuously monitored and reported monthly. During the year and at year end, due to the level of cash on deposit with banks, there was exposure greater than $10 million to an individual counterparty.

Airways' exposure to credit risk is outlined in the balance sheet (showing cash and cash equivalents and derivative financial instruments) and note A8, setting out trade and trade receivables and the current provision in place against these balances.

Airways' five largest customers account for 78% (2022: 74%) of total revenue and 74% (2022: 65%) of total accounts receivable at balance date. No collateral is held over these receivables. No other unusual risk has been identified by Airways in relation to these companies, however overdue debts are continuously monitored to identify and address any potential specific credit risks.

B2 CAPITAL MANAGEMENT

Airways' primary objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a target gearing ratio over the medium term (five years). In order to maintain or adjust the capital structure, Airways may adjust the amount of dividends paid to shareholders, return capital to shareholders, increase or reduce debt, sell assets or reduce capital expenditure.

Since August 2020, Airways had available and have utlised the capital facility referenced in note A13.

SECTION C

Group structure

C

C1 GROUP ENTITIES AND OWNERSHIP

Airways Corporation of New Zealand Limited is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 2, 6 Leonard Isitt Drive, Auckland, New Zealand. It is also a State-Owned Enterprise established under the State-Owned Enterprise Act 1986 with shares held in equal numbers by the Minister for State-Owned Enterprises and the Minister of Finance, on behalf of the Crown.

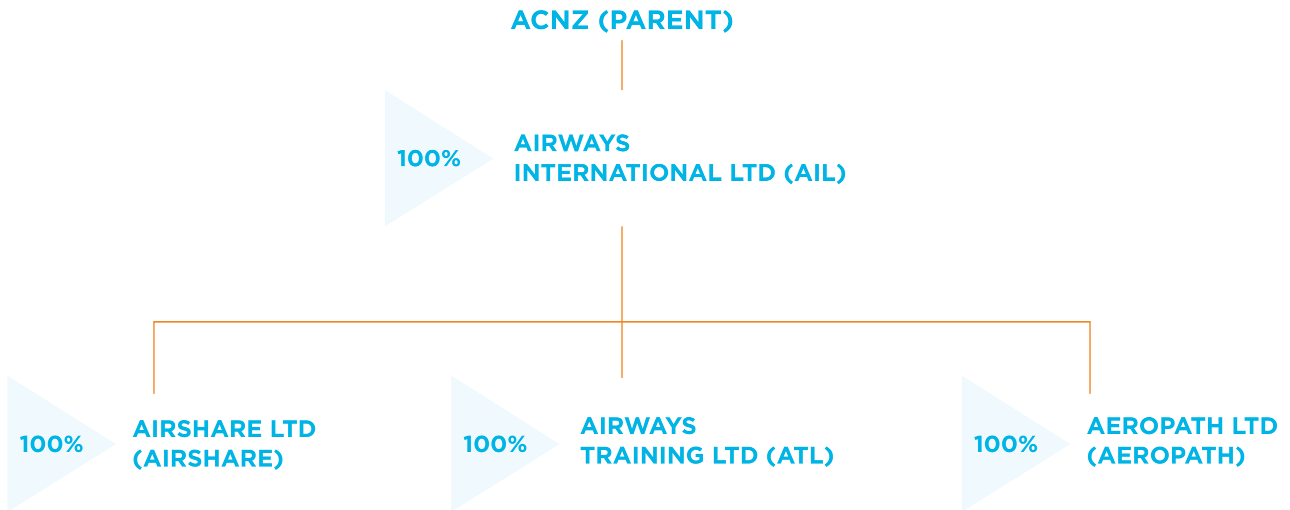
Subsidiaries are all entities over which Airways has control. Airways controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Airways and are deconsolidated from the date that control ceases.

Accounting policies of subsidiaries are consistent with the policies adopted by the parent, and all subsidiaries share a 30 June balance date. The parent recognises its investment in subsidiaries at cost, less impairment.

The parent and its subsidiaries are listed below. All entities are incorporated in New Zealand.

	PRINCIPAL ACTIVITY
AIRWAYS CORPORATION OF NEW ZEALAND LIMITED (ACNZ)	PROVISION OF AIR TRAFFIC MANAGEMENT SERVICES.
AIRWAYS INTERNATIONAL LIMITED (AIL)	REVENUE MANAGEMENT, RECRUITMENT AND TRAINING, AND AIR NAVIGATION SERVICES AND MAINTENANCE OF SYSTEMS.
AIRWAYS TRAINING LIMITED (ATL)	NOT TRADING.
AEROPATH LIMITED (AEROPATH)	AERONAUTICAL INFORMATION MANAGEMENT, PROCEDURE DESIGN AND DEVELOPMENT SERVICES.
AIRSHARE LIMITED (AIRSHARE)	DELIVERY OF UNMANNED AERIAL VEHICLE (UAV) AND DRONE TRAFFIC MANAGEMENT SERVICES.

The ownership structure of Airways as at balance date is shown in the diagram below.



On 30 August 2022, Airways Corporation of New Zealand Limited sold all its 100 shares in Airshare Limited to its subsidiary Airways International Limited for a cash consideration of $1.

SECTION C
Group structure CONTINUED

C

C2 TRANSACTIONS WITH THE GROUP AND OTHER RELATED ENTITIES

Inter-company transactions and balances between entities within Airways are eliminated in the preparation of the Group financial statements. Airways, a State-Owned Enterprise, transacts with other New Zealand government-related entities. The most significant of these transactions are with Air New Zealand (a mixed ownership model company), which was charged $130.1 million by Airways in the current financial year (2022: $84.4 million).

C3 TRANSACTIONS WITH MANAGEMENT AND DIRECTORS

For the year ended 30 June	2023 ($000s)	2022 ($000s)
Key management compensation[1]		
Salaries and other short-term employee benefits[2]	3,657	4,168
KiwiSaver/superannuation contributions	94	79
	3,751	**4,247**
Directors' fees		
Directors' fees paid	357	289

1. Key management include the Chief Executive Officer and his direct reports.
2. No salaries or other short term employee benefits were paid to Directors.

C4 CEO REMUNERATION

Remuneration includes all short-term incentives entitled for the financial year but not yet paid at the balance date.

Single figure CEO remuneration

2023 ($000s)	Salary and fees	Taxable benefits	Subtotal	Pay for performance			Total remuneration
				STI	LTI	Subtotal	
James Young (CEO)	631	–	631	–	–	–	631

Single figure CEO remuneration

2022 ($000s)	Salary and fees	Taxable benefits	Subtotal	Pay for performance			Total remuneration
				STI	LTI	Subtotal	
James Young (Acting CEO)	62	–	62	–	–	–	62
Graeme Sumner (CEO)[1]	1,289	–	1,289	–	–	–	1,289

1. Includes termination payments of $50,000

Five year summary – CEO remuneration		Single figure remuneration ($000s)	Percentage STI against maximum
2023	James Young (CEO)	631	–
2022	James Young (Acting CEO)	62	–
2022	Graeme Sumner (CEO)	1,289	–
2021	Graeme Sumner (CEO)	649	–
2020	Graeme Sumner (CEO)	630	–
2019	Graeme Sumner (CEO)	667	73.79%

SECTION D
Unrecognised items

D

D1 CAPITAL COMMITMENTS

The total capital commitments for Airways at balance date are set out in the table below.

As at 30 June	2023 ($000s)	2022 ($000s)
Property, plant and equipment capital commitments	30,867	11,278
Intangible assets capital commitments	–	2,200
Total capital commitments	**30,867**	**13,478**

D2 CONTINGENT LIABILITIES

Airways has contingent liabilities in respect of financial guarantee contracts of $2.0 million for bid and performance bonds (2022: $1.9 million).

In the normal course of business, Airways is exposed to claims and legal proceedings that may in some cases result in costs. As at 30 June 2023, no current claims and proceedings have progressed sufficiently that a likely outcome is known.

D3 SUBSEQUENT EVENTS

There were no subsequent events after the balance date requiring disclosure.

SECTION E
Other information

E

E1 AUDITOR'S REMUNERATION

For the year ended 30 June	2023 ($000s)	2022 ($000s)
PricewaterhouseCoopers for:		
Financial statement audit services as an agent of the Office of the Auditor-General	280	243
Air navigation services pricing controls assurance engagement	–	65
Economic Value Added Key Performance Indicator compliance engagement	12	11
Student fee protection trust compliance engagement	8	7
Total auditor's remuneration	**300**	**326**

E2 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO REPORTED PROFIT/(LOSS)

For the year ended 30 June	2023 ($000s)	2022 ($000s)
NET PROFIT/(LOSS) AFTER TAXATION	5,425	(35,520)
ADD NON CASH ITEMS		
Amortisation	3,912	3,936
Depreciation	22,724	23,052
Impairment	439	1,471
Movement in deferred tax	3,219	(15,352)
Accounting gain on sale of assets	(707)	(15)
Total adjustments for items in profit/(loss) not impacting cash flow	**29,587**	**13,092**
ADD MOVEMENTS IN WORKING CAPITAL ITEMS		
Increase in payables	2,549	12,419
Increase in receivables	(10,335)	(2,901)
Total adjustments for items not in profit/(loss) impacting cash flow	**(7,786)**	**9,518**
Net cash flows from/(used in) operating activities	**27,226**	**(12,910)**

Audit Report

Independent auditor's report

To the readers of Airways Corporation of New Zealand Limited's financial statements for the year ended 30 June 2023

The Auditor-General is the auditor of Airways Corporation of New Zealand Limited. The Auditor-General has appointed me, Christopher Ussher, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Group on his behalf.

Our opinion

In our opinion, the accompanying financial statements of Airways Corporation of New Zealand Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's financial statements comprise:

- the balance sheet as at 30 June 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assurance services for the Group in respect of the Group's compliance with the terms of the Student Fee Protection Trust Deed and the reporting of the Group's Economic Value Added (EVA) Performance Indicators. The provision of these other services has not impaired our independence as auditor of the Group.

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T: +64 9 355 8000, www.pwc.co.nz

Audit report CONTINUED

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Capital expenditure - Property, Plant and Equipment and Intangible Assets As disclosed in note A10, the Group had total Capital Work in Progress (WIP) of $45.2 million, of which $36.4 million relates to Property Plant and Equipment (PPE) and $8.8 million relates to Intangible Assets (IA) as at 30 June 2023. During the year, the Group incurred capital expenditure of $37.5 million of which $31.2 million relates to PPE and $6.3 million relates to IA. Capital expenditure is a key audit matter as maintaining the capital infrastructure is a key part of the Group's activities and the decision between whether a cost should be capitalised or expensed requires judgement. Key judgements, outlined in note A10, include whether the cost of an asset can be reliably measured (including the cost of internal resources), and it is probable that future economic benefits associated with the asset will flow to the Group. For PPE, this also includes judgements around which costs are attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. For internally generated IA the Group forms a judgement whether it has the intention and resources available to complete the asset and that it will have the ability to use or sell the asset when completed.	We have understood management's processes and controls in relation to the capitalisation of expenses to PPE and IA, including the processes and controls for the preparation and approval of formal investment cases to support capital expenditure. Our audit procedures included the following: ● We have selected a sample of capital expenditure additions during the year and agreed external costs, internal labour hours, and internal labour cost rates to supporting evidence and considered the appropriateness of capitalising the expense with reference to the following recognition criteria: – whether it is probable that economic benefit beyond a 12 month period will be generated by the asset by reference to the approved business investment case and project status report, where available, and where relevant, discussions with the project manager; and – if the costs were directly attributable to the asset. This involved considering the invoice narrative for external costs, and job descriptions and time sheet records for internal costs; and – in the case of IA, with reference to the approved business investment case and, where relevant, discussions with the project manager, whether the Group has the intention and resources available to complete the asset and the ability to use or sell the asset on completion; or – in the case of PPE, whether the cost is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management through the inspection of documents and, where applicable, discussions with the project manager and management. ● We have also selected a sample of items expensed in the statement of profit or loss during the year and with reference to supporting documentation, considered whether or not they met the capitalisation criteria for PPE or IA (as outlined above) in determining whether recognition as an expense was appropriate. We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.

Audit report CONTINUED

Our audit approach

Overview

Overall group materiality: $2,225,000, which represents approximately 7.5% of weighted average profit or loss before taxation for the last three years, excluding the impacts of impairments.

We chose weighted average profit or loss before taxation for the last three years, excluding the impacts of impairments, as the benchmark because, in our view, a normalised result is the benchmark against which the performance of the Group is most commonly measured by users.

We have performed a full scope audit of the consolidated financial information of the Group.

As reported above, we have one key audit matter, being:

- Capital expenditure - Property, Plant and Equipment and Intangible Assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Audit report CONTINUED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the State-Owned Enterprise Act 1986.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

Audit report CONTINUED

the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and the performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Christopher Ussher

Christopher Ussher
On behalf of the Auditor-General
Auckland, New Zealand

PricewaterhouseCoopers

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5 September 2023

Economic Value Added (EVA) Key Performance Indicators

For the year ended 30 June	Parent 2023 ($NZm)	Parent 2022 ($NZm)
DEBT AND EQUITY EMPLOYED		
Debt employed	191.2	178.9
Equity employed	108.3	107.4
Total debt and equity employed	**299.5**	**286.3**
Charge on operating capital	19.5	20.6
Economic Value Added	(13.1)	(72.5)
SUMMARY OF PARAMETERS FOR COST OF CAPITAL		
Risk free rate – 3-year Government Stock	4.4%	2.3%
Market risk premium	7.5%	7.0%
Company tax rate	28.0%	28.0%
Business risk factor (asset beta)	0.60	0.60
Cost of capital	9.0%	7.1%

Economic Value Added (EVA) measures the extent to which a business is performing above or below expectations. A positive EVA means the business is adding value after allowing for a normal reward to the providers of capital.

The EVA reporting framework applied by Airways can be found at:
https://www.airways.co.nz/about/financial-operational-and-safety-performance-reports/

The cost of capital of 9.0% for the year ended June 2023 compares to a cost of capital of 7.1% used for determining 2021–23 air navigation pricing. The negative EVA for the current and the comparative year has been driven by reduction in flight volumes due to COVID-19.

Reconciliation of Economic Value Added (EVA) to net profit/(loss) after tax

For the year ended 30 June	Parent 2023 ($NZm)	Parent 2022 ($NZm)
Profit/(loss) after tax	0.4	(39.9)
Deduct: Charge on operating capital	(19.5)	(20.6)
Add back: Interest costs	1.9	2.0
Add back/(deduct): Non-cash tax charges	2.6	(14.7)
Add back: Non-cash employee costs	0.8	0.2
Add back: Depreciation on capitalised interest	0.6	0.5
Add back: Net depreciation pricing adjustment	0.1	0.0
Economic Value Added	**(13.1)**	**(72.5)**

Economic Value Added (EVA) Audit Report

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Independent Assurance Report

To the Board of Directors of Airways Corporation of New Zealand Limited

Assurance report pursuant to the Economic Value Added Reporting Framework

Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance of Airways Corporation of New Zealand Limited (the "Company") with the Company's Economic Value Added ("EVA") Reporting Framework when calculating the EVA Key Performance Indicators ("KPI's") for the year ended 30 June 2023.

In our opinion, the Company has complied, in all material respects, with the EVA Reporting Framework when calculating the EVA Key Performance Indicators for the year ended 30 June 2023.

Basis for Opinion

We have conducted our engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) *Compliance Engagements* ("SAE 3100 (Revised)"), issued by the New Zealand Auditing and Assurance Standards Board.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Board of Directors Responsibilities

The Board of Directors are responsible on behalf of the Company for compliance with the EVA Reporting Framework when calculating the EVA KPI's, for the identification of risks that may threaten compliance with the EVA Reporting Framework when calculating the EVA KPI's, controls that would mitigate those risks, and monitoring the Company's ongoing compliance.

Our Independence and Quality Management

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Company. Our firm carries out other services for the Company in the areas of statutory audit on behalf of the Auditor-General and compliance assurance services in relation to the terms of the Student Fee Protection Trust Deed. The provision of these other services has not impaired our independence.

Assurance Practitioner's responsibilities

Our responsibility is to express an opinion on whether the Company has complied, in all material respects, with the EVA Reporting Framework when calculating the EVA KPI's for the year ended 30 June 2023 and report our opinion to you. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied, in all material respects, with the EVA Reporting Framework when calculating the EVA KPI's.

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EVA audit report CONTINUED

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An assurance engagement to report on the Company's compliance with the EVA Reporting Framework when calculating the EVA KPI's involves performing procedures to obtain evidence about the compliance activity and controls implemented. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance.

Inherent Limitations
Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with the EVA Reporting Framework when calculating the EVA KPI's will continue in the future.

Use of Report
This report has been prepared for the Board of Directors as requested by the Office of the Auditor-General and is provided solely to assist you in establishing that compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Board of Directors of the Company, as a body, or for any purpose other than that for which it was prepared.

Christopher Ussher

Christopher Ussher
Auckland, New Zealand
On behalf of the Auditor-General
5 September 2023

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Additional financial information

Additional financial information

FEES AND REMUNERATION

Directors' insurance

Airways has arranged Directors' and Officers' Liability Insurance which includes cover for Directors against loss from any claims made against them arising from acts in their capacity as Directors. Certain actions are specifically excluded.

Directors' fees paid 1 July 2022 – 30 June 2023

	Amount paid	Amount recognised in profit or loss
Denise Church	64,922	64,922
Mark Pitt	47,252	47,252
Lisa Jacobs	33,328	33,328
John Holt	40,386	40,386
Darin Cusack	38,886	38,886
Mark Hutchinson	37,386	37,386
Nicola Greer (retired April 2023)	30,426	30,426
Gavin Fernandez	40,386	40,386
Terry Paddy (appointed November 2022)	24,466	24,466
Total	**357,438**	**357,438**

Directors' experience and interests are disclosed in the profiles in the Board of Directors section of this report and on the Airways website under Board of Directors.

Additional financial information CONTINUED

Total remuneration over $100,000

Remuneration band	Total staff	Executive/ senior managers	Operational staff and managers
$100,001 – $110,000	30	–	30
$110,001 – $120,000	31	–	31
$120,001 – $130,000	44	–	44
$130,001 – $140,000	47	2	45
$140,001 – $150,000	37	–	37
$150,001 – $160,000	35	–	35
$160,001 – $170,000	34	–	34
$170,001 – $180,000	48	–	48
$180,001 – $190,000	30	3	27
$190,001 – $200,000	29	4	25
$200,001 – $210,000	33	1	32
$210,001 – $220,000	42	8	34
$220,001 – $230,000	32	2	30
$230,001 – $240,000	39	2	37
$240,001 – $250,000	59	2	57
$250,001 – $260,000	37	3	34
$260,001 – $270,000	23	1	22
$270,001 – $280,000	8	–	8
$280,001 – $290,000	9	1	8
$290,001 – $300,000	2	–	2
$300,001 – $310,000	2	–	2
$310,001 – $320,000	1	1	–
$320,001 – $330,000	1	1	–
$340,001 – $350,000	1	1	–
$350,001 – $360,000	1	1	–
$360,001 – $370,000	3	1	2
$380,001 – $390,000	1	–	1
$390,001 – $400,000	1	1	–
$420,001 – $430,000	1	–	1
$450,001 – $460,000	1	1	–
$470,001 – $480,000	1	1	–
$510,001 – $520,000	1	1	–
$630,001 – $640,000	1	1	–
	665	**39**	**626**

Financial performance against Statement of Corporate Intent (SCI) metrics

	Actual 2023	SCI Target
Profitability		
Total revenue	$223.7m	$208.6m
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$35.7m	$23.0m
Earnings before interest and tax (EBIT)	$11.0m	($10.3m)
Group profit/(loss) after tax	$5.4m	($10.9m)
Capital investment	$38.0m	$74.0m
Dividends	Nil	Nil
Shareholder returns		
Total shareholder return	4.5%	(10.2%)
Dividend yield	Nil	Nil
Dividend payout	Nil	Nil
Return on equity	2.7%	(5.4%)
Return on equity, adjusted for NZ IFRS fair value movements and asset revaluations	2.7%	(5.4%)
Profitability and efficiency		
Return on capital employed	4.2%	(4.0%)
Return on assets	2.9%	(2.7%)
Operating margin	15.9%	11.0%
Net profit margin	2.4%	(5.2%)
Asset turnover	0.6	0.5
Leverage and solvency		
Equity multiplier	1.9	1.8
Gearing ratio (net including leases)	27.2%	36.7%
Interest cover (before capitalised interest)	6.3	3.8
Solvency (current ratio)	1.6	1.0
Growth and investment		
Revenue growth	54.7%	46.2%
EBITDAF growth	271.2%	213.6%
NPAT growth	115.3%	70.2%
Capital employed growth	7.3%	7.7%
Capital renewal	1.8	2.6

Definitions for the financial performance measures above can be found at:
https://www.treasury.govt.nz/sites/default/files/2020-07/owners-expectations-july2020.pdf

Directory

Bankers

ANZ Bank New Zealand Limited

Bank of New Zealand Limited

Auditors

Christopher Ussher, with the assistance of PricewaterhouseCoopers on behalf of the Auditor-General

Registered office

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