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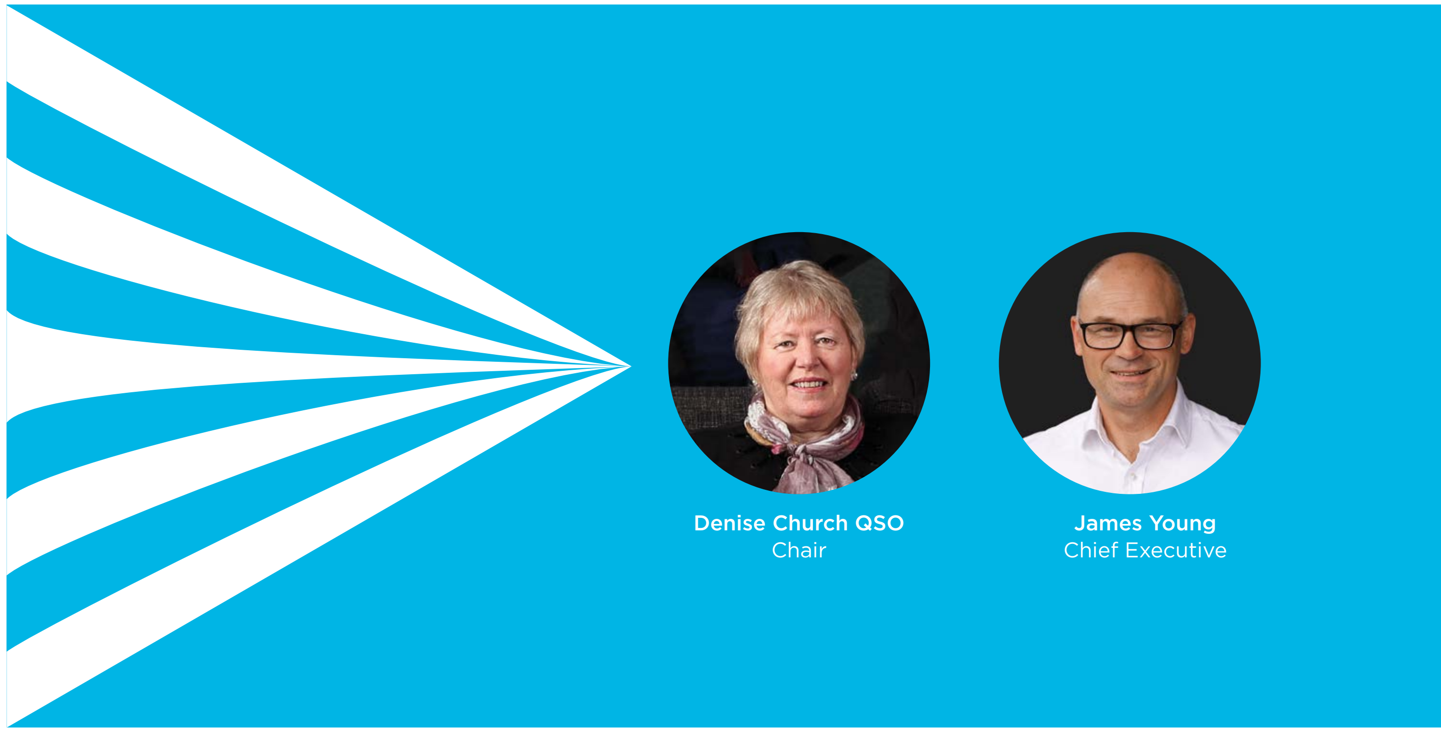
AIRWAYS
INTERIM REPORT
2023–2024

For the period ended
31 December 2023

Contents

Cover image: Hawkins Hill radar dome, Wellington
This page: The Christchurch surveillance centre – Te Whare Ao Rangi

Chair and Chief Executive's Report



Denise Church QSO
Chair

James Young
Chief Executive

Summary of performance

It is our pleasure to present the Airways Corporation of New Zealand Limited's interim results for the half year ended 31 December 2023.

Our primary objective is to ensure all aircraft operating in controlled airspace reach their destinations safely and efficiently. From July to December 2023, we safely managed 244,892 flights through the 30 million square kilometres of airspace we control in our domestic and oceanic flight information regions. There were no serious air proximity events attributable to Airways recorded within controlled airspace and no notifiable safety events involving Airways people at work.

The Airways Group has seen a strong improvement in financial performance, with total revenue lifting 24 per cent year on year as air traffic volumes continued to grow following the COVID-19 pandemic.

The Group recorded an after-tax profit of $13.4 million for the half year ended 31 December 2023, $1.9 million higher than the forecast. This was primarily due to lower depreciation, professional services and other delivery costs.

We have been able to lift investment in service improvement projects to $26.2 million, from $18.7 million in the same period in the prior year. This is in line with our purpose – to keep our skies safe today and tomorrow.

Airways International Limited, our commercial subsidiary responsible for exporting Airways-developed technologies and air traffic management expertise worldwide, delivered a profit after tax of $2.0 million, which was in line with the forecast.

We are proud of our safety achievements over the six-month period and our positive safety culture, and pleased to be reporting a significant lift in revenue as the aviation sector rebounds after the pandemic.

SkyLine-X platform go-live and new disaster-resilient buildings

Airways marked a once-in-a-generation change in the first moments of Sunday 29 October 2023, when we switched our domestic air traffic management operations onto a new, future-fit digital platform as our surveillance team finished moving into two new disaster-resilient buildings.

The new Christchurch and Auckland air traffic control centres are built to the Importance Level 4 standard of resilience, designed to remain operational and keep our skies open and safe through all but the most severe natural disaster. Domestic operations moved onto the new SkyLine-X air traffic management platform which delivers the next generation of safety and efficiency features.

This evolution in the digital and physical infrastructure of Airways makes us more resilient, secure, flexible, and adaptable to emergencies and change. We are now better able to deliver safe, efficient and sustainable services into the future.

The SkyLine-X software platform integrates New Zealand's domestic enroute, approach and aerodrome operations across the Christchurch and Auckland surveillance centres, their new local contingency centres and towers around the country. By working closely with our technology partner Leidos, our in-house software team has been able to tailor SkyLine-X to our needs, and to support it we have put in place a new network architecture and monitoring infrastructure.

The domestic air traffic control system now operates on a new core IP-based Certium voice communications system from Rohde & Schwarz for radio and telephone communications.

As the SkyLine-X platform went live, our Christchurch surveillance centre team left the Andy Herd building, their home of the past three decades, for Te Whare Ao Rangi: The World of the Sky. The Christchurch move follows that of our Auckland surveillance team. They shifted into their resilient new centre, Te Pāho Rangi: Communication with the Sky, in July 2023 – moving the existing international air traffic control platform onto new equipment.

A key feature of the new centres is their interoperability, meaning that if an event disrupted services from one centre, a level of service could still be provided from the other.

Our resilience and agility in the face of climate change and system disruptions are critical to our ability to keep our skies safe. We are continuing to invest in our infrastructure and systems to strengthen our ability to respond to severe weather events and other disasters. We are also reviewing our risk management strategies and processes, and raising awareness of the issues across the company.

We are proud of the many staff who helped to manage a seamless transition to the new platform, equipment and buildings.

Te Whare Ao Rangi, the resilient new Christchurch air traffic control centre

Wisk Aero launches a drone from Tāwhaki National Aerospace Centre at Kaitorete in coastal Canterbury

Airfield power and lighting exit

Airways is committed to a plan to sell its airfield power and lighting equipment (APLE) at all aerodromes around New Zealand.

APLE assets were successfully divested to Tauranga Airport in December 2023.

This follows the successful divestment of APLE assets to Auckland International Airport in late 2022.

We have eight other aerodromes at various levels of engagement and discussion on the divestment of assets.

The airspace of the future

Airways is modernising our airspace operations so we can better serve all airspace users now and in the future, and support sustainable aviation.

Under our new Air Traffic Services – Future Services programme, we have set up a team dedicated to looking to the future and creating solutions now that will serve us for the next 50 years.

We are continuing to review our management of airspace sectors, including making greater use of surveillance approaches using instrument flight procedures for all of our controlled aerodromes.

This will allow for greater safety, efficiency and sustainability, while setting us up to serve the new autonomous vehicles of the future alongside current airspace users.

Our strategies to continuously improve flow management include Collaborative Network Operations (CNO), Trajectory-Based Operations (TBO) and more efficient flow tools for traffic into our aerodromes.

These projects build on our successes 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 System (DMAPS).

Wisk Aero drone integration trial

Airways has managed a groundbreaking trial to safely integrate an uncrewed aircraft into unsegregated controlled airspace, flying among regular crewed aircraft.

The trial was led by Wisk Aero, a Boeing subsidiary and developer of an all-electric, self-flying air taxi. The partnership included Airways, AirShare, the Civil Aviation Authority, remote pilots from Insitu Pacific and the Tāwhaki National Aerospace Centre at Kaitorete. Seven successful test flights took place in November and early December 2023, demonstrating that a remote pilot flying beyond visual line of sight (BVLOS) can operate under the prescribed regulations, and respond safely and effectively to air traffic control instructions.

Our air traffic controllers integrated Wisk's uncrewed aircraft into controlled airspace among piloted aircraft, directing it as they would any other aircraft flying under instrument flight rules (IFR). This differs from the current standard procedure for uncrewed aircraft, under which air traffic controllers segregate the airspace around it, restricting access for any other aircraft.

The trial took place under the New Zealand Government's Airspace Integration Trials Programme (AITP), designed to facilitate the safe testing, development and market validation of advanced uncrewed aircraft.

Sustainable aviation

Our airspace optimisation programme is tackling some inefficiencies in the design of New Zealand's airspace sectors, which have developed piecemeal in recent decades.

The ground-up review, launched in 2019, has found adjustments that would improve the overall efficiency of flight paths and reduce aircraft fuel burn and CO_2 emissions.

Work is now underway on track shortening for some flight paths at high altitudes.

Within Airways, we are continuing work to reduce our own impact on the planet.

Our vehicle fleet is being electrified and we are working to recycle more waste, reduce our use of paper, and make further changes in the way we work, our procurement and supply chains, energy use and infrastructure.

TotalControl simulator

Airways International has delivered a TotalControl simulation solution to Nepal as part of a contract with the Civil Aviation Academy of Nepal.

Nepalese air traffic controllers are now training in a 360-degree tower simulator, an approach surveillance simulator and an area surveillance simulator, with six simulator pilot positions. Airways International hosted Nepalese visitors in Christchurch for factory acceptance testing of the simulators in September 2023, and a team travelled to Nepal the following month for site acceptance testing.

In November 2023, Airways International signed a contract with Croatian air navigation service provider CroControl to supply a 270-degree TotalControl tower simulator. Onsite installation of the simulator will get underway in Zagreb in March 2024, with commissioning expected by May 2024.

Training in the TotalControl tower simulator

Safety culture

A positive safety culture is critical to safety-centred organisations. It allows them to operate to the highest standards – providing accurate information on safety performance, ensuring a psychologically safe work environment, and allowing the business and the individuals in it to thrive.

In 2019, we began an external three-year review of our safety culture with consultant Presage. Following some delays due to the COVID-19 pandemic, the review concluded in late 2023 with the release of the results of the second safety culture survey of Airways employees.

Safety culture improved across all metrics. The results of the survey and recommendations from Presage give Airways a clear direction on how to continue to build our safety culture.

This includes strengthening our Learning, Reporting and Just Cultures and a multi-faceted programme of work is underway to address this.

Organisational development

An employee feedback survey completed in September 2023 showed a significant uplift in results and engagement on the last full survey in May 2022. Airways has seen a 10 per cent increase in overall score and 12 per cent increase in the people experience areas of leadership, performance development and culture. The results and feedback from this survey align with the recent Safety Culture survey, and will be used to continue to strengthen our culture.

Airways took our celebration of the work our people do public this year on the International Day of the Air Traffic Controller, Friday 20 October, a date which coincided with the opening of applications for Airways International's next student intake. The positive coverage raised interest among recruits and gave our people the public credit they deserve for the work they do every day to keep travellers safe in the skies.

We were proud to receive the Rainbow Tick accreditation in August 2023. It's an affirmation that our workplace is a welcome one for rainbow people – those who identify as lesbian, gay, bisexual, transgender, takatāpui and intersex (LGBTTQIA+). As part of the process, we surveyed our people. Of the 139 people who responded, 88 per cent said they felt our workplace was safe and inclusive, and the survey showed us further areas we need to work on. To publicly demonstrate our commitment, Airways sponsored the Winter Pride event in August 2023 and marked the occasion by lighting up the Queenstown Tower.

We plan to take what we have learned from the Rainbow Tick accreditation process and apply it more widely across the business, to ensure we are creating a workplace that is equitable and inclusive of everyone.

Our Chief Executive and Board, and our association partners have invested to develop positive relationships, with regular meetings and a focus on early engagement on important issues.

Our people at work

Board and Executive

The term of Board Deputy Chair Mark Pitt concluded during the report period. Airways thanks Mark for his strong contribution to our governance and wishes him all the best in his future endeavours.

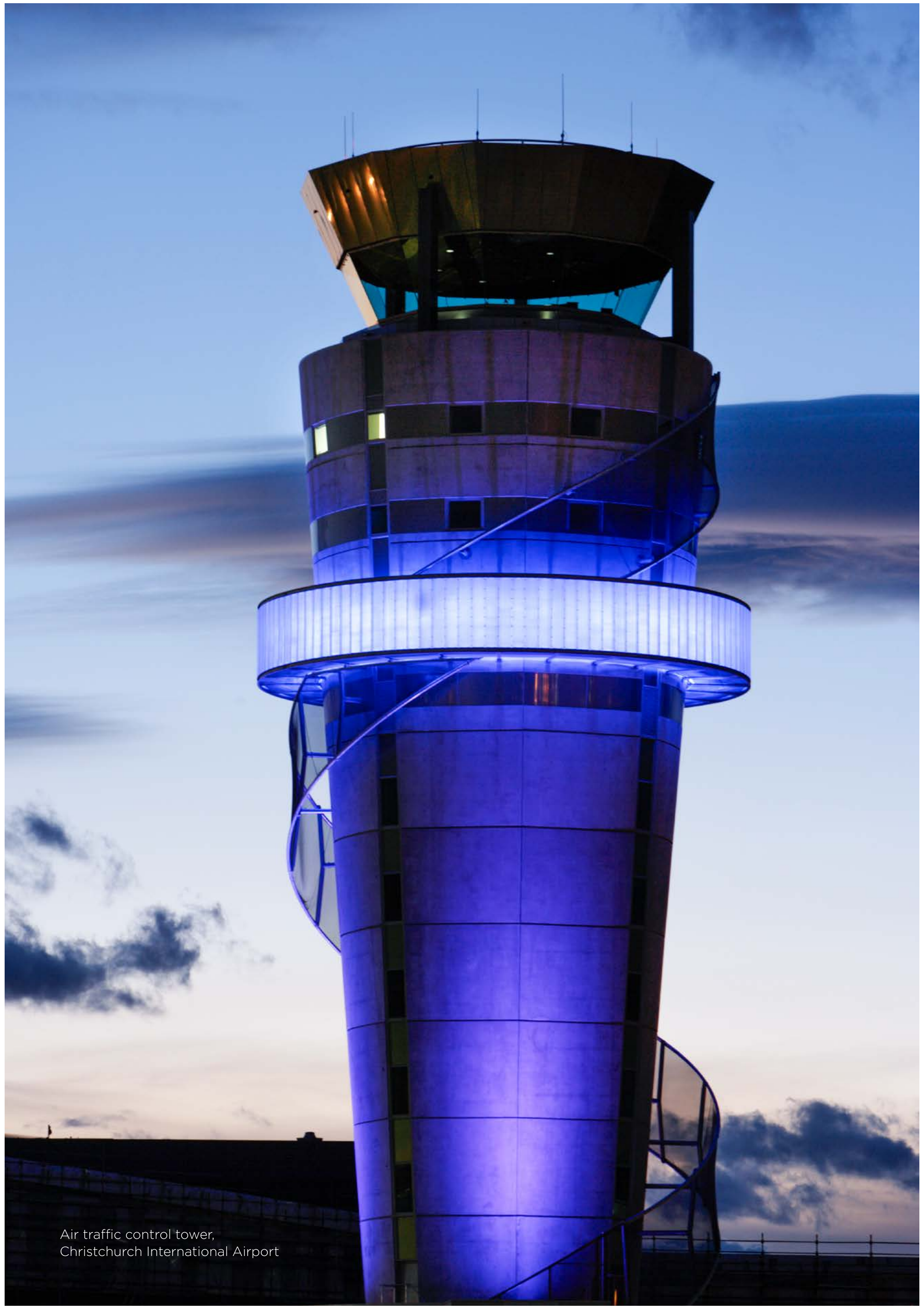
Board member Darin Cusack is the new Deputy Chair.

Danny Tuato'o joined the Board in July 2023.

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

Airways has welcomed two new leaders to the Executive Leadership Team. Ben Girard is the new General Manager Air Traffic Services and Tim Poonan is the Chief Financial Officer.

Measures of success	FY24 actual YTD	FY24 plan YTD	FY23 actual YTD
WorkSafe notifiable incidents	NIL	NIL	NIL
Serious air proximity events attributable to Airways	NIL	NIL	NIL
Core system availability	100%	99.99%	99.99%
Group profit/(loss) before tax	$18.6m	$16.0m	$3.6m
Capital investment	$27.3m	$21.8m	$18.7m



Air traffic control tower,
Christchurch International Airport

Interim Financial Statements

Interim statement of profit or loss and other comprehensive income

	GROUP		
FOR THE PERIOD ENDED 31 DECEMBER	2023 Unaudited ($000s)	2022 Unaudited ($000s)	NOTES
Operating activities			
REVENUE			
Air traffic management revenue	127,011	98,479	
Other revenue	9,030	10,815	
Other gains and losses	397	857	
Interest income	1,258	635	3
Total revenue	**137,696**	**110,786**	
EXPENSES			
Employee remuneration	75,400	66,563	
Employee-related costs	3,698	4,246	
Depreciation	12,693	11,170	
Amortisation	2,165	1,937	
Other operating costs	22,586	21,063	
Rental expense on operating leases	1,156	805	
Finance expense	1,376	1,418	3
Total expenses	**119,072**	**107,202**	
Net profit before taxation	**18,624**	**3,584**	
Taxation expense	5,220	1,016	
Net profit after taxation attributable to equity shareholders	**13,404**	**2,568**	
Other comprehensive income			
That will be reclassified to profit or loss when conditions are met:			
Movement in cash flow hedge reserve	(323)	1,132	
Tax on other comprehensive income	90	(317)	
Total other comprehensive income	**(233)**	**815**	
Total comprehensive income for the year attributable to equity shareholders	**13,171**	**3,383**	

Interim statement of changes in equity

	GROUP				
	Attributable to equity shareholders				
	CONTRIBUTED EQUITY ($000s)	HEDGE RESERVE ($000s)	RETAINED EARNINGS ($000s)	TOTAL ($000s)	NOTES
Balance as at 1 July 2022	**158,100**	**445**	**34,652**	**193,197**	
Comprehensive income					
Net loss after taxation	–	–	2,568	2,568	
Other comprehensive income					
Movements in hedge contracts	–	1,132	–	1,132	
Tax on other comprehensive income	–	(317)	–	(317)	
Total other comprehensive income	**–**	**815**	**–**	**815**	
Total comprehensive income	**–**	**815**	**2,568**	**3,383**	
Transactions with owners					
Issue of share capital	13,000	–	–	13,000	7
Total transactions with owners	**13,000**	**–**	**–**	**13,000**	
Balance as at 31 December 2022	**171,100**	**1,260**	**37,220**	**209,580**	
Balance as at 1 July 2023	**171,100**	**1,083**	**40,077**	**212,260**	
Comprehensive income					
Net surplus after taxation	–	–	13,404	13,404	
Other comprehensive income					
Movements in hedge contracts	–	(323)	–	(323)	
Tax on other comprehensive income	–	90	–	90	
Total other comprehensive income	**–**	**(233)**	**–**	**(233)**	
Total comprehensive income	**–**	**(233)**	**13,404**	**13,171**	
Transactions with owners					
Issue of share capital	–	–	–	–	7
Total transactions with owners	**–**	**–**	**–**	**–**	
Balance as at 31 December 2023	**171,100**	**850**	**53,481**	**225,431**	

Interim balance sheet

	GROUP			
FOR THE PERIOD ENDED	Dec 2023 unaudited ($000s)	Jun 2023 audited ($000s) RESTATED[1]	Dec 2022 unaudited ($000s) RESTATED[1]	NOTES
Assets				
CURRENT ASSETS				
Cash and cash equivalents	55,274	52,060	49,770	
Trade and other receivables	31,309	26,518	24,924	
Assets held for sale	–	300	–	
Prepayments	7,749	5,301	6,146	
Derivative financial instruments	280	141	208	
TOTAL CURRENT ASSETS	**94,612**	**84,320**	**81,047**	
NON-CURRENT ASSETS				
Property, plant and equipment	182,682	173,514	158,834	6, 11
Right-of-use assets	63,265	65,846	67,208	
Intangibles	63,717	57,801	65,016	6, 11
Inventories	2,135	2,166	1,816	
Deferred tax asset	8,145	13,276	14,817	
Derivative financial instruments	1,154	1,841	1,997	
Total non-current assets	**321,097**	**314,444**	**309,688**	
Total assets	**415,709**	**398,764**	**390,735**	

1. Refer to Note 11 for details of the restatement.

Interim balance sheet CONTINUED

	GROUP			
FOR THE PERIOD ENDED	Dec 2023 unaudited ($000s)	Jun 2023 audited ($000s) RESTATED[1]	Dec 2022 unaudited ($000s) RESTATED[1]	NOTES
Liabilities				
CURRENT LIABILITIES				
Trade and other payables	26,162	19,126	19,044	
Lease liabilities	6,594	6,702	6,762	
Employee entitlements	30,097	27,341	21,358	5
Derivative financial instruments	165	334	384	
Total current liabilities	**63,018**	**53,503**	**47,548**	
NON-CURRENT LIABILITIES				
Loan facility – unsecured	54,000	58,000	58,000	
Lease liabilities	64,651	66,598	67,384	
Employee entitlements	8,521	8,355	8,168	5
Derivative financial instruments	89	48	56	
Total non-current liabilities	**127,261**	**133,001**	**133,607**	
Total liabilities	**190,279**	**186,504**	**181,154**	
Net assets	**225,430**	**212,260**	**209,580**	
Equity				
Share capital	171,100	171,100	171,100	
Reserves	850	1,083	1,260	
Retained earnings	53,480	40,077	37,220	
Total equity	**225,430**	**212,260**	**209,580**	

1. Refer to Note 11 for details of the restatement.

Interim statement of cash flows

	GROUP		
FOR THE PERIOD ENDED 31 DECEMBER	2023 Unaudited ($000s)	2022 Unaudited ($000s)	NOTES
Cash flows from/(used in) operating activities			
CASH WAS PROVIDED FROM:			
Receipts from customers	134,522	106,098	
Interest received	1,311	635	
CASH WAS APPLIED TO:			
Payments to suppliers	(21,551)	(28,254)	
Payments to employees	(75,457)	(73,403)	
Interest paid	(2,574)	(1,362)	3
Income tax paid	(62)	(43)	
Net cash flows from operating activities	**36,189**	**3,671**	**10**
Cash flows from/(used in) investing activities			
CASH WAS PROVIDED FROM:			
Sale of property, plant and equipment	691	10,657	
CASH WAS APPLIED TO:			
Purchase of property, plant and equipment	(24,076)	(15,839)	
Purchase of intangible assets	(3,269)	(2,822)	
Net cash used in investing activities	**(26,654)**	**(8,004)**	
Cash flows from/(used in) financing activities			
CASH WAS PROVIDED FROM:			
Issue of share capital	–	13,000	7
CASH WAS APPLIED TO:			
Principal repayment of loan	(4,000)		
Principal elements of lease payments	(2,321)	(2,025)	
Net cash flows from/(used in) financing activities	**(6,321)**	**10,975**	
Net increase in cash held	**3,214**	**6,642**	
Cash at the beginning of the period	52,060	43,128	
Cash at the end of the period	**55,274**	**49,770**	

Notes to the interim financial statements

NOTE 1 BASIS OF PREPARATION

These interim financial statements as at and for the six months ended 31 December 2023 are for the consolidated group (Airways), consisting of Airways Corporation of New Zealand Limited and its subsidiaries: Airways International Limited, Aeropath Limited, Airways Training Limited and AirShare Limited. They have been prepared in accordance with:

- New Zealand Generally Accepted Accounting Practice (NZ GAAP) and NZ IAS 34, Interim Financial Reporting. The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Integrated Report of the group for the year ended 30 June 2023; and
- the requirements of the Financial Reporting Act 2013, Companies Act 1993 and the State-Owned Enterprises Act 1986.

The interim financial statements were authorised for issue by the directors on 20 February 2024.

The interim financial statements have been prepared on the 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 the Group. All values are rounded to the nearest thousand dollars ($000s) unless otherwise stated.

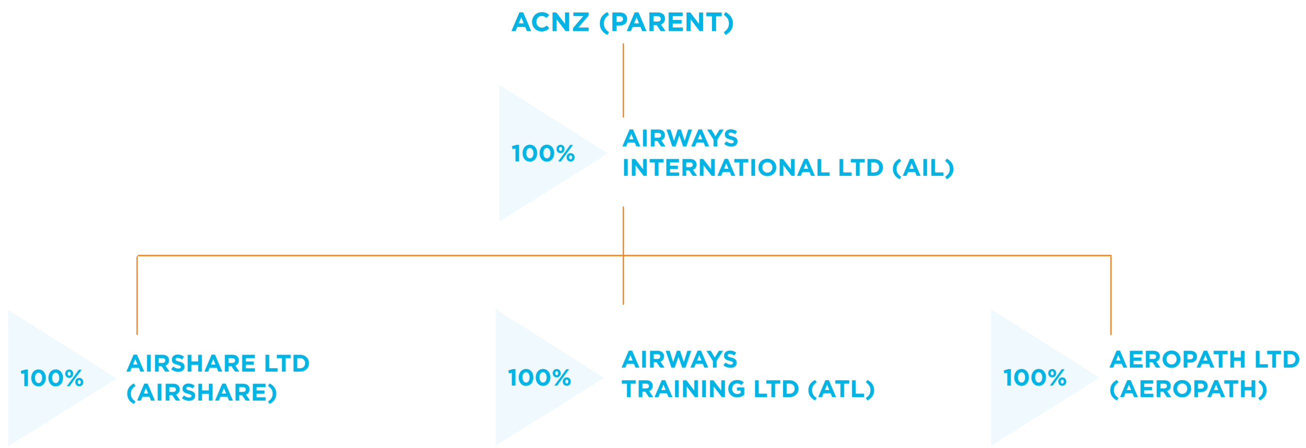
All components in the primary statements have been stated net of GST, with the exception of receivables and payables which include any GST invoiced.

NOTE 2 GROUP STRUCTURE

Airways Corporation of New Zealand Limited is a limited liability company incorporated and domiciled in New Zealand. It is also a state-owned enterprise established under the State-Owned Enterprises 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.

Airways' principal business is the provision of air traffic management services; however, it is also involved in a number of related revenue generating activities, including consulting and training.

The group structure is shown in the diagram below. The percentages indicate ownership.



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

Notes to the interim financial statements CONTINUED

NOTE 3 FINANCE EXPENSE

Finance expense of $1.4 million (2022: $1.4 million) includes interest expense from unwinding lease liabilities of $1.3 million, interest expense from bank loans of $1.4m and other financing expense of $0.4 million, offset by capitalised interest of $1.7 million.

NOTE 4 DIVIDENDS PAID

No interim dividend was declared and paid to the shareholders (2022: nil).

NOTE 5 EMPLOYEE ENTITLEMENTS

Employee entitlements (current and non-current) are largely made up of accrued salary costs, annual leave, long service leave and retiring leave liabilities.

NOTE 6 CAPITAL COMMITMENTS

Airways had total capital commitments of $23.8 million as at 31 December 2023 (2021: $33.4 million). This programme will be funded through operating cash flow and increased debt, while remaining within current loan facilities and covenants.

Property, plant and equipment of $184.4 million (2022: $160.8 million) includes $39.9 million of work-in-progress (2022: $42 million). Intangible assets of $63.7 million (2022 restated: $65.0 million) include $1.8 million of work-in-progress (2022 restated: $1.9 million).

NOTE 7 SHARE CAPITAL

Airways has capital of $171.1 million (2022: $171.1 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: 171,100,000) authorised ordinary shares.

At 31 December 2023, Airways has on issue 35,000,000 authorised uncalled share capital to its owners amounting to a total value of uncalled share capital of $35.0 million. The uncalled share capital facility was cancelled in October 2023, and the unpaid shares are likely to be cancelled before the end of the current financial year.

NOTE 8 CONTINGENT LIABILITIES

Airways has contingent liabilities of $0.8 million for performance bonds (2022: $1.9 million).

NOTE 9 SUBSEQUENT EVENTS

There have been no significant events occurring since balance date requiring disclosure.

Notes to the interim financial statements CONTINUED

NOTE 10 RECONCILIATION OF THE NET CASH FLOW FROM OPERATING ACTIVITIES TO REPORTED SURPLUS

FOR THE PERIOD ENDED 31 DECEMBER	2023 ($000s)	2022 ($000s)
NET SURPLUS AFTER TAXATION	13,404	2,568
ADD NON-CASH ITEMS		
Accounting gain on sale of assets	(397)	(857)
Amortisation	2,165	1,937
Depreciation	12,693	11,170
Total adjustments for items in surplus not impacting cash flow	**27,865**	**12,250**
ADD MOVEMENTS IN WORKING CAPITAL ITEMS		
Increase/(decrease) in payables	15,436	(1,993)
Increase in receivables	(7,112)	(9,154)
Total adjustments for items not in surplus impacting cash flow	**8,324**	**(11,147)**
Net cash inflow from operating activities	**36,189**	**3,671**

NOTE 11 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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. From 30 June 2023, the work-in-progress balance has been correctly segregated between property, plant and equipment and intangible assets. The comparative figures as at 31 December 2022 have been restated in the Statement of Financial Position to include intangible assets work-in-progress in the intangible assets classification rather than the property, plant and equipment classification. 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	Dec 2022 ($000s)
Closing balance as at 31 December 2022	160,825
Adjustment	(1,991)
Restated balance as at 31 December 2022	**158,834**

Intangible assets	Dec 2022 ($000s)
Closing balance as at 31 December 2022	63,025
Adjustment	1,991
Restated balance as at 31 December 2022	**65,016**

Notes to the interim financial statements CONTINUED

The June 2023 property, plant and equipment and intangible assets balances have been restated by $4.9 million to reflect a change in classification of a project from intangible assets to plant, property and equipment. The impact of this reclassification is as follows:

Property, plant and equipment	June 2023 ($000s)
Closing balance as at 30 June 2023	168,571
Adjustment	4,943
Restated balance as at 30 June 2023	**173,514**

Intangible assets	June 2023 ($000s)
Closing balance as at 30 June 2023	62,744
Adjustment	(4,943)
Restated balance as at 30 June 2023	**57,801**

EVA key performance indicators

FOR THE PERIOD ENDED 31 DECEMBER	Parent Dec 2023 ($000s)	Parent Dec 2022 ($000s)
DEBT AND EQUITY EMPLOYED		
Debt employed	185,627	200,229
Equity employed	117,386	105,532
Total debt and equity employed	**303,011**	**305,762**
Charge on operating capital	13,680	9,229
Economic value added (EVA)	(1,460)	(8,207)
SUMMARY OF PARAMETERS FOR COST OF CAPITAL		
Risk free rate – three-year Government Stock	5.22%	4.14%
Market risk premium	7.5%	7.5%
Company tax rate	28.0%	28.0%
Business risk factor (asset beta)	0.60	0.60
Cost of capital	9.62%	8.89%

The economic value added (EVA) measures are calculated on the results of Airways Corporation of New Zealand Limited only.

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 the following website: https://www.airways.co.nz/about/corporate-reporting/

The cost of capital of 9.62% for the period ending December 2023 compares to a cost of capital of 8.03% used for determining 2023–2025 air navigation services pricing. The movement in the cost of capital is primarily due to changes in the risk-free rate.

The EVA for the period ended December 2023 is below expectations primarily due to an increase in the risk free rate.

RECONCILIATION OF EVA TO NET OPERATING PROFIT AFTER TAX

FOR THE PERIOD ENDED 31 DECEMBER	Parent Dec 2023 ($000s)	Parent Dec 2022 ($000s)
Profit/(loss) after tax	11,423	(398)
Deduct: charge on operating capital	(13,680)	(9,229)
Deduct: non-cash employee costs	420	129
Deduct: difference in depreciation	(52)	–
Add back: interest costs	60	993
Add back: depreciation on capitalised interest	369	298
Economic value added (EVA)	**(1,460)**	**(8,207)**

Corporate Directory

Registered office

Level 2
6 Leonard Isitt Drive
Auckland Airport
PO Box 53093
Auckland
New Zealand

Directors

Denise Church QSO
Darin Cusack
Gavin Fernandez
John Holt
Mark Hutchinson
Lisa Jacobs
Terry Paddy
Danny Tuato'o

Auditors

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

Bankers

ANZ Bank New Zealand Limited
Bank of New Zealand Limited