

INTERIM REPORT  
2021-2022 ▶

For the period ended  
31 December 2021



► The ongoing and unpredictable pressures placed on the aviation industry by the COVID-19 pandemic have continued to test our resilience through the first half of this year. Despite this, keeping Kiwis safely connected to each other and the world has remained Airways' focus, and we are proud to have maintained excellent safety and operational performance for the period ended 31 December 2021.

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## Chair and Chief Executive's report



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From July to December 2021 we facilitated 168,600 flights through New Zealand skies. There were no serious operational safety occurrences or serious harm injuries involving our people.

The impact of extensive air travel restrictions are reflected in our revenues for the period, and we are reporting an after-tax loss of \$18.9 million for the Airways Group.

### RESPONDING TO COVID-19

In response to the COVID-19 pandemic we have taken a number of steps to confirm that the right processes and procedures are in place across our business to ensure that our people are safe at work, and that we can continue to deliver our essential services safely and efficiently wherever possible.

In December, following a company-wide survey, we announced a requirement for all new staff, all current employees working on our sites, contractors, and visitors to our sites be fully vaccinated against COVID-19. This followed to a comprehensive risk assessment and consultation with our people and their unions. The mandate came into effect on December 17, 2021.

As of February 2022, 97 percent of staff are fully vaccinated.

Additional safety measures remain in place at all our sites, including social distancing and mask wearing requirements, and staff continue to work from home where appropriate.

Contingency plans are in place to try to minimise disruption to our services in the event that we experience cases of COVID-19 at our work sites.

Through the first half of this year, we have continued to keep our sights set on the future recovery of our industry and have progressed with programmes of work intended to ensure Airways is in the best possible position to support this. We are committed to understanding the evolving needs of our customers and partners and working collaboratively to support the wider aviation industry.

### SAFETY

Safety is at the forefront of everything Airways does, both operationally for our customers and where the health, safety and wellbeing of our people is concerned.

There were no serious operational safety occurrences or serious harm injuries involving our people in the

reporting period. We are proud of our proven track record of excellent safety practices and continue to take a leading role in safety development internationally, including our lead positions within the international Civil Air Navigation Services Organisation (CANSO).

We aim to continuously adapt and improve our safety practices and have continued to progress our independent review of Airways' Safety Culture with the completion of an independent Safety Culture questionnaire to identify areas for internal improvement. Engagement by our people in the questionnaire was high, with employee led working groups now tasked with driving recommendations into realistic, practical, and deployable actions.

**SERVICING AND PRICING FRAMEWORK REVIEWS**

Across 2021 we reviewed our Service and Pricing Frameworks. Both frameworks have been in place for more than a decade and required review to ensure they remain fit for purpose and able to be well understood. No substantial changes were made to our service provision following feedback from our customers. Taking into account the general support received from submitters on proposed changes to the Pricing Framework, we made a change to the treatment of works-in-progress. We also decided to publish a revised version of the Standard Terms and Conditions including, where appropriate, minor changes and additional amendments in response to points raised by submitters.

The review of the Pricing Framework leads into Airways' consultation with airlines, general aviation and airport customers on associated prices.

This is an important piece of engagement that takes place every three years with our customers and stakeholders to ensure we continue to operate safely and efficiently. We will shortly commence consultation for the 2022 to 2025 pricing period.

In recent years we have signalled our intention to withdraw airfield power and lighting services at airports, including ongoing maintenance and support. We continue to work collaboratively with a number of airports on the proposed transition of the ownership of airfield power and lighting assets to airport companies.

In May 2020 Airways started a review of the air traffic services we provide at seven regional airports which had reducing traffic volumes. The purpose of the review was twofold: to confirm that the right level of Air Traffic Services is provided at the airports and that appropriate agreements are in place for funding these services.

In 2021, decisions regarding Hawke's Bay, Milford Sound, Invercargill, Rotorua and New Plymouth Airports were determined in March, May, July, September and December respectively. For each, the CAA determined the levels of service should remain unchanged and Airways has since been working with the respective aerodromes to ensure continuity of service. The last remaining airports are Gisborne and Paraparaumu. Gisborne has decided not to submit its aeronautical study to the CAA, citing the Minister of Transport's agreement to a review of air navigation services. Paraparaumu Airport has confirmed it is no longer completing the study and will continue to pay for the service until there is a resolution about the future of the airport.





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## AIRWAYS INTERNATIONAL

We are buoyed by the continued successes of Airways International (AIL). AIL has sustained steady revenues through the pandemic as a shift toward digitisation and remote delivery has kept global customers in reach and opened up new opportunities.

AIL has had a number of successes through the first half of this year. It was a finalist in the Innovation in Response to COVID-19 category of the 2021 NZTE International Business Awards. The nomination recognised AIL's quick pivot at the outset of the pandemic, adapting the way it does business to efficiently operate in the global digital economy.

Virtual training via Airways Knowledge Online (AKO) is in demand. AKO enables aviation students across the globe to engage and learn remotely as travel restrictions continue to disrupt AIL's ability to provide face-to-face training. Students from United Arab Emirates, Jordan, Singapore, Hong Kong, Saudi Arabia and the Pacific Islands have recently undertaken virtual training courses taught by our instructors in Christchurch. Following the remote installation of air traffic control simulators early in the pandemic, further development is providing greater flexibility in training.

Training of students for Airways' air traffic control operations in New Zealand has now recommenced following a pause when New Zealand's first COVID-19

lockdown occurred in March 2020. On-job training has resumed in regional control towers, and a new cohort of students began their training in Christchurch in October 2021. Recruitment is underway for two further cohorts to begin training in 2022.

AIL has also secured a five-year extension with the FAA for its SureSelect Service, which screens all potential air traffic control applicants from the United States.

AIL along with the Air Traffic Services Group has supported Rocket Lab's Electron rocket launches since 2017, when the aerospace organisation launched its first rocket into space. Since then, more than 20 Electron rockets have been launched, deploying more than 100 satellites into orbit. In November, Airways signed a second five-year contract with Rocket Lab to provide air traffic services, including management of a 'special use airspace' around each Electron rocket as they launch.

## FINANCIAL PERFORMANCE

The financial performance of the Airways Group reflects the challenging aviation environment. The Group recorded an after-tax loss of \$18.9 million for the half year ended 31 December 2021, \$8.8 million behind budget due to the extended domestic travel restrictions implemented in response to the COVID-19 Delta variant outbreak.

Measures of success	FY22 actual YTD	FY22 plan YTD	FY21 actual YTD
Near collisions	NIL	NIL	Nil
Core system availability	99.93%	99.98%	100%
Group Loss after tax	(\$18.9m)	(\$10.1m)	(\$13.8m)
Commercial business Profit after tax	\$2.5m	\$2.0m	\$2.7m
Capital investment	\$9.3m	\$24.0m	\$8.3m





The domestic market for air travel was significantly impacted by the recent restrictions in the first half of the financial year and we now expect international borders will open later than we had planned. This will put further pressure on revenue for the remainder of the year.

We have now drawn down \$30 million of the Government's \$95 million capital facility provided to Airways. Once again, we would like to thank the Government for the support received during these difficult and uncertain times.

The commercial business, Airways International Limited, had a strong half-year result due to above budget software sales. The Air Traffic Control Training business continues to be negatively affected by the New Zealand border restrictions and ongoing COVID-19 waves in other countries.

Capital spending is 61 percent down on budget. This reflects supply chain and labour availability issues, as well as COVID-19 restrictions preventing work from going ahead.



**OUR PEOPLE**

We would like to offer our sincere thanks to all our people for their efforts and commitment as we navigate this year's many challenges. We appreciate that the ongoing uncertainty brought about by COVID-19 is unsettling and we continue to work to ensure our people feel supported.

Airways' core values of Safety, Each Other, Excellence and Success form the foundation of our purpose to enable safe skies for the travelling public.

Airways is in year rua (two) of our toru (three) year Te Ao Māori plan and what we call Te Kākanō (developing) phase. We are working with external specialists to provide internal 'Te Reo and Tikanaga' virtual lessons starting in early 2022; we have commenced a piece of work with support from the CAA to enhance the correct Te Reo pronunciation in Aotearoa aviation waypoints and placenames; and we have commenced engagement with local iwi to support the naming of our two new IL4 operational centres in Auckland and Christchurch.

**GOVERNANCE AND LEADERSHIP**

Paula Jackson's term on the Airways Board of Directors concluded in November 2021. We thank Paula for her contributions and wish her well with future endeavours.



*Denise Church*

**DENISE CHURCH QSO**  
 BOARD CHAIR

*Graeme Sumner*

**GRAEME SUMNER**  
 CHIEF EXECUTIVE OFFICER

## Interim statement of profit or loss and other comprehensive income

(all figures shown in tables are in \$NZ thousands unless otherwise stated)

For the period ended 31 December	Group		Notes
	2021 Unaudited	2020 Unaudited	
<b>OPERATING ACTIVITIES</b>			
<b>REVENUE</b>			
Air traffic management revenue	54,457	57,575	
Government grants	4,322	3,606	
Other revenue	7,899	8,230	
Other gains and losses	-	2,105	4
Interest income	87	269	
<b>TOTAL REVENUE</b>	<b>66,765</b>	<b>71,785</b>	
<b>EXPENSES</b>			
Employee remuneration	59,355	56,791	
Employee related costs	2,169	2,965	
Depreciation	11,694	10,316	
Amortisation	1,930	1,784	
Impairment	-	1,329	5
Other operating costs	15,707	15,365	
Rental expense on operating leases	790	764	
Finance expense	1,390	1,883	3
<b>TOTAL EXPENSES</b>	<b>93,035</b>	<b>91,197</b>	
<b>NET LOSS BEFORE TAXATION</b>	<b>(26,270)</b>	<b>(19,413)</b>	
Taxation benefit	(7,355)	(5,585)	
<b>NET LOSS AFTER TAXATION ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>	<b>(18,915)</b>	<b>(13,828)</b>	
<b>OTHER COMPREHENSIVE INCOME</b>			
That will be reclassified to profit or loss when conditions are met:			
Movement in cash flow hedge reserve	1,149	(282)	
Deferred tax on other comprehensive income	(322)	79	
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>827</b>	<b>(203)</b>	
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>	<b>(18,088)</b>	<b>(14,031)</b>	

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 10 to 12.



## Interim statement of changes in equity

(all figures shown in tables are in \$NZ thousands unless otherwise stated)

	Group Attributable to equity shareholders				Notes
	Contributed Equity	Hedge Reserve	Retained Earnings	Total	
<b>BALANCE AS AT 1 JULY 2020</b>	<b>111,100</b>	<b>(1,330)</b>	<b>64,743</b>	<b>174,513</b>	
<b>COMPREHENSIVE INCOME</b>					
Net loss after taxation	-	-	(13,828)	(13,828)	
<b>OTHER COMPREHENSIVE INCOME</b>					
Movements in hedge contracts	-	(282)	-	(282)	
Deferred tax on other comprehensive income	-	79	-	79	
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>(203)</b>	<b>-</b>	<b>(203)</b>	
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>(203)</b>	<b>(13,828)</b>	<b>(14,031)</b>	
<b>TRANSACTIONS WITH OWNERS</b>					
Dividends paid (nil cents per share)	-	-	-	-	6
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>BALANCE AS AT 31 DECEMBER 2020</b>	<b>111,100</b>	<b>(1,533)</b>	<b>50,915</b>	<b>160,482</b>	
<b>BALANCE AS AT 1 JULY 2021</b>	<b>111,100</b>	<b>(1,030)</b>	<b>70,172</b>	<b>182,242</b>	
<b>COMPREHENSIVE INCOME</b>					
Net loss after taxation	-	-	(18,915)	(18,915)	
<b>OTHER COMPREHENSIVE INCOME</b>					
Movements in hedge contracts	-	1,149	-	1,149	
Deferred tax on other comprehensive income	-	(322)	-	(322)	
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>827</b>	<b>-</b>	<b>827</b>	
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>827</b>	<b>(18,915)</b>	<b>(18,088)</b>	
<b>TRANSACTIONS WITH OWNERS</b>					
Issue of share capital	30,000	-	-	30,000	9
Dividends paid (nil cents per share)	-	-	-	-	6
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	
<b>BALANCE AS AT 31 DECEMBER 2021</b>	<b>141,100</b>	<b>(203)</b>	<b>51,257</b>	<b>192,154</b>	

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## Interim balance sheet

(all figures shown in tables are in \$NZ thousands unless otherwise stated)

For the period ended 31 December	Group			Notes
	Dec 2021 Unaudited	Jun 2021 audited	Dec 2020 Unaudited	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	42,039	38,082	46,447	
Trade and other receivables	14,663	16,590	14,968	
Current tax asset	-	-	6,647	
Prepayments	5,075	2,161	3,517	
Derivative financial instruments	77	28	171	
<b>TOTAL CURRENT ASSETS</b>	<b>61,854</b>	<b>56,861</b>	<b>71,750</b>	
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	206,917	207,548	181,519	8
Right-of-use assets	68,881	71,289	58,107	
Intangibles	14,882	16,010	12,663	8
Inventories	1,954	2,070	2,225	
Deferred tax asset	8,978	1,945	9,331	
Other non-current assets	7	8	13	
Derivative financial instruments	522	4	9	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>302,141</b>	<b>298,874</b>	<b>263,867</b>	
<b>TOTAL ASSETS</b>	<b>363,995</b>	<b>355,735</b>	<b>335,617</b>	
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	10,907	9,800	9,198	
Lease liabilities	6,333	6,495	6,374	
Employee entitlements	18,896	20,966	21,010	7
Derivative financial instruments	768	1,277	642	
Loan facility - unsecured	-	-	58,000	
<b>TOTAL CURRENT LIABILITIES</b>	<b>36,904</b>	<b>38,538</b>	<b>95,224</b>	
<b>NON-CURRENT LIABILITIES</b>				
Loan facility - unsecured	58,000	58,000	-	
Lease liabilities	68,239	69,891	67,666	
Employee entitlements	8,584	8,901	10,669	7
Derivative financial instruments	114	163	1,576	
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>134,937</b>	<b>136,955</b>	<b>79,911</b>	
<b>TOTAL LIABILITIES</b>	<b>171,841</b>	<b>175,493</b>	<b>175,135</b>	
<b>NET ASSETS</b>	<b>192,154</b>	<b>180,242</b>	<b>160,482</b>	
<b>EQUITY</b>				
Share Capital	141,100	111,100	111,100	9
Reserves	(203)	(1,030)	(1,533)	
Retained Earnings	51,257	70,172	50,915	
<b>TOTAL EQUITY</b>	<b>192,154</b>	<b>180,242</b>	<b>160,482</b>	

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 10 to 12.

## Interim statement of cash flows

(all figures shown in tables are in \$NZ thousands unless otherwise stated)

For the period ended 31 December	Group		Notes
	2021 Unaudited	2020 Unaudited	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH WAS PROVIDED FROM:</b>			
Receipts from customers	64,646	65,673	
Receipts from government	4,335	3,528	
Interest received	87	269	
<b>CASH WAS APPLIED TO:</b>			
Payments to suppliers	(18,294)	(18,423)	
Payments to employees	(64,149)	(60,790)	
Interest paid	(1,355)	(1,878)	3
Income tax paid	(9)	-	
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(14,739)</b>	<b>(11,621)</b>	12
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
<b>CASH WAS PROVIDED FROM:</b>			
Sale of property, plant and equipment	18	1,200	
<b>CASH WAS APPLIED TO:</b>			
Purchase of property, plant and equipment	(7,951)	(4,776)	
Purchase of intangible assets	(1,358)	(3,557)	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(9,291)</b>	<b>(7,133)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>CASH WAS PROVIDED FROM:</b>			
Issue of share capital	30,000	-	9
<b>CASH WAS APPLIED TO:</b>			
Principle elements of lease payments	(2,013)	(1,551)	
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>27,987</b>	<b>(1,551)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>3,957</b>	<b>(20,305)</b>	
Cash at the beginning of the period	38,082	66,752	
<b>CASH AT THE END OF THE PERIOD</b>	<b>42,039</b>	<b>46,447</b>	

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## 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 2021 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:

- Generally Accepted Accounting Practice in New Zealand (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 Annual report of the Group for the year ended 30 June 2021; 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 17 February 2022.

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 (\$'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.

### COVID-19: IMPAIRMENT

In June 2020, Airways recognised an impairment of \$48.7 million in relation to its Core Cash Generating Unit (CGU). Due to significant improvements in the domestic market recovery and the key assumption of price increases passed on to our customers from 1 July 2022, the impairment was subsequently reversed in full during the year ended 30 June 2021.

During the six month ended 31 December 2021, additional lockdown measures and introduction of the traffic light system resulted in a reduction in flight volumes and decline in revenue compared to the budget.

Despite the lower than budgeted results as at 31 December 2021, the key assumptions of price increases in FY23 still remain appropriate and as such there are no indications to suggest that a further impairment is required on Airways' Core CGU. However, due to the uncertainties in relation to the impact of Covid-19, Airways will perform an impairment assessment at 30 June 2022, based on the working assumptions at that time.

### GOING CONCERN

The interim financial statements have been prepared on a going concern basis, which assumes Airways 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 these financial statements are approved.

Due to the on-going impacts of COVID-19 resulting in a reduction in domestic and international flight volumes, Airways incurred a loss after tax of \$18.9 million for the six months ended 31 December 2021 (2020: loss after tax of \$13.8 million) and net cash flows used in operating activities amounted to \$14.7 million (2020: net cash flows used in operating activities amounted to \$11.6m).

It is forecast Airways will continue to incur losses for the foreseeable future and its cash outflows will exceed the cash inflows it generates from its operating activities.

Despite the above, Airways has access to a number of funding arrangements at the balance date, which will allow Airways to continue as a going concern for the next twelve months:

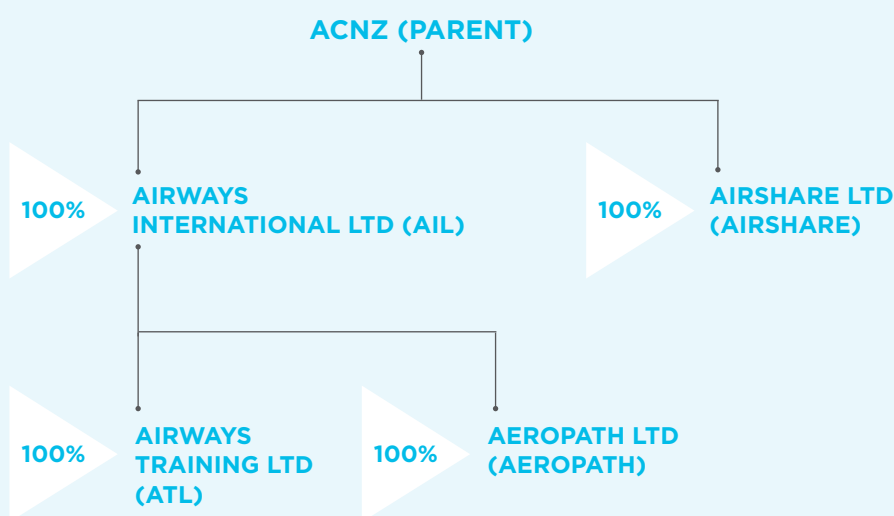
- \$65 million of undrawn capital facility is subscribed by the Crown and remains available for draw down should Airways require.
- Waiver of breach in banking covenants remain until 31 December 2022. Airways has \$32 million of undrawn financing facilities at balance date, which if required, can be utilised.

**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 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

**NOTE 3 FINANCE EXPENSE**

Finance expense of \$1.4 million, includes interest expense from unwinding lease liabilities of \$1.4 million and financing expense of \$1.2 million offset by capitalised interest of \$1.2 million (2020: \$1.9 million net).

**NOTE 4 OTHER GAINS AND LOSSES**

No gains or losses from disposal of assets was recognised during the 6 months ended 31 December 2021 (2020: gain on sale of \$1.2 million).

**NOTE 5 IMPAIRMENT**

No impairment was recognised during the 6 months ended 31 December 2021 (2020: impairment of \$1.3 million).

**NOTE 6 DIVIDENDS PAID**

No interim dividend was declared and paid to the shareholders (2020: nil). Airways does not expect to pay dividends to its shareholder during the year ended 30 June 2022.

## NOTE 7 EMPLOYEE ENTITLEMENTS

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

## NOTE 8 CAPITAL COMMITMENTS

Airways had total capital commitments of \$7.4 million as at 31 December 2021 (2020: \$11.4 million). This programme will be funded through increased capital.

Property, Plant & Equipment of \$206.9 million (2020: \$181.5 million) includes \$70.3 million of work-in-progress (2020: \$67.8 million). Of the \$70.3 million of work-in-progress, \$52.2million (2020: \$48.3 million ) relates to intangible projects in progress, primarily reflecting the ongoing development of the new ATM system. These balances will be transferred to intangibles on completion of the project.

## NOTE 9 SHARE CAPITAL

Airways has capital of \$141.1 million (2020: \$111.1 million) issued ordinary shares which confer on the holders the right to vote at any general meeting of shareholders. This consists of 141,000,000 (2020: 111,100,000) authorised ordinary shares.

During the six months ended 31 December 2021, Airways called \$30.0 million of its issued ordinary shares from its owners (2020: nil shares called).

At 31 December 2021, Airways has on issue 65,000,000 authorised uncalled share capital to its owners amounting to a total value of uncalled share capital of \$65.0 million.

## NOTE 10 CONTINGENT LIABILITIES

Airways has contingent liabilities of \$0.7 million for performance bonds (2020: \$0.7 million).

## NOTE 11 SUBSEQUENT EVENTS

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

## NOTE 12 RECONCILIATION OF THE NET CASH FLOW FROM OPERATING ACTIVITIES TO REPORTED LOSS

FOR THE PERIOD ENDED 31 DECEMBER	2021	2020
<b>NET LOSS AFTER TAXATION</b>	<b>(18,915)</b>	<b>(13,828)</b>
<b>ADD NON CASH ITEMS</b>		
Accounting loss/(gain) on sale of assets	18	(1,158)
Accounting gain on partial surrender of leases	-	(943)
Amortisation	1,930	1,784
Depreciation	11,694	10,316
Impairment	-	1,329
<b>TOTAL ADJUSTMENTS FOR ITEMS IN SURPLUS NOT IMPACTING CASH FLOW</b>	<b>13,642</b>	<b>11,328</b>
<b>ADD MOVEMENTS IN WORKING CAPITAL ITEMS</b>		
Decrease in payables	(8,620)	(8,614)
Increase in receivables	(846)	(507)
<b>TOTAL ADJUSTMENTS FOR ITEMS NOT IN SURPLUS IMPACTING CASH FLOW</b>	<b>(9,466)</b>	<b>(9,121)</b>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(14,739)</b>	<b>(11,621)</b>

## EVA key performance indicators

(all figures shown in tables are in \$NZ thousands unless otherwise stated)

For the period ended 31 December	Parent	
	Dec 2021	Dec 2020
<b>DEBT AND EQUITY EMPLOYED</b>		
Debt employed	176,831	175,947
Equity employed	123,033	136,165
<b>TOTAL DEBT AND EQUITY EMPLOYED</b>	<b>299,864</b>	<b>312,112</b>
Charge on operating capital	9,751	8,596
Economic Value Added	(30,131)	(23,390)
<b>SUMMARY OF PARAMETERS FOR COST OF CAPITAL</b>		
Risk free rate - three-year Government Stock	1.61%	0.16%
Market risk premium	7.0%	7.0%
Company tax rate	28.0%	28.0%
Business risk factor (asset beta)	0.60	0.60
Cost of capital	6.55%	5.48%

CHAIR AND CHIEF  
EXECUTIVE'S  
REPORT

FINANCIAL  
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EVA KEY  
PERFORMANCE  
INDICATOR

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/financial-operational-and-safety-performance-reports/>

The cost of capital of 6.55% for the period ended December 2021 compares to a cost of capital of 6.59% used for determining 2020-2022 air navigation services pricing.

The negative EVA for the period ended December 2021 has been driven by reduction in flight volumes due to Covid-19.

### RECONCILIATION OF EVA TO NET OPERATING PROFIT AFTER TAX

For the period ended 31 December	Parent	
	Dec 2021	Dec 2020
Loss After Tax	(21,396)	(16,548)
Deduct: Charge on operating capital	(9,751)	(8,596)
Add back: non-cash employee costs	33	421
Add back: interest costs	983	1,333
<b>Economic Value Added</b>	<b>(30,131)</b>	<b>(23,390)</b>

## Corporate directory

### REGISTERED OFFICE

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

### DIRECTORS

Denise Church  
Mark Pitt  
Lisa Jacobs  
Darin Cusack  
John Holt  
Mark Hutchinson  
Nicola Greer

### WEB ADDRESS

[www.airways.co.nz](http://www.airways.co.nz)

### AUDITORS

Mark Bramley, with the assistance  
of PricewaterhouseCoopers on  
behalf of the Auditor-General

### BANKERS

ANZ Bank New Zealand Limited  
Bank of New Zealand Limited