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SAFE SKIES TODAY AND TOMORROW

AIRWAYS INTEGRATED REPORT 2024

AIRWAYS

Contents

KEY ACHIEVEMENTS FOR 2024

0
SERIOUS AIR PROXIMITY EVENTS ATTRIBUTABLE TO AIRWAYS

491,449
FLIGHT MOVEMENTS SAFELY MANAGED THROUGH OUR AIRSPACE

99.99%
CORE SYSTEMS AVAILABILITY

$14.5m
NET OPERATING PROFIT AFTER TAX

Awarded
RECEIVED THE OVERALL EXCELLENCE, RESILIENCE AND ADVANCED AIR MOBILITY AWARDS AT THE 2023 GLOBAL AIR TRAFFIC MANAGEMENT AWARDS

Transitioned
OUR AIR TRAFFIC MANAGEMENT INTO TWO DISASTER-RESILIENT BUILDINGS AND ONTO A FUTURE-FIT DIGITAL PLATFORM

Received
RAINBOW TICK ACCREDITATION

Agreed
STRATEGIC PARTNERSHIP WITH NEW ZEALAND AIRLINE PILOTS ASSOCIATION

Complete
FIRST EXTERNALLY AUDITED GREENHOUSE GAS INVENTORY (CARBON FOOTPRINT)

CHAIR AND CEO INTRODUCTION

Future Focused

Airways has continued to deliver on its core purpose by consistently facilitating safe and efficient operations for all airspace users, while delivering a favourable financial result and progressing with our strategy to create the airspace environment of the future.

Denise Church QSO
Chair

James Young
Chief Executive

It is our pleasure to present Airways New Zealand's annual results, for the year ending 30 June 2024.

Over the past 12 months, Airways has safely managed 491,449 flights through the 30 million square kilometres of airspace we control, enabling operations for returning carriers and new routes, in addition to supporting emerging entrants in our skies and the ever-growing uncrewed aerial vehicle (UAV) sector.

We are pleased to be reporting no serious air proximity events attributable to Airways. We have recorded one incident involving one of our people that was notified to Worksafe, but not investigated by the agency. Airways has conducted its own learning review of the incident.

Airways made a net operating profit after tax (NOPAT) of $14.5m. This was $3.9m below budget, as a result of a one-off, non-cash $5.9m accounting entry to deferred tax, required to be made due to the change in tax law removing depreciation on commercial buildings.

This year we are pleased to be retuning a $20 million dividend to our shareholder, the New Zealand Government. The dividend reflects a return of profits and equity funds provided by our shareholder to support the business as the wider industry was recovering from the effects of ongoing COVID-19 disruption.

Performance against strategy

We are reporting on our first full year of progress on our refreshed 10-year strategy - safe skies today and tomorrow - designed to shape our business to meet the needs of the evolving aviation environment. The strategy maps a clear pathway for Airways and is centred around four pillars: put our people first, serve all airspace users, support sustainable aviation and unlock future growth.

The strategy is structured in three phases to ensure we are establishing a solid foundation on which to build our future services and products. We have made good progress against our first phase deliverables, which positions us well to withstand economic headwinds forecast for the next 12 months.

Putting our people first

We have made considerable progress with our 'putting our people first' objectives. Putting our people first is about creating a diverse workplace where people feel valued, rewarded and, most importantly, safe. Central to this is our ability to attract, retain and develop the right people to ensure we reach our goals. Through the year we have worked to establish our employee value proposition, designed to attract the best candidates, and reviewed our approach to strategic workforce planning and leadership development.

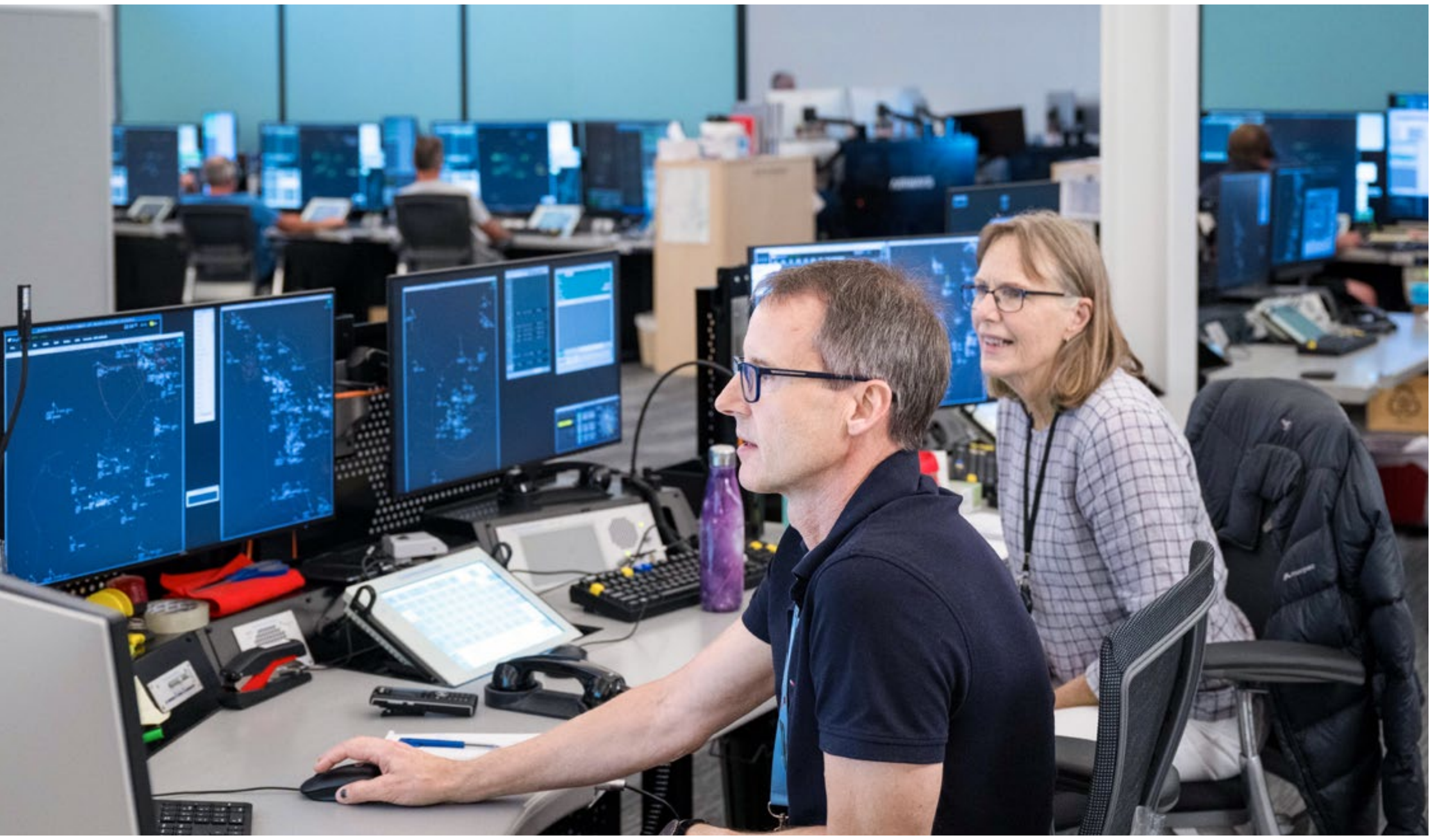
This year we were proud to receive Rainbow Tick accreditation, in recognition of our commitment to diversity, equity and inclusion. Having the Rainbow Tick accreditation affirms our commitment to being a welcoming workplace for those who identify as lesbian, gay, bisexual, transgender, takatāpui and intersex (LGBTTQIA+). It shows employees, customers and the community that we are a company that reflects and respects the community in which we operate.

Serve all airspace users

An initial focus of our strategy was to complete projects started prior to COVID-19. A milestone achievement for the year was the once in a generation transition to two new surveillance centres and a more resilient operating platform, which was completed in October 2023. This project commenced in 2017 and its completion now sees us able to provide a more flexible and resilient service well into the future. The success of the transition earned Airways the Overall Excellence and Resilience Awards at the 2023 global Air Traffic Management Awards.

Through the year we progressed the development of our future services roadmap. Over the next decade we expect growth in New Zealand's air traffic to the regions, increased use of sustainable aircraft and fuels and a rapid increase of UAVs.

Image: Courtesy of Jess Klitscher.



The roadmap will bring together a range of initiatives to ensure we are taking a holistic approach to the future of air traffic services. This includes digital air traffic services, uncrewed traffic management, airspace optimisation and standardisation of how procedures are applied, equipment is used and training is delivered.

Our current focus is on planning to ensure we have a strong foundation on which to deliver the project before any significant capital outlay.

Unlocking future growth

Our unlocking future growth strategic pillar is centred on working collaboratively to harness the expertise across our business to be a world leader in safe airspace management and services at home and across the globe, opening up new opportunities.

A key achievement this year was working with Wisk Aero in a world-leading trial to safely integrate an uncrewed aircraft into unsegregated controlled airspace, flying among regular crewed aircraft.

For our involvement in the trial, which is covered further in later sections of this report, Airways won the Integration of Drones/Advanced Air Mobility Award at the 2023 Global Air Traffic Management Awards.

The roadmap will bring together a range of initiatives to ensure we are taking a holistic approach to the future of air traffic services.

Supporting sustainable aviation

Sustainability is firmly integrated into our strategy. Reducing operational emissions is a key focus for the aviation industry and we continue to champion a sustainable approach to airspace management.

With the appointment of a dedicated sustainability manager during the year, Airways is now well placed to begin tackling our wider sustainability objectives.

Engaging with our customers

In July we announced there would be no changes to our prices for the third and final year of our current pricing round, from 1 September 2024 to 30 June 2025. This followed consultation with our customers in May and June. In early 2025, we will commence consultation with customers on our three-year pricing, for the period FY26 to FY28.

In order to achieve our vision of creating the aviation environment of the future, we need the support of our customers. Each of our customer groups has a unique set of challenges and we are committed to deepening our knowledge of them to ensure we are delivering to their needs and fulfilling their expectations.

Later in 2024 we will be undertaking customer satisfaction research with our core business customers and industry associations. The purpose of the research is to understand how we are meeting their needs and to identify opportunities for Airways to add value to our customers in the coming year.

Looking ahead

While the long-term outlook for New Zealand air traffic is strong, the 2025 financial year is expected to present headwinds as a more challenging fiscal environment takes hold, and we are constrained in the third year of our current price path.

Air traffic volumes are around 10% lower than 2019 levels, primarily due to slower recovery of the domestic market and the impacts of Pratt & Whitney engine maintenance schedule changes on airline flying schedules. Global economic pressures will likely continue suppressing travel demand for the near term. Domestic air traffic is expected to be 93% of 2019 volumes in FY25, and international traffic is at 84%.

We have undertaken a review of our strategic initiatives and expenditure for FY25, and are looking at all options to reduce costs while still maintaining safe and efficient air navigation services, and delivery of our planned capital programme.

Notwithstanding these challenges, we remain committed to meeting our shareholder's expectation of profitability and delivering an appropriate commercial return.

Appropriate prioritisation of our work and continuation of close working links with our stakeholders will support Airways to meet objectives and continue to build on our 37-year history of delivering value to New Zealand through our safe and efficient services, dividends and global reputation.

Each of our customer groups has a unique set of challenges and we are committed to deepening our knowledge of them to ensure we are delivering to their needs and fulfilling their expectations.

Board and leadership changes

The term of Board Deputy Chair Mark Pitt concluded during the report period. Airways thanks Mark for his strong contribution to our governance, including as Chair of the Safety Committee, and wishes him all the best in his future endeavours. Board member Darin Cusack is the new Deputy Chair. Airways has welcomed two new leaders to the executive team. Ben Girard is the new General Manager Air Traffic Services and Tim Poonan is the Chief Financial Officer.

ABOUT AIRWAYS

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.

ABOUT AIRWAYS

OUR BUSINESS

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 largest airspace regions in the world, it stretches over the South Pacific and Southern Oceans and the Tasman Sea, from 5 degrees south of the equator to Antarctica.

Our customers are airlines, general aviation, airports and the New Zealand Defence Force, as well as space companies and emerging aviation providers. More information about the services we provide and our customers is available here on our website.

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.

ABOUT AIRWAYS

OUR PEOPLE

We employ 878 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. A more indepth profile of our people is included in Appendix C: Our people in numbers.

OUR STAKEHOLDERS

Airways has a large group of influential stakeholders, with a diverse range of interests and needs.

To achieve our vision of creating the aviation environment of the future, Airways needs the support of our stakeholders. We work closely with them to identify risks and opportunities, prioritise issues that are important to them and us, and create a platform of trust on which to grow safe, flexible and sustainable services that support their needs and the delivery of our objectives and vision.

A list of our main stakeholder groups and our approach to engagement can be found in Appendix D.

OUR SUPPLY CHAIN

Airways has approximately 1770 suppliers of goods and services, ranging from those who provide consumables and expendables, to providers of highly specialised technologies and components used in our air traffic control, navigation and support systems. Work is underway to develop a process to review and assess our suppliers to ensure we are building an ethical and sustainable supply chain across our business.

HOW WE CREATE VALUE

Our Resources ▶ **How we create value** ▶ **And achieve these outcomes**

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

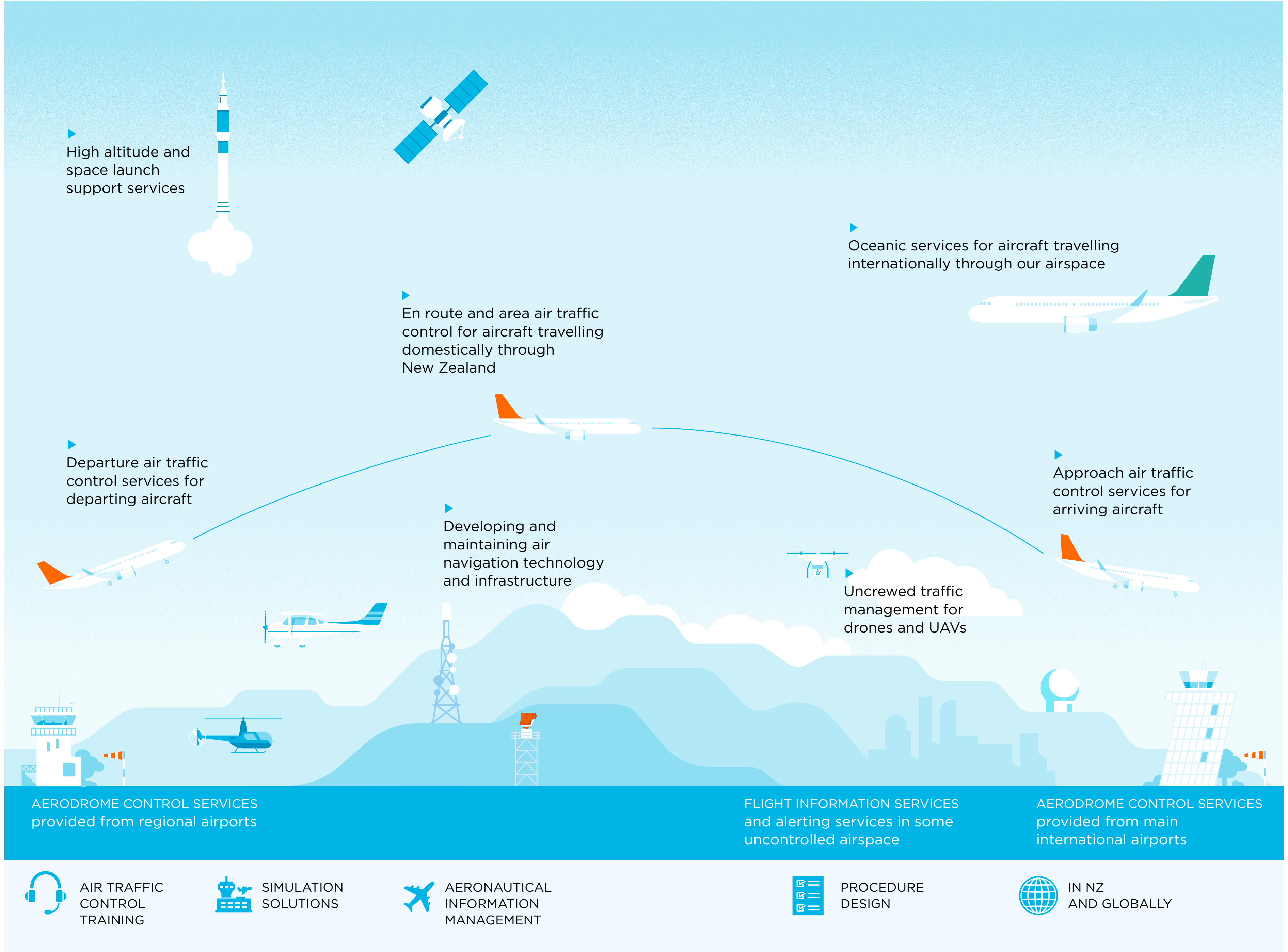
The skills and knowledge of our people

Our relationships

With our customers, aviation industry, communities and government

Our environment

The natural resources and environmental assets integral to delivering our services



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.

Our strategy

OUR PURPOSE

Safe skies today and tomorrow

OUR VISION IS TO

Create the aviation environment of the future

OUR FOUR STRATEGIC PILLARS

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

STRATEGIC PRIORITIES 2023/24

ATS Future Services programme

- IL4 and Skyline X go-live
- Future vision and roadmap
- Procurement of Airspace review

Organisational development

- Leadership development
- Employee experience review and refresh
- Strategic workforce plan

UTM roadmap

- Development of Uncrewed Traffic Management (UTM) roadmap in collaboration with stakeholders
- Participation in AITP trials

Safety system enhancements

- Three lines of defense model / roadmap
- Refreshed Just Culture Framework
- Safety learning and culture enhancements

Sustainability roadmap

- Develop strategy to reduce environmental impact
- Clearly defined initiatives and tracking capability

Auckland Tower development

- Uplift in current contingency
- Digital contingency roadmap
- Tower replacement plan

UNDERPINNED BY OUR VALUES

- We are always **safe**
- We are one **Airways**
- We strive for **excellence**
- We celebrate **success**

Our report

Airways' Statement of Corporate Intent for the 2023 to 2025 period sets out the business objectives and measures of success that form the basis for this report.

Airways reports against the Integrated Reporting Framework (IR), allowing us to demonstrate the short, medium and long-term value we create, beyond our financial result.

As part of our commitment to continuous sustainability improvement, for the first time this year, this report has been prepared with reference to the Global Reporting Index (GRI) standards. GRI standards are designed to allow organisations to report on the impacts of their activities in a structured way that is transparent to stakeholders and other interested parties.

Our GRI disclosure index, which summarises the range of indicators we have reported on, is included in Appendix A.

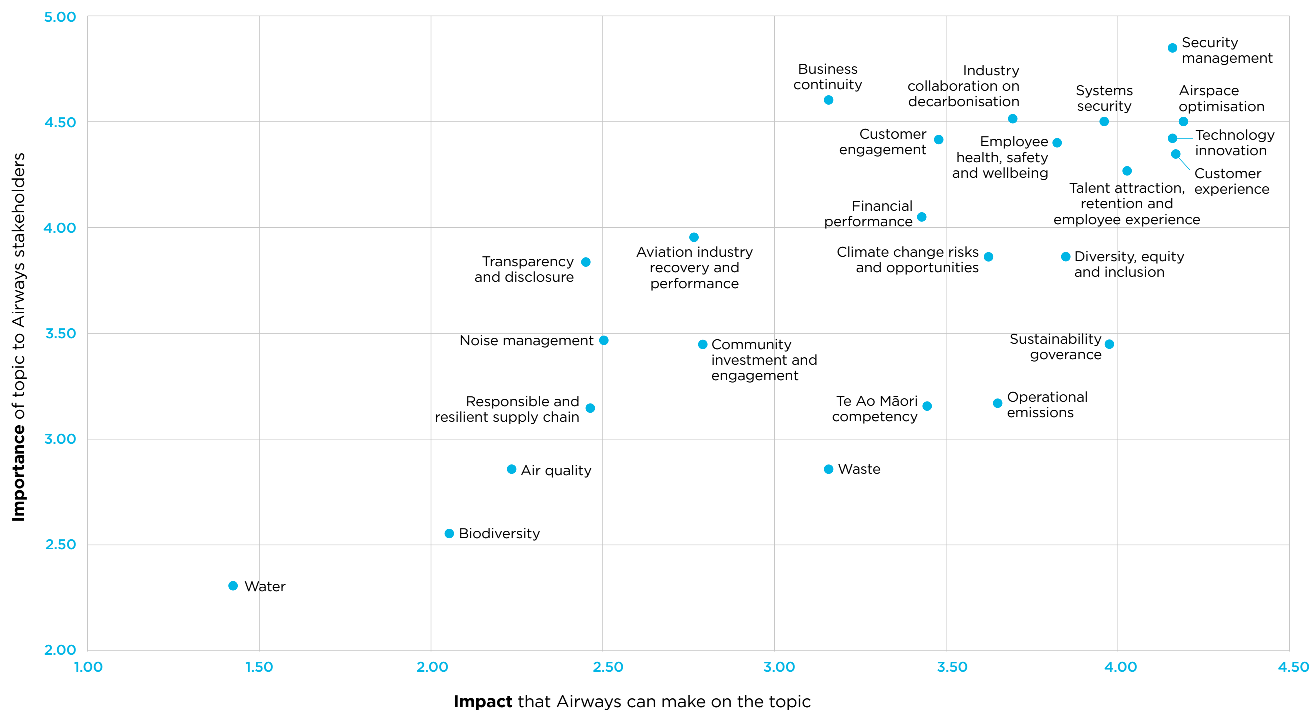
DETERMINING WHAT'S IMPORTANT

Airways' materiality assessment was undertaken in 2022 to define the environmental, social and governance (ESG) topics that matter most to Airways and its stakeholders.

In undertaking the materiality assessment, an initial list of relevant materiality topics was developed in line with global trends, industry peers and best practice standards. A range of internal and external stakeholders were interviewed on the impact Airways can have on a range of topics, in terms of society, the environment and economy. Views were also sought from stakeholders on how important they believed it was for Airways to be focussing on each topic.

Twenty-five topics were identified as material for Airways through this process, with eleven categorised as highly material. The assessment identified that the key categories where Airways can maximise our value creation and sustainability impact are: products and services, people, technology, environment, and governance, supported strongly by the community and supply chain categories.

A full list of the material issues identified and their definitions are included in Appendix B.



OUR PERFORMANCE AGAINST STRATEGY

Putting our people first

We are focused on creating a diverse workplace where people feel valued, rewarded and, most importantly, safe. We will invest in our people to ensure we provide opportunities to grow and develop. By focussing on attracting, developing and retaining our people, we will become an employer of choice in the aviation industry and future proof our workforce.

MATERIAL ISSUES

- SAFETY MANAGEMENT
- DIVERSITY, EQUITY AND INCLUSION
- TALENT ATTRACTION AND RETENTION

VALUE OUTCOME

Putting our people first

New Zealand Airline Pilots Association Memorandum of Understanding

In December, Airways and the New Zealand Air Line Pilots' Association (NZALPA) representing air traffic controllers, agreed to enter into a Memorandum of Understanding (MOU) and strategic partnership.

The strategic partnership incorporates several key principles committing the parties to work collaboratively together to achieve the Airways Strategy and ATS Roadmap, achieve optimal safety outcomes, create efficiencies in collective bargaining and a commitment to collaborative problem solving.

The strategic partnership is a significant milestone in the relationship with NZALPA. It will ensure that the relationship between Airways, NZALPA and Air Traffic Controllers will continue to strengthen and evolve in a mutually beneficial way.

A changing future

The age profile of Airways' employees is increasing with the average age of our employees in our operational areas being forty-seven.

At the same time, we have a changing industry. Air navigation services will look very different in 15 years. It is clear we need to be recruiting new people and training existing people for the future.

As a critical service requiring specific skills to be able to operate, it is crucial we have a clear plan on how we identify and build our people capability to deliver on our strategic priorities as well as maintaining safe skies across New Zealand.

Our strategic workforce planning programme is part of our wider Organisational Development programme which includes talent attraction, performance management and leadership development.

The initiative is focused on ensuring we are attracting, developing and retaining people with the skills and aptitude to evolve Airways in line with the wider aviation industry.

Safety improvement: Three lines of defence model

In 2023, Airways completed its independent safety culture review which identified a number of opportunities to improve the company's already strong focus on safety.

One of the outcomes of the safety culture review was the opportunity to strengthen the company's three lines of defence model.

Three lines of defence is a risk governance framework that defines the responsibilities and accountabilities for managing risks, monitoring compliance and auditing performance. The purpose is to ensure there are no gaps, overlaps or ambiguity when it comes to risk management. It relies on all parts of the business understanding their role and where they sit in the Three Lines model.

The refreshed model brings together subject matter experts from across the business to discuss and improve safety. While different parts of the business have different safety needs and priorities, we are united in our shared commitment to maintaining safe skies and ensuring safety is always the number one priority across Airways.

The overall goal of this initiative is to continuously focus on improving a single company-wide roadmap for improvement for all components of our Safety Management System (SMS) and to ensure accountability for safety is understood and implemented. When it comes to safety, we all have a role to play and it is crucial that these roles are clearly understood across the business.

Total health

We know that health impacts work and work impacts health, so there are a number of things we offer to help Airways people to protect and improve their health.

Courses offered throughout the year covered a range of learning including: mental health, personal stress management and wellbeing. Other health initiatives offered included free flu vaccinations for our people and body audit clinics - a useful tool for tracking improvement in health, diet, muscle building, weight management and fitness.

CASE STUDY

WINTER PRIDE SPONSORSHIP

Airways is on a journey to build greater diversity, equity and inclusion across the organisation, to ensure our workforce reflects the communities in which we operate. As well as encouraging greater diversity among new candidates, we are also focused on ensuring our existing employees feel safe and comfortable to bring their whole self to work.

A survey of our people in 2023 on how well we support different groups of people found that of all groups, the rainbow community felt the most supported, so we knew we had a good foundation on which to build greater support and advocacy for the rainbow community.

An outcome of the Rainbow Tick accreditation process was a recommendation to increase public recognition of the rainbow community. Doing so can provide a halo effect for the wider community and signal an organisation that is embracing of diversity in all its forms.

Winter Pride is one of the largest pride events in the Southern Hemisphere. Queenstown Airport is a major gateway to the region and we recognised there was an opportunity to celebrate our sponsorship of Winter Pride to the thousands of visitors arriving by air.

Working with Queenstown Airport and Winter Pride organisers, we arranged for the 2023 Winter Pride event to be officially opened with the turning on of the rainbow lights that wrapped the air traffic control tower at Queenstown Airport. Media were invited to attend the official lighting of the tower and a photo shoot was arranged that allowed all parties involved to promote the sponsorship through their own social channels.

The tower remained lit throughout the 10-day event, a shining rainbow beacon visible from numerous vantage points and providing a tangible link between Airways and the rainbow community.

Our support of Winter Pride was met with a resoundingly positive response from our people and the public.

OUR PERFORMANCE AGAINST STRATEGY

Serving 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.

MATERIAL ISSUES

- AIRSPACE OPTIMISATION
- TECHNOLOGY INNOVATION
- SAFETY MANAGEMENT
- BUSINESS CONTINUITY
- CUSTOMER EXPERIENCE

VALUE OUTCOME

Serve all airspace users

Main trunk contingency surveillance

The first of three new co-located Primary Surveillance Radar (PSR) and Monopulse Secondary Surveillance Radar (MSSR) systems has been installed at Christchurch International Airport.

The new PSR and MSSR radars will replace the existing Thales radars that are nearing the end of their life and create a new contingency surveillance system.

MSSR is a contingency for Automatic Dependent Surveillance-Broadcast (ADS-B), our new main cooperative surveillance system, in the unlikely event of an outage of the global navigation satellite system (GNSS) it relies on. ADS-B equipment is now mandatory for all aircraft operating in our domestic controlled airspace.

The remaining two new radars are being installed at Rua o te whenua in Auckland, and on Wellington's Hawkins Hill.

Performance Based Navigation

The implementation of performance-based navigation (PBN) procedures at Napier and Gisborne Airports in FY24 completes a national roll-out of PBN procedures for controlled airspace in New Zealand.

PBN moves navigation away from conventional ground based to satellite-based navigation means, delivering significant safety, environmental and economic benefits. It is now the primary means of navigation in the New Zealand Flight Information Region, in line with global standards. The roll-out was initiated in 2012 and incorporated into the Government's New Southern Sky programme.

By applying PBN procedures, Airways enables aircraft to fly very precise paths with a high level of accuracy – improving both efficiency and safety, airspace capacity and aerodrome accessibility. This system enables aircraft to continue operating in a range of weather conditions, and in some of the most challenging terrain in the world. Airline operators' on-time performance has improved, and there have been significant reductions in holding delays, fuel burn, and CO_2 emissions.

Each year, PBN procedures contribute to a 12.3m kg reduction in CO_2 emissions per annum, and forecast savings of $227.8m in direct financial benefits over 20 years.

Wellington Instrument Landing System Glidepath replacement project

In December an upgrade of the Instrument Landing System (ILS) Glidepath was completed for both runways at Wellington International Airport.

The ILS is a radio navigation system that provides precision guidance to aircraft approaching a runway in a range of weather conditions. The Glidepath is a key component of the system. The Glidepath masts at Wellington International Airport were built in the early 1980s and had reached their end of life.

Replacing key systems at a busy airport is not without significant challenges. Existing concrete foundations had to be removed, before replacements could be installed and new masts craned into place and the systems calibrated.

A second stage of the upgrade, to replace the existing electronics and localiser, is planned to be completed in FY25.

Aeropath and CAA to modernise Aeronautical Information Management services

During the year Aeropath, a subsidiary of Airways International, commenced a project with the Civil Aviation Authority (CAA) to develop a new long-term contract to modernise the provision of aeronautical information management (AIM) services in New Zealand.

Following approval for a direct-source award of the contract to Aeropath, the two organisations are collaborating to develop and agree the future AIM service model which will inform the new contract – continuing their enduring partnership in the provision of aeronautical information services in New Zealand.

CASE STUDY

NEW AIR TRAFFIC MANAGEMENT CENTRES

At midnight on 28 October 2023, Airways cut over to our new Skyline-X air traffic management platform, operating out of two new purpose-built surveillance centres in Auckland and Christchurch.

The transition in late October was the culmination of seven years of construction and development work, involving more than 50 different project streams. Its success was recognised globally with the award of the Overall Excellence and Resilience awards at the 2023 Global Air Traffic Management awards.

While a seamless transition of all domestic surveillance services went largely unnoticed on the night and in the months following, the importance to Airways' air traffic controllers, customers and those travelling through New Zealand's airspace cannot be overstated.

The move into Airways' new air traffic management centres and onto the SkyLine-X platform is the most significant change for New Zealand's air traffic management in a generation. The transition to modern digital and physical infrastructure ensures Airways is better able to deliver safe, efficient and sustainable services today and into the future.

The new centres – Te Pāho Rangi in Auckland and Te Whare Ao Rangi in Christchurch – are built to the Importance Level 4 standard of resilience, designed to be operational immediately after an earthquake or other disaster.

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 centre.

The SkyLine-X software platform integrates New Zealand's domestic en-route, 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.

OUR PERFORMANCE AGAINST STRATEGY

Supporting sustainable aviation

The aviation industry is rapidly moving to adopt more sustainable options. We will continue to champion a sustainable approach to airspace management to ensure the industry achieves its long-term objectives.

Sustainability is firmly integrated into Airways' 10-year 'safe skies today and tomorrow' strategy and sustainable outcomes are delivered through our wider airspace and service development programmes. This year we appointed a Sustainability Manager to drive Airways' initiatives contributing to a future low carbon world.

Our focus since their appointment has been on three areas:

- Creating an externally audited Airways' GHG Inventory (carbon footprint)
- Training and education, so that our team know and understand what sustainability means at Airways
- Creation of a roadmap and supporting initiatives to make our waste, energy, infrastructure and transport management more sustainable.

MATERIAL ISSUES

- AIRSPACE OPTIMISATION
- INDUSTRY COLLABORATION ON DECARBONISATION

VALUE OUTCOME

Support sustainable aviation

CASE STUDY

AIRWAYS 2024 GHG INVENTORY

This is the first year Airways has undergone an externally audited greenhouse gas (GHG) Inventory, by Toitū, Envirocare. This has created a baseline year of GHG emissions, or carbon footprint, against which future reduction targets and actions will be measured.

In FY25, this GHG inventory baseline will be used to create an emissions reduction plan.

A full GHG inventory structure has also been created, enabling GHG emissions to be reported monthly by business units across Airways, to ensure full accountability and responsibility.

Airways' GHG emissions are reported in two ways:

1. Airways Gross GHG Inventory

This is Airways' total GHG emissions, including Air Traffic Services controlled aircraft emissions.

The highest emission source is air traffic service controlled aircraft, at 1,734,010 ktCO2e. Airways does not control the number of aircraft flying in our controlled airspace. Airlines and operators, including general aviation, make regular changes to routes to, from and around New Zealand, which increases or decreases the volume of aircraft our air traffic controllers manage. Because of this, it would be impracticable to set targets against air traffic services controlled aircraft emissions. However, Airways does capture and report on these emissions.

Airways Gross GHG Inventory (Carbon Footprint)

Scope	ISO Category	(tCO_2e)
1	Category 1: Direct emissions	379
2	Category 2: Indirect emissions from imported energy (location-based method*)	716
3	Category 3: Indirect emissions from transportation	2,653
3	Category 4: Indirect emissions from products used by organisation	1,734,010,425
	Total gross emissions	**1,734,014,173**

2. Operational GHG Inventory

This is Airways' total GHG inventory, excluding Air Traffic Services controlled emissions. Our operational GHG emissions are those we can directly influence and will be working on to reduce.

Airways' largest emission source is staff air travel between locations, accounting for 35% of our operational GHG inventory. Staff commuting is second, accounting for 28%. Electricity to power the technologies used for air navigation is our third highest emission source, at 19% of our operational GHG inventory.

Airways Operational GHG Inventory (Carbon Footprint)

Scope	ISO Category	(tCO_2e)
1	Category 1: Direct emissions	379
2	Category 2: Indirect emissions from imported energy	716
3	Category 3: Indirect emissions from transportation	2,653
3	Category 4: Indirect emissions from products used by organisation	107
	Total operational GHG emissions	**8,355**

CASE STUDY

INDUSTRY COLLABORATION ON DECARBONISATION

Airways is working with the Civil Aviation Authority of Singapore to help decarbonise the aviation sector under the Green Lanes project, which got underway in August 2023.

We are investigating the best way to provide green air traffic management services by selecting city pairs in our respective flight information regions. We will then test the procedures for assigning fuel-optimised flight levels and trajectories, as well as continuous descent and climb gradients when traffic permits.

We will measure the fuel savings and share the results with other air navigation service providers, with a view to expanding green air traffic management lanes between other city pairs. The Green Lanes project follows the bilateral Sustainable Aviation Agreement between the governments of New Zealand and Singapore.

We have also joined other Asia-Pacific ANSPs, the Civil Air Navigation Services Organisation (CANSO) and the International Air Transport Association (IATA) in the Trajectory-Based Operation (TBO) Pathfinder Project, to jointly define, develop, and demonstrate TBO for the Asia-Pacific region within four years.

Trajectory optimisation allows aircraft to operate optimum profiles reducing fuel burn and carbon emissions.

We will measure the fuel savings and share the results with other air navigation service providers, with a view to expanding green air traffic management lanes between other city pairs.

OUR PERFORMANCE AGAINST STRATEGY

Unlocking future growth

By working collaboratively to harness the expertise across Airways, we will be able to unlock future growth and be a world leader in safe airspace management and services at home and across the globe.

MATERIAL ISSUES

- FINANCIAL PERFORMANCE
- TECHNOLOGY INNOVATION
- CUSTOMER EXPERIENCE

VALUE OUTCOME

Unlocking future growth

CASE STUDY

WISK AEROSPACE TRIAL

Airways worked with Wisk Aero in a world-leading trial to safely integrate an uncrewed aircraft into unsegregated controlled airspace, flying among regular crewed aircraft.

In a partnership led by Wisk – developer of a self-flying, all-electric air taxi – we established a safe integration process for drone flights beyond visual line of sight (BVLOS) in unsegregated controlled airspace.

The trial in late 2023 was overseen by the CAA, under the New Zealand Government's Airspace Integration Trials programme.

To succeed, the global advanced air mobility (AAM) sector must evolve a regulatory regime to allow crewed and uncrewed aircraft to share the airspace safely. Airways developed innovative operational concepts, processes, procedures and training to enable air traffic controllers to safely manage the uncrewed aircraft.

Boeing subsidiary Wisk used a commercial, fixed-wing drone from Insitu Pacific as a surrogate for its prototype air taxi, with the remote drone pilots based at the Tāwhaki National Aerospace Centre at Kaitorete, near Christchurch.

Under instructions from approach controllers at our Christchurch surveillance centre, the drone made seven successful trial flights over coastal Canterbury between 17 November and 1 December 2023.

It shared a defined area of Class C controlled airspace, unsegregated, with crewed aircraft. This contrasts with the current standard procedure, under which controllers segregate the airspace around an uncrewed aircraft, restricting access for any other aircraft.

The drone was tracked by AirShare, the uncrewed traffic management (UTM) system developed by Airways International, the commercial arm of Airways. This provided valuable information to the trial partners.

This groundbreaking trial demonstrated to the world that a drone flying beyond the remote pilot's line of sight can operate safely alongside crewed aircraft in unsegregated controlled airspace. It is an important step forward in the evolution of uncrewed traffic management.

For the air traffic management of the trial, Airways won the Integration of Drones/Advanced Air Mobility Award at the Global Air Traffic Management Awards 2023.

Training partnership with Airservices Australia

Airways International further developed its close relationship with Airservices Australia during the year through provision of air traffic control training, simulation and selection services.

In a cornerstone training agreement signalling the start of an ongoing partnership between the two organisations, four students from the Australian air navigation service provider undertook air traffic control training with Airways in Christchurch, from March until August 2024.

In June 2024 a three-year simulation service agreement was signed, including the provision of one mobile simulator and a remote simulator pilot service from New Zealand. Airservices Australia also renewed its contract with Airways International to extend access to the SureSelect test suite for assessing air traffic control candidates until June 2025.

Collaboration to advance Asia Pacific aviation sector

Airways International and the United States-based MITRE Corporation have been working in partnership since 2018, exploring collaboration opportunities to support the future development of the Asia Pacific aviation sector.

In early 2024 the partnership completed delivery of a bespoke multi-runway airspace and instrument flight procedure solution for a major airport customer in Asia. This complex multi-year project was led by Aeropath, which has vast experience working in some of the most challenging airspace environments in the world.

Croatia simulator

In June, Airways International completed delivery of a simulator for use by Croatian air traffic controllers during training exercises.

The 270-degree 17-screen TotalControl tower simulator was installed for Croatia Control, the Croatian air navigation service provider, at their headquarters.

Airways International is a leading provider of air traffic control simulators, with more than 70 TotalControl simulators in use across the world.

The simulator developed for Croatia Control includes a number of technical advancements that can be implemented into Airways' own training simulators used by controllers in New Zealand.

270°

17 screens

TotalControl TOWER SIMULATOR INSTALLED FOR CROATIA CONTROL, THE CROATIAN AIR NAVIGATION SERVICE PROVIDER

70+

TotalControl SIMULATORS IN USE ACROSS THE WORLD

Performance against KPI metrics

Capitals	Actual 2024	SCI Target
Financial		
Revenue	$273.3m	$279.1m
Profit before tax	$28.4m	$25.5m
Capital expenditure	$48.7m	$56.7m
Gearing	36.2%	25.6%
Dividends	$20.0m	$5.0m
Infrastructure		
Drone incursions (within aviation system)	Nil	≤5
Track miles saved vs minimum plannable route	960,720 NM	>825,000 NM
Core system availability		≥99.98%
Service Availability		
Main trunk	100%	99.98%
Regional	99.90%	99.80%
Surveillance	100%	99.98%
En route domestic	99.99%	99.93%
En route oceanic	100%	99.93%
Flight information	99.24%	99.93%
Expertise		
Serious Air proximity events (category A)	NIL	Nil
UAV incursions (Airways attributable, medium or above assessed risk)	NIL	Nil
Products under development - Commercial	3	4
Thought leadership events	15	10
Number of new customers	4	3
People		
Employee experience	66%	57%
Worksafe notifiable incidents	1	Nil
Staff turnover	5.42%	8.25%
Women in the workforce	27.8%	29%
Women in senior leadership	40.4%	41%
Relationships		
Flights handled	491,449	508,673
Customer experience	Not measured	FY24 baseline +2%
Environmental Capital		
Carbon reduction (CO2 saved)	18,694 Tn	>17,000 Tn
Transition vehicle fleet to EV/hybrid	25%	20%
Increase/(decrease) in paper printed	-3.8%	-5%
Waste recycled (tonnage)	42.5T, -1.5% recycled	FY23 baseline -5%

Management of risk at Airways

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.

Safety management system

Airways has an integrated Safety Management System (SMS) which is fully implemented and accepted by the Civil Aviation Authority New Zealand.

The SMS incorporates systems for hazard identification and risk management, safety targets and reporting processes, procedures for audit, investigations, remedial actions, and safety education.

There are continuous SMS improvement activities, including an annual review and associated actions, designed to progress all SMS elements from operating, to fully effective and best practice. Assurance of Airways' safety capability and performance is provided through Management Review meetings and Board Safety meetings.

Airways' SMS meets our legislative and regulatory obligations, as well as those required for industry accreditation. These include:

- ICAO (International Civil Aviation Organisation) Annex 19 (Safety Management)
- CANSO (Civil Air Navigation Services Organisation) Standard of Excellence in Safety Management Systems
- Health and Safety at Work Act
- Protective Security Requirements
- ISO 9001 Quality Management System
- CAA (Civil Aviation Authority) Rule Part 100 Safety Management

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.

DARIN CUSACK
DEPUTY CHAIR, MINSTD

Darin was appointed to the Airways Board in April 2018.

Darin's current governance roles include directorships of Ashburton Contracting Ltd, Hawke's Bay Airport Ltd, Auckland One Rail 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 sectors, having held chief executive and senior executive roles across airport, air navigation, aviation security and airline organisations throughout New Zealand and the Pacific region.

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, policy development 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).

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, MINSTD

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 businesses.

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, Crown representative to Tāwhaki JV and Managing Director of TAINZ.

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.

Since 2020, John has focused on applying his experience, connections, curiosity and skills specifically to the areas of strategy, sales, and culture, to improve the readiness of organisations of all shapes and sizes for the future.

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 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 steering group for the cross-industry Flexforum Inc which is supporting of New Zealand's electrification goals. He was previously 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 Director in Northland law practice MWIS Lawyers Limited 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.

MARK PITT
BSC, ATPL

Mark Pitt completed an eight year term with the Airways Board in October 2023. He was appointed to the Board in 2015 and served as both the Deputy Chair and Chair of the Safety Committee during his tenure.

Governance at Airways

Commitment to sound governance

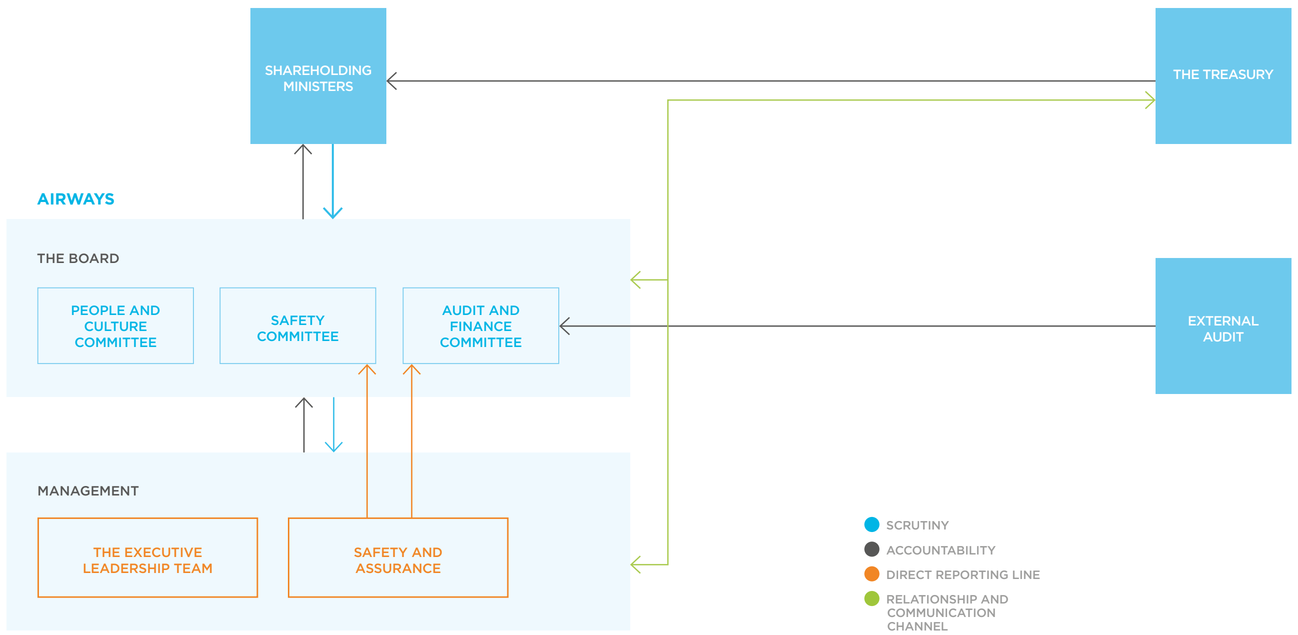
Directors and management recognise the importance of robust and effective governance and are committed to delivering this at Airways. The following sections set out the systems and processes Airways has in place to foster high standards of ethical and safety-conscious behaviour and sound decision making.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

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.



Relevant roles and responsibilities

The Board

In 2023, the Board undertook a review of the existing Board Charter and Company Code of Conduct to ensure that they were fit for purpose and reflect best current corporate governance practice. The Board approved a revised version of the Board Charter in 2023, a new Board Code of Conduct specifically for Directors and a new Board Conflict of Interest Policy.

The role of the Board is to:

- assist Airways to achieve its principal objective as set out in section 4 of the State-Owned Enterprises Act 1986;
- ensure that all decisions relating to the operation of Airways are made by the Board or pursuant to the authority of the Board in accordance with the SCI; and
- govern Airways effectively to ensure that it operates in a way that is consistent with its public accountability documents.

Having regard to its role, the responsibilities of the Board include:

- ensuring strategies and goals are in place to assist Airways in achieving its principal objective, including an annual business plan;
- overseeing the performance of Airways, protecting the financial position of Airways and ensuring that it is able to meet its debts and other obligations when they fall due;
- establishing appropriate governance structures and clear lines of responsibility and accountability between the Board and management;
- ensuring that Airways operates in accordance with the law and adheres to high standards of ethics and corporate behaviour;
- ensuring that Airways has appropriate processes to identify, assess, monitor and manage risk, including, but not limited to:
  (a) maintaining a risk register;
  (b) ensuring Directors and Airways meet their obligations under the Health and Safety at Work Act 2015;
  (c) addressing cyber security risks; and
  (d) having other statutory/regulatory compliance policies in place;
- reviewing and approving Airways' capital investments and ensuring:
  (a) approval from the Shareholders for major transactions and other investments; and
  (b) consultation with and provision of information on transactions and initiatives to the Shareholders, as required by the Owner's Expectations Manual;
- setting a dividends policy, taking into account the requirements in the Owner's Expectations Manual, and making decisions on dividends in accordance with that policy;
- appointing the CEO, setting the terms of the CEO's employment contract (including remuneration and incentives), reviewing performance and, where necessary, terminating the CEO's employment with Airways;
- approving senior Management remuneration and remuneration policy generally;
- monitoring the performance of Management, including achievement of the performance measures/milestones in the SCI and Business Plan;
- reporting to the Shareholders in accordance with legislative requirements and the Owner's Expectations Manual;
- keeping the public informed of material matters or transactions in accordance with the Owner's Expectations Manual;
- ensuring that Airways has put in place appropriate corporate social responsibility values, objectives and programmes and that performance against them is appropriately monitored and reported on to Shareholders;
- ensuring the quality and integrity of financial and non-financial reporting;
- ensuring that Airways has a diversity policy with measurable objectives; and
- ensuring that all subsidiary companies act in accordance with the Owner's Expectations and all other relevant communications from Shareholders.

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 Airways Corporation 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 are explicitly captured in the Board Conflict of Interest Policy.

GOVERNANCE AT AIRWAYS CONTINUED

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. Airways has a robust Conflicts of Interest policy and process in place to regulate, and manage the risks of, conflicts of interest at Board level. This policy and process is consistent with the Owners' Expectation manual and best practice corporate governance practice.

During the year, 35 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 42 to 44 (or relating to a now-retired director).

Delegation of authority

The Board of Directors of Airways, and all its subsidiaries, have the statutory responsibility for managing the business and affairs of the Group. That responsibility is in part, delegated to the CEO. The Board has agreed that the CEO may sub-delegate to other levels of management certain rights to make financial decisions.

The Delegated Financial Authority Policy sets out these delegations and specifies the limits within which employees of Airways and its subsidiaries can commit the Group financially.

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. The Chair is responsible for maintaining an ongoing review of the Board's membership profile, considering the need to ensure an appropriate balance of independence, skills, knowledge, experience and perspectives among Directors so that the Board works effectively.

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 supports Directors in their continued learning and development relevant to the profession of a directorship. Such support may vary between Directors depending on individual needs. 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.

Over the last year, the Board engaged an external governance specialist to undertake a comprehensive review of the Board. This included 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 and cost effective. 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 terms of reference which were reviewed by each Committee in 2023 to ensure that they are fit for purpose and reflect best practice corporate governance. While these committees are responsible for certain activities, ultimate accountability still resides with the Board, which receives verbal reports and meeting minutes back from all committees covering their proceedings.

Committee	Objectives	Key roles and responsibilities
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. • Review the performance and independence of external auditors. • Oversees the internal audit function. • Reviews effectiveness of legal and regulatory compliance systems.
Safety Committee	Assists the Board in overseeing responsibilities with regard to ensuring Airways is a safe and secure environment for Airways' people, customers, suppliers, contractors. The information obtained through monitoring and advisory of Operational Safety is enabled through the Airways integrated Safety Management System in accordance with Airways Just Culture.	• Assess the risks arising from Airways' operations that impact safety, security and/or business continuity. Review the adequacy of management's approach to the management of these risks, ensuring the Board is aware of all significant matters. • Provide assurance to the Board around the effectiveness of the systems that management have put in place for ensuring and monitoring Airways' operational effectiveness and improvement regarding safety, security and business continuity. • Ensure serious safety and security incidents are investigated, in accordance with Airways' Just Culture and are monitored to ensure completion of any actions resulting from these investigations and reviews. • Monitor that adequate operational business continuity and emergency response plans are in place to ensure business critical processes across the organisation are sufficiently resilient to continue operating effectively. • Review any issue identified by the Head of Safety and Assurance as warranting special attention by the Committee. • Performing other governance functions as requested by the Board.

GOVERNANCE AT AIRWAYS CONTINUED

Committee	Objectives	Key roles and responsibilities
People and Culture Committee	Assists the Board in overseeing the management of human resources and remuneration activities at Airways.	• Setting strategic human resources and remuneration policies within the policy structure approved by the Board. • Setting and reviewing, with oversight and guidance, on the organisational development policies of Airways with specific focus on: – company culture – employee experience & engagement – diversity, equity and inclusion – Te Ao Māori – talent and succession planning – workforce planning – capability development – ways of working – union relationships. • Setting appropriate employment terms and conditions for the Chief Executive. • Oversight of the annual performance review of the Chief Executive. • The establishment of any new, and amendment of, terms of any existing incentive plans for the Chief Executive and the executives and managers who report directly to the Chief Executive. • Receiving remuneration-related recommendations from the Chief Executive for Airways staff. • Reviewing and recommending, in accordance with the company's remuneration policies and practices, all components of the remuneration of the Chief Executive and the executives and managers who report directly to the Chief Executive. The remuneration of executives and managers who report direct to the Chief Executive is subject to prior recommendation from the Chief Executive within the parameters of the Remuneration Policy and budget provision. • Monitoring whether there is any gender or other inappropriate bias in remuneration for directors, senior executives, or other employees. • Considering such other matters relating to strategic human resources and remuneration issues as may be referred to it by the Board.
Nominations Committee	Assists the Board in overseeing individual and collective development of Directors, future capability reviews and consideration of special fees.	• Determine questions to be asked of each Director about themselves and about each other, including the Chair, for the purpose of the Annual Individual Director evaluations as required in the Board Charter. • Review and recommend procedures for the regular review of the performance of the Board and individual directors in line with Owner's Expectations. • Develop and maintain a record and assessment of the skills, experience, and knowledge of directors. • Consider and report to the Board on appropriate induction and continuing education provided for directors to provide opportunities for the Board to maintain and develop the skills, experience, knowledge and diversity needed to perform its role effectively and in accordance with the law, high standards of governance and Airways' strategic objectives Consider whether to request special purpose fees and allocation to directors in accordance with the Owners' Expectations.

GOVERNANCE AT AIRWAYS CONTINUED

Directors' scheduled attendance

The Board held 10 scheduled meetings during the year ended 30 June 2024*. 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	**10**	**4**	**4**	**4**
Denise Church	9	4	4	4
Darin Cusack	10	3	4	1
John Holt	10		4	4
Lisa Jacobs	10	4		
Mark Pitt	2		1	
Mark Hutchinson	8			1
Gavin Fernandez	10		4	
Terry Paddy	10		4	
Danny Tuato'o	10	3	1	

* The Board of Directors also convened on a number of other occasions.

GOVERNANCE AT AIRWAYS CONTINUED

External audit

The Officer of the Auditor General appoints an external auditor annually. 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 unjustified restrictions have been placed upon audit scope), the external auditor management letter, the results of the audit and management's responses to audit findings, and the auditors' performance.

Lead audit partners are 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, 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. Directors receive fees from a lump sum approved by responsible Ministers and paid to the company each financial year as outlined in the Owner's Expectations Manual. Levels of remuneration are set out in the Additional Financial Information section.

Insurance and indemnity

In accordance with the Companies Act 1993 and the terms of its constitution, Airways has agreed to indemnify, and to effect and maintain insurance cover for, certain persons against certain costs and liabilities.

Performance and financial statements

Financial performance

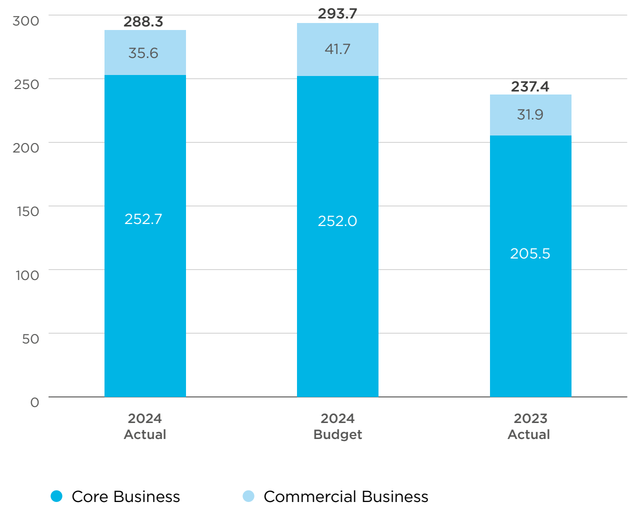
AIRWAYS GROUP
Recorded a net operating profit after tax of $14.5 million

CAPITAL EXPENDITURE
Delivered $48.7 million of investment

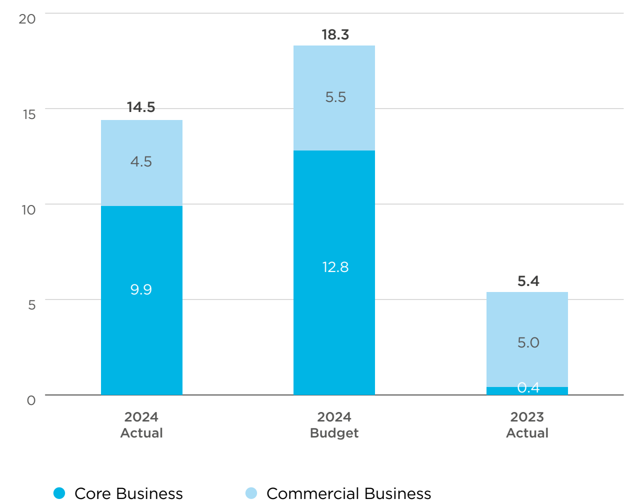
CORE BUSINESS
Revenue was $252.7 million for FY24, in line with budget

COMMERCIAL BUSINESS
Generated net profit before tax of tax of $6.5 million for the year, $1.2 million below budget

REVENUE ($M)



PROFIT AFTER TAX ($M)



1. 2024 revenue includes internal revenue of $15.0 million (2023: $13.5 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 $9.9 million.

Air navigation services revenue was in line with budget at $249.2 million ($253.3m as per the Statement of Profit or Loss, less $3.9m contributed by the Commercial business).

We invested $48.7 million in new infrastructure and future-focused initiatives – this was below plan due to the impact of labour availability.

Commercial business

The commercial business recorded a net profit after tax of $4.5 million for the year.

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 AND FINANCIAL STATEMENTS

Financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	GROUP		
For the year ended 30 June	2024 ($000s)	2023 ($000s)	Notes
Operating activities			
REVENUE			
Air traffic management revenue	253,280	201,792	A4.1
Other revenue	20,060	19,228	A4.1
Total revenue	**273,340**	**221,020**	
EXPENSES			
Employee remuneration	151,408	135,107	A4.3
Employee-related costs	7,035	8,141	A4.4
Depreciation	26,341	22,724	A9, A10
Amortisation	5,700	3,912	A9
Impairment	2,305	439	A9
Other operating costs	49,085	39,638	A4.2
Rental expense	2,511	2,027	
Total expenses	**244,385**	**211,988**	
Finance expense	(2,896)	(2,828)	
Finance income	2,249	1,926	
Net finance (expense)	**(647)**	**(902)**	
Net profit before taxation	**28,308**	**8,130**	
Taxation expense	13,848	2,705	A5
Net income after taxation attributable to equity shareholders	**14,460**	**5,425**	
Other comprehensive income			
That may be reclassified to profit or loss when conditions are met:			
Movement in cash flow hedge reserve	(761)	886	
Deferred tax on other comprehensive income	213	(248)	A5
Total other comprehensive income	**(548)**	**638**	
Total comprehensive income for the year attributable to equity shareholders	**13,912**	**6,063**	

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 60 to 85.

BALANCE SHEET

As at 30 June	GROUP 2024 ($000s)	GROUP 2023 ($000s)	Notes
Assets			
CURRENT ASSETS			
Cash and cash equivalents	8,637	52,060	
Trade and other receivables	25,052	26,518	A7
Assets held for sale	224	300	A13
Prepayments	6,137	5,301	
Derivative financial instruments	109	141	A6
Total current assets	**40,159**	**84,320**	
NON-CURRENT ASSETS			
Property, plant and equipment	187,873	159,758	A9
Right-of-use assets	66,104	65,846	A10
Intangibles	64,625	71,557	A9
Inventories	2,252	2,166	A11
Deferred tax asset	–	13,276	A5
Derivative financial instruments	942	1,841	A6
Total non-current assets	**321,796**	**314,444**	
Total assets	**361,955**	**398,764**	

BALANCE SHEET CONTINUED

As at 30 June	GROUP 2024 ($000s)	GROUP 2023 ($000s)	Notes
Liabilities			
CURRENT LIABILITIES			
Trade and other payables	16,511	17,947	A8
Provisions	4,175	1,179	A8
Lease liabilities	7,091	6,702	A10
Employee entitlements	30,401	27,341	A4.5
Derivative financial instruments	138	334	A6
Total current liabilities	**58,316**	**53,503**	
NON-CURRENT LIABILITIES			
Loan facility – unsecured	40,000	58,000	B1
Lease liabilities	67,528	66,598	A10
Employee entitlements	8,887	8,355	A4.5
Derivative financial instruments	166	48	A6
Deferred tax liability	286	–	A5
Total non-current liabilities	**116,867**	**133,001**	
Total liabilities	**175,183**	**186,504**	
Net assets	**186,772**	**212,260**	
Equity			
Share capital	151,700	171,100	A12
Hedge reserves	535	1,083	
Retained earnings	34,537	40,077	
Total equity	**186,772**	**212,260**	

The Board of Directors of Airways Corporation of New Zealand Limited authorised these financial statements for issue on 28 August 2024. The Directors do not have the power to amend the financial statements once issued.

Denise Church QSO
Chair

5 September 2024

Danny Tuato'o
Director

5 September 2024

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 60 to 85.

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 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**	
COMPREHENSIVE INCOME					
Net profit after taxation	–	–	14,460	14,460	
OTHER COMPREHENSIVE INCOME					
Movements in hedge contracts	–	(761)	–	(761)	
Tax on other comprehensive income	–	213	–	213	A5
Total other comprehensive income	**–**	**(548)**	**–**	**(548)**	
Total comprehensive income	**–**	**(548)**	**14,460**	**13,912**	
TRANSACTIONS WITH OWNERS					
Dividends paid (13.2 cents per share)	–	–	(20,000)	(20,000)	
Share repurchase	(19,400)	–	–	(19,400)	
Total transactions with owners	**(19,400)**	**–**	**(20,000)**	**(39,400)**	
Balance as at 30 June 2024	**151,700**	**535**	**34,537**	**186,772**	

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 60 to 85.

STATEMENT OF CASH FLOWS

	GROUP		
For the year ended 30 June	2024 ($000s)	2023 ($000s)	Notes
Cash flows from/(used in) operating activities			
CASH WAS PROVIDED FROM:			
Receipts from customers	273,929	213,946	
Interest received	2,249	1,873	
CASH WAS APPLIED TO:			
Payments to suppliers	(51,941)	(45,801)	
Payments to employees	(152,892)	(139,951)	
Interest paid	(3,256)	(2,761)	
Income tax paid	(71)	(80)	
Net cash flows from operating activities	**68,018**	**27,226**	E2
Cash flows from/(used in) investing activities			
CASH WAS PROVIDED FROM:			
Sale of property, plant and equipment	960	10,712	
CASH WAS APPLIED TO:			
Purchase of property, plant and equipment	(43,579)	(34,923)	
Purchase of intangible assets	(7,301)	(3,050)	
Net cash flows used in investing activities	**(49,920)**	**(27,261)**	
Cash flows from/(used in) financing activities			
CASH WAS PROVIDED FROM:			
Issuance of shares	–	13,000	
CASH WAS APPLIED TO:			
Repayment of loan facility	(18,000)	–	
Repurchase of shares	(19,400)	–	
Dividends paid	(20,000)	–	
Principle elements of lease payments	(4,121)	(4,033)	
Net cash flows from/(used in) financing activities	**(61,521)**	**8,967**	
Net (decrease)/increase in cash held	**(43,423)**	**8,932**	
Cash at the beginning of the year	52,060	43,128	
Cash at the end of the year	**8,637**	**52,060**	

Interest paid above includes interest expense from leases of $2.7 million (2023: $2.7 million) and excludes capitalised interest of $2.9 million (2023: $2.9 million). Total interest paid for the year was $5.8 million (2023: $5.8 million).

This statement is to be read in conjunction with the Notes to the Financial Statements on pages 60 to 85.

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 Accounting 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 MATERIAL ACCOUNTING POLICIES

Material 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.

New accounting standards now adopted

The Group has adopted the following new accounting pronouncements that are applicable to these financial statements:

- Amendments to NZ IAS 1 Presentation of Financial Statements. Disclosure of accounting policies - replacing the term 'significant' (not defined in NZ IFRS) with 'material'.
- Amendments to NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Definition of accounting estimates – clarifies the distinction between changes in accounting estimates and changes in accounting policies.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of these financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 18 Presentation and Disclosure in Financial Statements - This standard becomes effective for reporting periods beginning on or after 1 January 2027. IFRS 18 introduces new requirements on presentation within the statement of comprehensive income, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for the aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. The Group is currently assessing the impact and will, if applicable, disclose more detailed assessments in the future.

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.

SECTION A
HOW THE NUMBERS ARE CALCULATED CONTINUED

A

A4 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.

A4.1 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

A4.1(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 2024 ($000s)							
	ATM	Consulting	Data services	Software	Training	Publications	Other	Total
Point in time	253,280	5	–	2,870	33	1,028	767	257,983
Over time	–	6,494	4,726	1,977	2,160	–	–	15,357
Total	**253,280**	**6,499**	**4,726**	**4,847**	**2,193**	**1,028**	**767**	**273,340**

	For the year ended 30 June 2023 ($000s)							
	ATM	Consulting	Data services	Software	Training	Publications	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**

A4.1(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	2024 ($000s)	2023 ($000s)
Current contract assets	762	1,751
Total contract assets	**762**	**1,751**

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

Contract liabilities	2024 ($000s)	2023 ($000s)
Current contract liabilities	895	1,879
Total contract liabilities	**895**	**1,879**

All contract liabilities recognised as at 30 June 2023 have been subsequently recognised as revenue in the current year.

SECTION A
HOW THE NUMBERS ARE CALCULATED CONTINUED

A

A4.2 INDIVIDUALLY SIGNIFICANT ITEMS WITHIN OPERATING COSTS

For the year ended 30 June	2024 ($000s)	2023 ($000s)
Material and equipment costs	4,891	825
Travel	3,915	3,239
Communications	4,142	4,454
Maintenance	19,517	14,937
Utilities	2,069	2,039
Professional fees	8,724	8,962
Insurance	2,796	2,514

A4.3 EMPLOYEE REMUNERATION

For the year ended 30 June	2024 ($000s)	2023 ($000s)
Wages and salaries	127,868	113,098
Less: labour costs capitalised	(9,238)	(7,792)
KiwiSaver/superannuation contributions	11,290	10,270
Leave entitlement expense	21,488	19,531
	151,408	**135,107**

A4.4 EMPLOYEE-RELATED COSTS

For the year ended 30 June	2024 ($000s)	2023 ($000s)
Contractor costs	4,002	4,622
Other employee-related costs	3,033	3,519
	7,035	**8,141**

SECTION A
HOW THE NUMBERS ARE CALCULATED CONTINUED

A

A4.5 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	2024	2023
Employee decrement assumptions	Airways specific	Airways specific
Long-run wage increase	3%	2.5%
Discount rates[1]	5%	4.3% to 5.4%

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	2024 ($000s)	2023 ($000s)
Changes in discount rate	(484)	(673)
Additional entitlements recognised during the year	161	393
Staff demographic and other movements	1,509	1,091
Total movement in non-vested long service and retiring leave recognised in profit or loss	**1,186**	**811**
Balance sheet obligations as at 30 June, within non-current employee entitlements		
Long service leave	1,375	1,117
Retiring leave	7,512	7,238
	8,887	**8,355**

SECTION A

HOW THE NUMBERS ARE CALCULATED CONTINUED

A

A5 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	2024 ($000s)	2023 ($000s)
RECONCILIATION OF PROFIT BEFORE TAXATION TO INCOME TAX EXPENSE		
Profit before taxation	28,308	8,130
Tax at the New Zealand tax rate of 28%	7,926	2,276
Tax effect of amounts which are either non-deductible or non-taxable in calculating taxable income:		
Non-taxable income/non-deductible expenses	6	108
Foreign tax credits foregone	73	79
Tax charge relating to depreciation on commercial buildings	5,899	–
Other	(56)	242
Income tax expense	**13,848**	**2,705**
COMPONENTS OF INCOME TAX EXPENSE		
Foreign tax credits foregone	73	79
Movement in deferred tax	13,775	2,944
Other	–	(318)
Income tax expense	**13,848**	**2,705**

In March 2024, the Government of New Zealand made changes to tax legislation including the removal of the tax deduction for depreciation on non-residential buildings. Specifically, this removes tax deductions for depreciation on commercial and industrial buildings with application from the 2024/25 income year.

This required Airways to remove the tax base of commercial buildings (which represented an offset against the tax liability on commercial buildings) as at 30 June 2024. The removal of the tax base resulted in a $5.9m increase to deferred tax liabilities and an increase to the current years' income tax expense. This change had no impact on cash flow or the existing deferred tax asset on accumulated losses which are carried forward. This is also a one off adjustment in FY24.

At 30 June 2024, Airways has imputation credits available for use in subsequent reporting periods of $22.8million (2022: $38.1 million).

SECTION A

HOW THE NUMBERS ARE CALCULATED CONTINUED

A

Income tax included in other comprehensive income

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income:

Components of income tax recognised in other comprehensive income	2024 ($000s)	2023 ($000s)
Current tax (cash flow hedge reserve)	–	–
Deferred tax (cash flow hedge reserve)	(213)	248
Income tax expense	**(213)**	**248**

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)	Right of use asset ($000s)	Lease liability ($000s)	Total ($000s)
Balance as at 1 July 2023	(14,497)	9,733	16,617	(19,150)	20,573	13,276
Deferred tax in respect of previous years	(168)	(444)	728	–	–	116
Deferred tax charged to net profit	(9,597)	1,898	–	(39)	398	(7,340)
Deferred tax on tax losses recognised	–	–	(6,551)	–	–	(6,551)
Deferred tax on other comprehensive income	–	–	213	–	–	213
Balance as at 30 June 2024	**(24,262)**	**11,187**	**11,007**	**(19,189)**	**20,971**	**(286)**
Balance as at 1 July 2022	(14,741)	10,302	19,568	(19,842)	20,863	16,150
Deferred tax in respect of previous years	–	(299)	317	–	–	18
Deferred tax charged to net loss	184	(276)	–	692	(290)	310
Deferred tax on tax losses recognised	–	–	(2,954)	–	–	(2,954)
Deferred tax on other comprehensive income	–	–	(248)	–	–	(248)
Deferred tax reclassification	60	6	(66)	–	–	–
Balance as at 30 June 2023	**(14,497)**	**9,733**	**16,617**	**(19,150)**	**20,573**	**13,276**

Airways utilised deferred taxes arising from prior year losses of $6.5 million (2023: $3 million). The losses are expected to continue being offset against future taxable profit.

A6 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.

SECTION A
HOW THE NUMBERS ARE CALCULATED CONTINUED

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.

Financial assets and liabilities by category

As at 30 June 2024	Derivatives used for hedging ($000s)	Amortised cost ($000s)	Total ($000s)
Assets as per balance sheet			
Cash and cash equivalents	–	8,637	8,637
Trade and other receivables	–	25,052	25,052
Derivative financial instruments	1,051	–	1,051
Total	**1,051**	**33,689**	**34,740**
Liabilities as per balance sheet			
Trade and other payables	–	12,530	12,530
Employee entitlements	–	39,288	39,288
Derivative financial instruments	304	–	304
Lease liabilities		74,619	74,619
Borrowings and overdrafts	–	40,000	40,000
Total	**304**	**166,437**	**166,741**
As at 30 June 2023			
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**

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.

SECTION A
HOW THE NUMBERS ARE CALCULATED CONTINUED

A

A7 TRADE AND OTHER RECEIVABLES

As at 30 June	2024 ($000s)	2023 ($000s)
Trade accounts receivable	23,934	24,767
Contract assets and other receivables	1,118	1,751
Total trade and other receivables	**25,052**	**26,518**

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 $0.9 million was recognised for the year ended 30 June 2024 (2023: $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 2024	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	22,092	1,403	12	–	–	23,507
Impaired trade receivables	–	106	396	33	743	1,278
Total trade receivables due	**22,092**	**1,509**	**408**	**33**	**743**	**24,785**
Expected credit loss	–	(33)	(42)	(33)	(743)	(851)
Trade receivables recognised	**22,092**	**1,476**	**366**	**–**	**–**	**23,934**
As at 30 June 2023						
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**

SECTION A
HOW THE NUMBERS ARE CALCULATED CONTINUED

A

A8 TRADE AND OTHER PAYABLES

As at 30 June	2024 ($000s)	2023 ($000s)
Trade accounts payable	9,438	5,967
Contract liabilities	895	1,879
Payroll-related payables	2,229	2,118
Accrued liabilities	3,745	7,535
Other payables	204	448
Total trade and other payables	**16,511**	**17,947**

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 2023	1,047	132	1,179
Additional provisions raised	165	2,831	2,996
Closing balance as at 30 June 2024	**1,212**	**2,963**	**4,175**

Other provisions primarily relate to expected costs to remove known asbestos as well as for open and possible settlements relating to litigation. It is expected all sums provided for will be utilised or paid within one year.

A9 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.

SECTION A
HOW THE NUMBERS ARE CALCULATED CONTINUED

A

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)	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 2023	1,445	69,238	223,009	55,556	8,118	2,936	42,081	402,383
Additions at cost	30	5,920	22,177	13,701	741	901	46,156	89,626
Deduct disposals	(7)	(161)	(25,334)	(6,340)	(405)	(260)	–	(32,507)
Transfers from work in progress	–	–	–	–	–	–	(43,230)	(43,230)
Reclassification to assets held for sale[2]	–	–	(855)	–	(14)	–	–	(869)
As at 30 June 2024	**1,468**	**74,997**	**218,997**	**62,917**	**8,440**	**3,577**	**45,007**	**415,403**
Accumulated depreciation and impairment								
As at 1 July 2023	233	29,551	157,988	42,038	5,025	2,120	5,670	242,625
Depreciation charge	1	1,743	12,479	6,016	451	368	(3)	21,055
Deduct disposals	–	(160)	(25,194)	(6,193)	(397)	(260)	–	(32,204)
Transfers from work in progress	–	–	–	–	–	–	(5,670)	(5,670)
Impairment[1]	–	–	99	45	3	–	2,208	2,355
Reclassification to assets held for sale[2]	–	–	(620)	–	(11)	–	–	(631)
As at 30 June 2024	**234**	**31,134**	**144,752**	**41,906**	**5,071**	**2,228**	**2,205**	**227,530**
Net book value as at 30 June 2024	**1,234**	**43,863**	**74,245**	**21,011**	**3,369**	**1,349**	**42,802**	**187,873**

1. An impairment charge of $2.2m was incurred in relation to the Group's decision to discontinue the Auckland contingent digital tower project. The impairment charge largely includes labour costs incurred to date.
2. See note A13 for details regarding the reclassification of property, plant and equipment to assets held for sale.

SECTION A
HOW THE NUMBERS ARE CALCULATED CONTINUED

A

	Land ($000s)	Buildings ($000s)	Plant and equip-ment ($000s)	Computer equip-ment ($000s)	Furniture and fittings ($000s)	Motor vehicles ($000s)	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 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 A13 for details regarding the reclassification of property, plant and equipment to assets held for sale.

SECTION A
HOW THE NUMBERS ARE CALCULATED CONTINUED

A

Intangible assets

	Internally generated software ($000s)	Licences and acquired software ($000s)	Work in progress ($000s)	Total ($000s)
Average useful life	3 to 10 years	3 to 10 years	Not depreciated	
Cost				
As at 1 July 2023	117,559	19,987	9,118	146,664
Additions at cost	6,175	–	6,198	12,373
Deduct disposals	(19,231)	(1,222)	–	(20,453)
Transfers from work in progress	–	–	(13,415)	(13,415)
As at 30 June 2024	**104,503**	**18,765**	**1,901**	**125,169**
Accumulated amortisation and impairment				
As at 1 July 2023	55,401	19,401	305	75,107
Amortisation charge	5,519	181	–	5,700
Transfers from work in progress	–	–	(305)	(305)
Impairment	–	–	–	–
Deduct disposals	(18,785)	(1,173)	–	(19,958)
As at 30 June 2024	**42,135**	**18,409**	**–**	**60,544**
Net book value as at 30 June 2024	**62,368**	**356**	**1,901**	**64,625**

	Internally generated software ($000s)	Licences and acquired software ($000s)	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**
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**

At 30 June 2024, significant intangible assets consist of the Skyline-X Air Traffic Management System with a carrying amount of $47.7 million (2023: $49.3 million) and remaining useful life of 13 years.

SECTION A

HOW THE NUMBERS ARE CALCULATED CONTINUED

A

A10 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 2023	63,738	1,589	519	65,846
Depreciation charges	(4,749)	(416)	(121)	(5,286)
Additions to the right-of-use assets	3,008	–	–	3,008
Adjustments to existing right-of-use assets	2,483	42	11	2,536
As at 30 June 2024	**64,480**	**1,215**	**409**	**66,104**
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**

SECTION A

HOW THE NUMBERS ARE CALCULATED CONTINUED

A

Lease liabilities

	2024 ($000s)	2023 ($000s)
Maturity analysis – contractual undiscounted cash flows		
Less than one year	7,220	6,627
One to five years	26,464	24,287
More than five years	69,639	71,519
Total undiscounted cash flows	**103,323**	**102,433**
Current lease liabilities	7,091	6,702
Non-current lease liabilities	67,528	66,598
Total lease liabilities	**74,619**	**73,300**

Amounts recognised in profit or loss

	2024 ($000s)	2023 ($000s)
Interest on lease liabilities	2,727	2,741
Expenses relating to short-term leases	156	165

Amounts recognised in the statement of cash flows

	2024 ($000s)	2023 ($000s)
Total cash outflow for leases	**6,829**	**6,758**

Lease profile

The details for the two significant lease liabilities and right-of-use assets as at 30 June 2024 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%

A11 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.

SECTION A

HOW THE NUMBERS ARE CALCULATED CONTINUED

A

A12 SHARE CAPITAL AND RESERVES

Airways has capital of $151.7 million (2023: $171.1 million) issued ordinary shares which confer on the holders the right to vote at any general meeting of shareholders. This consists of 151,700,000 (2023: 171,100,000) authorised ordinary shares.

During the year ended 30 June 2024, Airways cancelled the remaining authorised unpaid share capital of $35.0 million (in 2023 Airways called $13.0 million shares of its issued ordinary shares) and repurchased $19.4 million of issued share capital from its owners.

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.

A13 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 has 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

No impairment losses were realised for disposal groups held for sale as at 30 June 2024 (2023 $0.1m).

Assets and liabilities of the disposal group held for sale

As at 30 June 2024, the disposal group was stated at fair value less costs to sell. No liabilities were identified to be included in the disposal group. The assets held for sale are disclosed in the table below:

As at 30 June	2024 ($000s)	2023 ($000s)
Property, plant and equipment	224	300
Assets held for sale	**224**	**300**

Measurement of fair values

The non-recurring fair value measurement for the disposal group of $0.2 million (2023: $0.3m) has been categorised as level 3 fair value based on the agreed sales price in the draft Sale and Purchase Agreement.

Settlement of assets and liabilities classified as held for sale at 30 June 2023

On 30 November 2023, Airways sold some of its Airfield Power and Lighting assets for cash consideration of $357k (including GST). This resulted in the following transactions:

- derecognition of assets of $300k, previously classified as held for sale at 30 June 2023

No other significant gains or losses from disposal of assets was recognised during the year ended 30 June 2024 (2023: 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 cash flow forecasts daily and 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	2024	2024 repayments	2023	Remaining term	Interest rate
$50 million	$40 million	($10 million)	$50 million	1 year (expires 31 July 2025)[1]	Floating
$30 million	-	($8 million)	$8 million	2 years (expires 28 February 2026)[1]	Floating

1 Please refer to note D3 for details on extending and increasing the bank funding facilities which took place subsequent to the balance date.

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 2024	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	240	–	–	–	–	–
Foreign currency exchange contracts – inflow	2,574	4,695	1,498	4,374	–	–
Foreign currency exchange contracts – outflow	(2,606)	(4,728)	(1,514)	(4,515)	–	–
Trade and other payables	(12,530)	–	–	–	–	–
Employee entitlements	–	–	–	–	–	(39,288)
Overdraft and revolving credit facility	(786)	(2,359)	(3,145)	(49,435)	–	–
Total	**(13,108)**	**(2,392)**	**(3,161)**	**(49,576)**	**–**	**(39,288)**
As at 30 June 2023						
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)**

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 exceeding $5m

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 $40 million (2022: $58 million). Further interest rate swaps were also in place to hedge highly probable future debt.

As at 30 June	2024 ($000s)	2023 ($000s)
Hedged borrowings	32,400	35,400
Unhedged borrowings	7,600	22,600
Total term borrowings	**40,000**	**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 4.13% (2023: 5.1%).

As at 30 June 2024, 81% of the outstanding debt facilities are hedged (2023: 61%).

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 2024	Current trade debtors ($000s)	Revenue contracts not yet invoiced ($000s)	Current trade payables ($000s)	Expenditure commitments not yet invoiced ($000s)
Amount unhedged	761	–	(13)	–
Amount hedged	390	2,738	(61)	(10,173)
Total	**1,151**	**2,738**	**(74)**	**(10,173)**
Percentage of exposure hedged	34%	100%	–	100%
As at 30 June 2023				
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%

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 A7, setting out trade and trade receivables and the current provision in place against these balances.

Airways' five largest customers account for 78% (2023: 78%) of total revenue and 73% (2023: 74%) 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.

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.

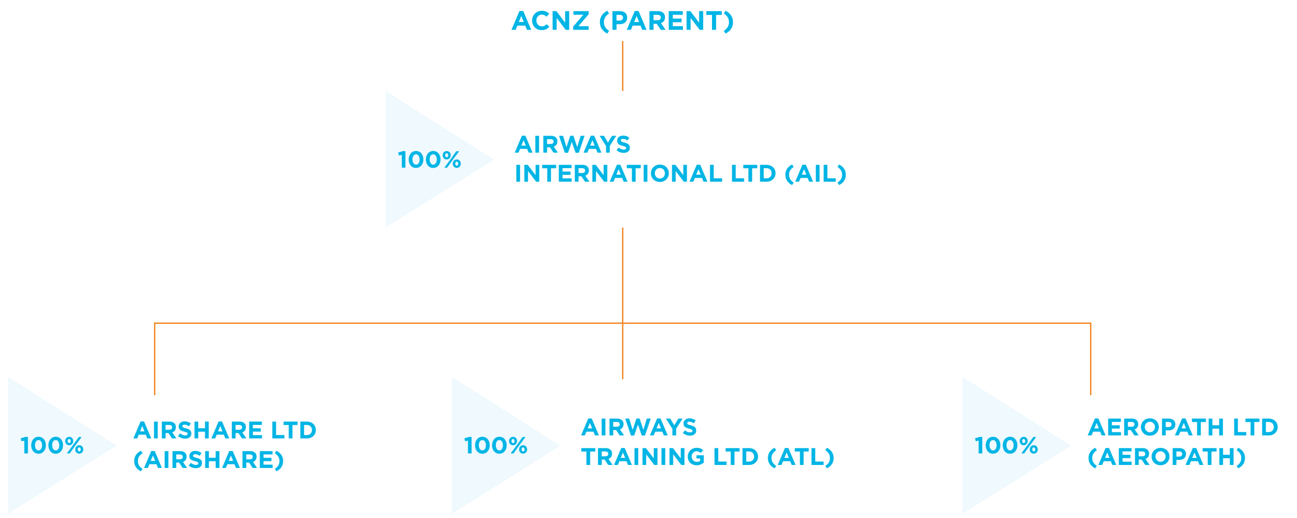
Subsidiaries are all entities over which Airways has control. Airways controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from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



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 $155.5 million by Airways in the current financial year (2023: $130.1 million).

NZ Consultancy Services FZE is an entity domiciled in the UAE. NZ Consultancy Services FZE is owned by the CEO of Airways International Limited, a subsidiary of ACNZ. The following transactions between AIL and NZ Consultancy Services took place during the year:

Related party transactions	2024 ($000s)
Management fees charged to AIL	(414)
Recharges charged by AIL	367
Balance owing by AIL to NZ Consultancy	(47)

C3 TRANSACTIONS WITH MANAGEMENT AND DIRECTORS

For the year ended 30 June	2024 ($000s)	2023 ($000s)
Key management compensation[1]		
Salaries and other short-term employee benefits[2]	3,346	3,657
KiwiSaver/superannuation contributions	112	94
	3,458	**3,751**
Directors' fees		
Directors' fees paid	328	357

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

SECTION C
GROUP STRUCTURE CONTINUED

C

C4 CEO REMUNERATION

Single figure CEO remuneration

2024 ($000s)	Salary and fees	Taxable benefits	Subtotal	Pay for performance: STI	Pay for performance: LTI	Pay for performance: Subtotal	Total remuner-ation
James Young (CEO)	677	–	677	47	–	47	724

Single figure CEO remuneration

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

Five year summary – CEO remuneration		Single figure remuneration ($000s)	Percentage STI against maximum
2024	James Young (CEO)	724	18.52%
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	–

Short-term incentives entitled for the financial year but not yet paid at the balance date amount to $0.1 million (2023: $0).

The Board of Airways New Zealand is committed to ensuring that executive remuneration is competitive and aligned with market standards. This approach aims to attract, retain, and motivate high-performing leaders who can drive the organisation's success.

To achieve this, Airways engages independent remuneration advisors to size executive roles, including that of the Chief Executive. The primary market for comparison includes the transportation and infrastructure sectors, as well as private sector organizations of similar size and scope to Airways.

For the Chief Executive position, Airways benchmarks against the median of Total Potential Remuneration (Base Salary plus benefit values plus on-target incentive) of comparable organisations. The remuneration package typically falls within 85% to 105% of the market median. In addition to the base salary, the CE is eligible for performance-based short-term incentive (STI) program. The STI has a target value of 18.5% of base salary for the year ending 30th June 2024, increasing to 20% of base salary from 01 July 2024.

The Board believes that this approach to Chief Executive remuneration ensures Airways can secure and retain top talent while maintaining alignment with market practice, industry standards and shareholder expectations.

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	2024 ($000s)	2023 ($000s)
Property, plant and equipment capital commitments	29,076	30,867
Intangible assets capital commitments	–	–
Total capital commitments	**29,076**	**30,867**

D2 CONTINGENT LIABILITIES

Airways has contingent liabilities in respect of financial guarantee contracts of $0.9 million for bid and performance bonds (2023: $2.0 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 2024, no current claims and proceedings have progressed sufficiently that a likely outcome is known.

D3 SUBSEQUENT EVENTS

Airways has signed a new debt facility arrangement with ANZ on 13 August 2024. The new arrangement allows Airways access to $10 million of additional debt (originally $80 million excluding an overdraft facility of $10 million) through the existing revolving credit facility and has extended the terms on the existing facilities.

The following facilities have been established:

Revolving credit facility #1: $50m expiring on 31 October 2028

Revolving credit facility #2: $30m expiring on 31 October 2027

Revolving credit facility #3: $10m expiring on 31 October 2026

SECTION E
OTHER INFORMATION

E

E1 AUDITOR'S REMUNERATION

For the year ended 30 June	2024 ($000s)	2023 ($000s)
PricewaterhouseCoopers for:		
Financial statement audit services as an agent of the Office of the Auditor-General	308	280
Economic Value Added Key Performance Indicator compliance engagement	13	12
Student fee protection trust compliance engagement	8	8
Total auditor's remuneration	**329**	**300**

E2 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO REPORTED PROFIT

For the year ended 30 June	2024 ($000s)	2023 ($000s)
NET PROFIT AFTER TAXATION	14,460	5,425
ADD/(DEDUCT) NON CASH ITEMS		
Amortisation	5,700	3,912
Depreciation	26,341	22,724
Impairment	2,305	439
Movement in deferred tax	14,404	3,219
Accounting gain on sale of assets	(247)	(707)
Total adjustments for items in profit not impacting cash flow	**48,503**	**29,587**
ADD MOVEMENTS IN WORKING CAPITAL ITEMS		
Increase in payables	4,419	2,549
Decrease/(Increase) in receivables	636	(10,335)
Total adjustments for items not in profit impacting cash flow	**5,055**	**(7,786)**
Net cash flows from operating activities	**68,018**	**27,226**

AUDIT REPORT

Independent auditor's report

To the readers of Airways Corporation of New Zealand Limited financial statements for the year ended 30 June 2024

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 2024, 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 Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's financial statements comprise:

- the balance sheet as at 30 June 2024;
- 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, comprising material accounting policy information and other explanatory information.

Our audit was completed on 5 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information and we explain our independence.

Basis for opinion

We carried out 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 Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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AUDIT REPORT CONTINUED

Our firm carries out other services for the Group in respect of the Group's compliance with the terms of the Student Fee Protection Trust Deed and assurance 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.

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 A9, the Group had total Capital Work in Progress (WIP) of $44.7 million, of which $42.8 million relates to Property Plant and Equipment (PPE) and $1.9 million relates to Intangible Assets (IA) as at 30 June 2024. During the year, the Group incurred capital expenditure of $52.4 million of which $46.2 million relates to PPE and $6.2 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 A9, 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 by 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.

AUDIT REPORT CONTINUED

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Description of the key audit matter	How our audit addressed the key audit matter
	• 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, and 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.

Our audit approach

Overview

Overall group materiality: $2,280,000, which represents approximately 7.5% of profit before taxation, excluding the impacts of impairment.

We chose profit before taxation, excluding the impacts of impairment, 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 over 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.

AUDIT REPORT CONTINUED

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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 Board of Directors are responsible for the other information. The other information comprises the information included in the Annual report on pages 1 to 54 and 91 to 105, 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.

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 Board of Directors for the financial statements

The Board of 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 Accounting Standards, and for such internal control as the Board of 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 Board of 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 Board of Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the State Owned Enterprises 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.

AUDIT REPORT CONTINUED

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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. Also:

- We 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.
- We 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We 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 the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We 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.
- We 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.

Our responsibilities arise from the Public Audit Act 2001.

Christopher Ussher

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

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ECONOMIC VALUE ADDED (EVA) KEY PERFORMANCE INDICATORS

For the year ended 30 June	Parent 2024 ($NZm)	Parent 2023 ($NZm)
DEBT AND EQUITY EMPLOYED		
Debt employed	170.6	191.2
Equity employed	138.2	108.3
Total debt and equity employed	**308.8**	**299.5**
Charge on operating capital	24.1	19.5
Economic Value Added	3.8	(13.1)
SUMMARY OF PARAMETERS FOR COST OF CAPITAL		
Risk free rate – 3-year Government Stock	5.0%	4.4%
Market risk premium	7.5%	7.5%
Company tax rate	28%	28.0%
Business risk factor (asset beta)	0.60	0.60
Cost of capital	9.4%	9.0%

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 9.40% for the year ended June 2024 compares to a cost of capital of 8.03% used for determining 2023–25 air navigation pricing. The negative EVA for the current year has been driven by higher than forecast labour and operating costs.

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

For the year ended 30 June	Parent 2024 ($NZm)	Parent 2023 ($NZm)
Profit after tax	9.9	0.4
Deduct: Charge on operating capital	(24.0)	(19.5)
Add back: Impairment reversal	2.3	–
Add back: Interest costs	0.3	1.9
Add back/(deduct): Non-cash tax charges	13.7	2.6
Add back: Non-cash employee costs	1.2	0.8
Add back: Depreciation on capitalised interest	0.7	0.6
Add back/(deduct): Net depreciation pricing adjustment	(0.3)	0.1
Economic Value Added	**3.8**	**(13.1)**

ECONOMIC VALUE ADDED (EVA) AUDIT REPORT

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 2024.

In our opinion, 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 2024.

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 2024 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

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 PricewaterhouseCoopers

Christopher Ussher
On behalf of the Auditor-General
Auckland, New Zealand
5 September 2024

PricewaterhouseCoopers

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 2023 – 30 June 2024

	Amount paid	Amount recognised in profit or loss
Denise Church	64,922	64,922
Mark Pitt	13,526	13,526
Lisa Jacobs	35,318	35,318
John Holt	40,318	40,318
Darin Cusack	40,728	40,728
Mark Hutchinson	27,203	27,203
Gavin Fernandez	35,318	35,318
Danny Tuato'o	35,318	35,318
Terry Paddy (appointed November 2022)	35,318	35,318
Total	**327,969**	**327,969**

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.

Total remuneration over $100,000

Remuneration band	Total staff	Executive/ senior managers	Operational staff and managers
100,000 – 110,000	39		39
110,001 – 120,000	37		37
120,001 – 130,000	42		42
130,001 – 140,000	54		54
140,001 – 150,000	51	3	48
150,001 – 160,000	43		43
160,001 – 170,000	33	1	32
170,001 – 180,000	34	1	33
180,001 – 190,000	47	3	44
190,001 – 200,000	25		25
200,001 – 210,000	28	3	25
210,001 – 220,000	41	2	39
220,001 – 230,000	42	6	36
230,001 – 240,000	35	5	30
240,001 – 250,000	37	3	34
250,001 – 260,000	51		51
260,001 – 270,000	44	1	43
270,001 – 280,000	19	2	17
280,001 – 290,000	15		15
290,001 – 300,000	7	1	6
300,001 – 310,000	1		1
320,001 – 330,000	4	3	1
330,001 – 340,000	2	2	0
390,001 – 400,000	1	1	0
400,001 – 410,000	1	1	0
470,001 – 480,000	2	2	0
720,001 – 730,000	1	1	0
	736	**41**	**695**

FINANCIAL PERFORMANCE AGAINST STATEMENT OF CORPORATE INTENT (SCI) METRICS

	Actual 2024	SCI Target
Profitability		
Total revenue	$275.6m	$279.1m
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$61.0m	$66.1m
Earnings before interest and tax (EBIT)	$29.0m	$29.1m
Group profit after tax	$14.5m	$5.4m
Capital investment	$50.9m	$56.7m
Dividends	$20.0m	$5.0m
Shareholder returns		
Total shareholder return	4.8%	(1.5%)
Dividend yield	6.3%	1.5%
Dividend payout	55.3%	22.2%
Return on equity	7.2%	8.2%
Return on equity, adjusted for NZ IFRS fair value movements and asset revaluations	7.3%	8.2%
Profitability and efficiency		
Return on capital employed	11.7%	11.1%
Return on assets	7.6%	7.5%
Operating margin	22.1%	23.7%
Net profit margin	5.2%	6.6%
Asset turnover	0.8	0.7
Leverage and solvency		
Equity multiplier (Assets/Shareholder equity)	1.9	1.6
Gearing ratio (net including leases)	36.2%	2.9%
Interest cover (before capitalised interest)	9.9	11.8
Solvency (current ratio)	0.8	1.1
Growth and investment		
Revenue growth	23.2%	24.3%
EBITDAF growth	71.0%	71.6%
NPAT growth	166.7%	194.5%
Capital employed growth	(16.0%)	(5.8%)
Capital renewal	1.9	1.8

Definitions for the financial performance measures above can be found at:
Owner's Expectations | The Treasury New Zealand

APPENDIX A: GRI DISCLOSURES INDEX

GRI standard	Disclosure	Location
2-1	Organisational details	Notes to the financial statements: Section C
2-2	Entities included in the organisation's sustainability reporting	Notes to the financial statements: Section C
2-3	Reporting period, frequency and contact point	Chair and CEO introduction, Notes to the financial statements: Section C
2-4	Restatements of information	Airways is not reporting any restatements of information
2-5	External assurance	Sustainable aviation, Airways website: communities and enviroment
2-6	Activities, value chain and other business relationships	Our business, how we create value, Airways website
2-7	Employees	Our people in numbers
2-8	Workers who are not employees	Our people in numbers
2-9	Governance structure and composition	Governance at Airways, our people in numbers
2-10	Nomination and selection of the highest governance body	Governance at Airways
2-11	Chair of the highest governance body	Governance at Airways
2-12	Role of the highest governance body in overseeing the management of impacts	Governance at Airways
2-13	Delegation of responsibility for managing impacts	Governance at Airways
2-14	Role of the highest governance body in sustainability reporting	About us, materiality - determining what's important, Governance at Airways
2-15	Conflicts of interest	Governance at Airways
2-16	Communication of critical concerns	How we manage risk, Airways website: Corporate Reporting
2-17	Collective knowledge of the highest governance body	Governance at Airways
2-18	Evaluation of the performance of the highest governance body	Governance at Airways
2-19	Remuneration policies	Governance at Airways, Notes to the financial statements section: C4, Airways website: corporate reporting
2-20	Process to determine remuneration	Governance at Airways, Notes to the financial statements section: C4, Airways website: corporate reporting
2-21	Annual total compensation ratio	The annual compensation ratio is 5.8%. Airways' CEO did not receive a remuneration increase within the year.
2-22	Statement on sustainable development strategy	Chair and CEO introduction
2-23	Policy commitments	Airways website: corporate reporting
2-24	Embedding policy commitments	Airways website: corporate reporting
2-25	Processes to remediate negative impacts	Airways website: corporate reporting
2-26	Mechanisms for seeking advice and raising concerns	How we manage risk, Airways website: corporate reporting, Airways website: contact us

APPENDIX A: GRI DISCLOSURES INDEX CONTINUED

GRI standard	Disclosure	Location
2-27	Compliance with laws and regulations	Over the past year there have been no significant instances of non-compliance with laws and regulations, and no fines issued against Airways
2-28	Membership associations	About us, Airways website: our business
2-29	Approach to stakeholder engagement	Our business, Chair and CEO summary, appendix C
2-30	Collective bargaining agreements	Our people in numbers
3-1	Process to determine material topics	Materiality - determining what's important
3-2	List of material topics	Appendix B - material issues defined
3-3	Management of material topics	Material topics are managed through the 'safe skies-today and tomorrow' ten-year strategy
Material topic: emissions		
305-1	Operational emissions	Sustainable aviation
Material topic: employment		
401-1	New employee hires and employee turnover	Our people in numbers
401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees.	Airways website: Careers
401-3	Parental leave	Our people in numbers
403-01	Occupational health and safety management system	Our safety management system
403-02	Hazard identification, risk assessment, and incident investigation	Putting our people first, risk management, our safety management system
403-05	Worker training on occupational health and safety	Airways has a diverse safety training programme, developed to meet the requirements of the SMS and delivers a multifaceted training programme through a diverse range of training methods.
403-06	Promotion of worker health	Putting our people first
Diversity and equal opportunity		
405-01	Diversity of governance bodies and employees	Our people in numbers, board profiles
405-02	Ratio of basic salary and remuneration of women to men	Work is currently being undertaken to establish a baseline and measure for tracking Airways' gender pay gap, to be reported on from FY25

APPENDIX B: MATERIAL ISSUES DEFINED

Theme	Topic	Description
People	Employee health, safety and wellbeing	How Airways protects and maximises the health, safety and wellbeing (both physical and mental) of their employees.
	Talent attraction, retention and employee experience	Airways' workplace practices to support being an employer of choice. How it hires, develops and retains skilled staff, and embraces the future of work.
	Diversity, equity and inclusion	Fostering a diverse and inclusive workforce, and creating and maintaining a positive and respectful workplace culture.
	Te Ao Māori competency	Building and developing competency and confidence in Te Ao Māori including Te Reo, tikanga, and the Treaty of Waitangi.
Governance	Financial performance	Ensuring the financial performance of Airways by anticipating and embracing new opportunities, technologies and shifting customer expectations.
	Sustainability governance	Leadership and accountability on Airways' environmental, social and governance activities.
	Business continuity	Anticipating and preparing for emergency events and risks that may significantly impact business operations and performance, e.g. natural disasters, pandemic.
	Transparency and disclosure	Ensuring Airways is appropriately transparent about products and services.
Environment	Climate change risks and opportunities	Understanding the physical and transitional risks and opportunities of climate change and the shift to a low-emissions economy on Airways.
	Operational emissions	How Airways manages and reduces the greenhouse gas emissions created by its business operations.
	Waste	How Airways manages and reduces waste produced from business operations and embraces business models and actions that support circular practices.
	Biodiversity	Impact of Airways' business operations on biodiversity.
	Water	Airways' water use and the impact of Airways' business operations on waterways.
	Air quality	Impact of Airways' business operations on air quality.
	Noise management	How Airways ensures noise from Aircrafts in public areas is minimised.
	Industry collaboration on decarbonisation	Collaborating and working with local and international industry leaders to decarbonise the aviation industry.

APPENDIX B: MATERIAL ISSUES DEFINED CONTINUED

Theme	Topic	Description
Supply chain	Responsible and resilient supply chain	Addressing environmental, social and governance risks/issues in the organisational supply chain and procurement, such as modern slavery and emissions.
Products and services	Customer experience	Delivering a seamless, consistent and high level of service for Airways customers.
	Customer engagement	Ensuring Airways operates in an appropriate commercial manner and maintains robust customer engagement, feedback and consultation processes on pricing changes and relevant business decisions.
	Safety management	Delivering safe air navigation services in New Zealand and working to continuously identify safety enhancements and improvements.
	Airspace optimisation	Ensuring optimal use of the New Zealand airspace to provide social, environmental, and financial benefits.
Community	Community investment and engagement	How Airways engages and partners with communities in New Zealand and in territories it operates in.
	Aviation industry recovery and performance	Supporting the aviation industry in its recovery following the impacts on air travel caused by the COVID-19 pandemic.
Technology	Technology innovation	Investment in technologies and infrastructure to support the growth of Airways and aviation in New Zealand and to amplify customer experience.
	Systems security	How Airways protects and secures its systems against security threats, including cyber-attacks.

APPENDIX C: OUR PEOPLE IN NUMBERS

C.1 OUR BOARD OF DIRECTORS

Gender

Identifies as male	Identifies as female
6	2

Age profile

Under 30 years	30-50 years	>50 years
0	1	7

C.2 OUR PEOPLE

Airways had 878 employees as at 30 June 2024.

- Workers who are not employees: There were 48 contractors providing technical and consultancy services to Airways in FY24
- The employee turnover rate was 5.24%. There were 97 new starters in the year

The tables below are reported in headcount and do not include contractors.

Employees by contract type

Contract Type	Female	Male	Total	Female	Male	Total
CEA	129	455	584	22%	78%	67%
IEA	115	179	294	39%	61%	33%
Total	244	634	878	244	634	100%

Employees by term

Term						
Fixed	2	6	8	25%	75%	1%
Permanent	242	628	870	28%	72%	99%

Employees by working style

Working style	Female	Male	Total	Female	Male	Total
Full Time	203	608	811	25%	75%	92%
Part time	41	26	67	61%	39%	8%

APPENDIX C: OUR PEOPLE IN NUMBERS CONTINUED

Employees by age group

Age Group	Female	Male	Total
<Under 25	4	13	17
25-29	22	46	68
30-34	34	70	104
35-39	31	70	101
40-44	25	79	104
45-49	39	71	110
50-54	24	75	99
55-59	37	76	113
60-64	26	83	109
65+	2	51	53
Total	**244**	**634**	**878**

Employees by tenure

Tenure	Female	Male	Total
0-5	106	201	307
5-10	40	100	140
10-15	33	82	115
15-25	31	122	153
25-35	16	59	75
35-45	15	47	62
45+	3	23	26
Total	**244**	**634**	**878**

Employees by location

Location	Female	Male	Grand Total
Auckland	65	110	175
Christchurch	132	371	503
Wellington	15	62	77
Regional	32	91	123
Total	**244**	**634**	**878**

Parental leave

	Male	Female
Employees who took parental leave	5	13
Employees who returned to work in the reporting period after parental leave ended	3	6
Employees who returned to work after parental leave ended and were still employed 12 months after their return to work	6	5

APPENDIX D: STAKEHOLDER ENGAGEMENT

We recognise the importance of strong stakeholder relationships in ensuring our success.

We continue to refine our communications and stakeholder engagement strategies to build their awareness and understanding of our strategy and objectives, and to understand their needs and priorities. Key topics raised by our stakeholders as material are included in our list of material topics in X. Our response to these material issues is outline through this report.

Our main stakeholder groups are.

- Our people
- Union partners - NZALPA and AMEA
- Government Shareholder
- The Treasury
- Our regulator - the Civil Aviation Authority
- Government agencies including the Ministry of Transport, Ministry of Business Innovation and Employment and Ministry of Foreign Affairs
- The Transport Accident Investigation Commission
- Airline customers and their representative bodies
- The New Zealand Defence Force
- New Zealand Airports and the New Zealand Airports Association
- General Aviation
- UAV users and representative bodies
- International industry association and representative bodies including CANSO, IATA and ICAO
- Travelling public
- Media

Key areas of engagement related to our material topics through the year included :

- The launch of Airways' new 10-year-strategy
- Company performance
- Operational and service developments
- Safety enhancement
- Airspace optimisation
- Aircraft noise
- Pricing
- Sustainability

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

Level 2
6 Leonard Isitt Drive
Auckland
New Zealand

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