

**AIRWAYS**  
making your world possible



Airways Interim Report  
**2020 ▶ 2021**  
For the period ended 31 December 2020

# KIA ORA KOUTOU

## CHAIR AND CHIEF EXECUTIVE'S REPORT

CHAIR AND CHIEF  
EXECUTIVE'S  
REPORT

FINANCIAL  
STATEMENTS

EVA KEY  
PERFORMANCE  
INDICATOR

CORPORATE  
DIRECTORY

### CONTENTS

01 — CHAIR AND CHIEF EXECUTIVE'S REPORT	06 — INTERIM FINANCIAL STATEMENTS
01 — Summary of performance	06 — Interim statement of profit or loss and other comprehensive income
05 — Financial performance	07 — Interim statement of changes in equity
05 — Our people	08 — Interim balance sheet
05 — Governance and leadership	09 — Interim statement of cash flows
	11 — Notes to the interim financial statements
	15 — EVA KEY PERFORMANCE INDICATORS
	17 — CORPORATE DIRECTORY

### The impact of the Covid-19 pandemic on New Zealand's aviation industry continued to unfold through the first half of our financial year (1 July 2020 to 31 December 2020).

**Airways' focus throughout remained on delivering sound operational and safety performance, while progressing initiatives that will be building blocks in our industry's pathway back to growth. We are particularly proud of the success of our international business in signing new deals and achieving significant milestones in global projects during the period.**

In the highly limited travel environment we enabled 389,134 safe journeys through New Zealand skies. There were no serious operational safety occurrences or serious harm injuries involving our people. The health and safety of our people remained top of mind while we continued to deliver our essential services as the country moved through heightened Covid-19 alert levels. Stringent social distancing and hygiene measures were implemented during these times, as well as a continued emphasis on supporting the wellbeing of our people.

The financial performance of the Airways Group reflects the challenging aviation environment. For the six months ending 31 December 2020, the Group reported a loss of \$13.8 million, which is \$12.6 million better than the budgeted \$26.4 million. Airways International (AIL) built on its strong FY20 performance, delivering a Net Profit After Tax of \$2.7 million.

Domestic air traffic levels improved quicker than expected during the period. The domestic market reached 80% of pre-pandemic levels by December, with the international market remaining largely closed due to border restrictions. Revenue was approximately 56 per cent of pre-pandemic levels by the end of the period.

As New Zealand's air navigation services provider, the pandemic has forced Airways to think differently, ensuring the way we operate reduces cost and supports recovery.

Alongside affected airports and the Civil Aviation Authority (CAA), in May 2020 Airways commenced a review of the air traffic services we provide at seven regional airports where flight volumes have been low for a sustained period. Those under review are the air traffic control services provided from Airways' towers at Hawke's Bay, Gisborne, New Plymouth, Rotorua and Invercargill airports, and the airfield flight information services provided at Kapiti Coast Airport and Milford Sound Piopiotahi Aerodrome.

At the outset of the review, Airways advised airports we were unable to keep providing existing services under the commercial agreements in place with the airports. The review process set out to determine one of three possible options: whether we continue to provide the established service under new commercial terms; or we provide different services at the airports under new commercial terms; or if the service is withdrawn.



The CAA will ultimately decide what level of service is required for each airport to operate safely. Airways and the airports would then need to negotiate commercial terms for providing the service.

The first step in the review process has been for airports to undertake individual aeronautical studies to examine their airspace environment and operations, and make recommendations to the CAA.

While Airways has instigated these studies, the airport companies have led the work in line with their regulatory accountabilities. Through the first half of the year, we worked with the airports as they progressed with their aeronautical studies, with all expected to be submitted to the CAA by February 2021.

AIL continued to build on its FY20 success during the period. AIL is playing an integral role in our recovery and remains the primary avenue for growth. Rephasing of contracted work and a shift to digital delivery platforms at the onset of the pandemic means AIL has continued to be less affected than the core domestic business. In December, AIL remotely completed site acceptance testing for the last of six air traffic control tower simulators and four surveillance simulators installed across six sites throughout Norway. This contract with Norway's air navigation services provider was awarded during the first New Zealand Covid-19 lockdown.

In November AIL launched Airways Knowledge Online (AKO) – a virtual training academy for the aviation sector. AKO is the result of many years of investment in online and digital learning technologies by AIL, with development fast tracked to meet the evolving needs of global Air Navigation Service Providers as the closure of our borders has prohibited delivery of face-to-face training. The system has so far been used to deliver courses to customers in the United Arab Emirates, Singapore and Jordan.

AIL has also renewed a significant contract with the United States Federal Aviation Administration for the continued use of the Airways' designed SureSelect Air Traffic Control selection and recruitment tool. Additionally, our Aeropath aeronautical design subsidiary has started work on a considerable design project in the United Kingdom, in partnership with a locally based consultancy.

Measures of success	FY21 actual YTD	FY21 plan YTD	FY20 actual YTD
Near collisions	NIL	NIL	NIL
Critical technology services availability	99.99%	99.95%	99.98%
Group Profit/(loss) after tax	(\$13.8m)	(\$26.4m)	\$16.2m
Commercial business Profit after tax	\$2.7m	\$2.1m	\$6.3m
Capital investment	\$8.3m	\$14.1m	\$22.8m



## FINANCIAL PERFORMANCE

While significant, the financial impact of Covid-19 has been less pronounced than expected. The Airways Group recorded an after-tax loss of \$13.8 million for the half year ended 31 December 2020, \$12.6 million ahead of plan.

The domestic market for air travel has recovered more quickly than expected. Airways has also reset operating costs, however the stronger than expected recovery of the domestic market has placed a halt on some of the planned restructuring programs.

The Commercial business continues to perform strongly with the half year result exceeding budget by 28%. While the environment remains challenging, AIL has been successful delivering work remotely whilst borders remain largely closed.

Capital spending is 40% down on budget. This is due partly to timing of projects and progressing only with those that have been identified as a priority or are safety critical.

Airways continues to be grateful for the financial support received from the Government and is managing its cashflow within the agreed funding envelope.

## OUR PEOPLE

We recognise that the period of challenge and change we are working through creates uncertainty for our people. Our intention is to ensure they are well supported through this time.

Airways' purpose of enabling safe skies is underpinned by the values of safety, each other, excellence and success. In December we hosted the annual Airways Values Awards, where we celebrated our high achievers and our people's commitment to these values in carrying out their roles. The ceremony held at our Christchurch campus was particularly heartening this year as our people came together to reflect on their collective achievements through such a challenging time.

Following feedback and encouragement from our people, this year we have started out on our Te Ao Māori journey. Feedback has been that this kaupapa (Te Ao Māori) has provided a unique opportunity to navigate the turbulence of Covid-19 with Māori values and perspectives that are inherently inclusive, kind and relevant. Throughout the year we ran education sessions on Te Reo, Tikanga Māori and Te Tiriti/Treaty of Waitangi.

## GOVERNANCE AND LEADERSHIP

Nicola Greer joined the Airways Board of Directors in June 2020.

Emily Davies stepped down as Head of Public Affairs in January 2021.

We welcome Nicola to the Board and wish Emily all the best in her new role.

**Graeme Sumner**  
Chief Executive Officer

**Denise Church**  
Board Chair

## INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

FOR THE PERIOD ENDED 31 DECEMBER	GROUP		NOTES
	Dec 2020 Unaudited	Dec 2019 Unaudited	
<b>OPERATING ACTIVITIES</b>			
<b>REVENUE</b>			
Air traffic management revenue	57,575	112,113	
Government grants	3,606	-	
Other revenue	8,230	16,236	
Other gains and losses	2,105	-	4
Interest income	269	4	
<b>TOTAL REVENUE</b>	<b>71,785</b>	<b>128,353</b>	
<b>EXPENSES</b>			
Employee remuneration	56,791	61,475	
Employee related costs	2,965	6,181	
Depreciation	10,316	11,418	
Amortisation	1,784	2,864	
Impairment	1,329	-	5
Other operating costs	15,365	20,957	
Rental expense on operating leases	764	1,703	
Finance expense	1,883	1,260	3
<b>TOTAL EXPENSES</b>	<b>91,197</b>	<b>105,858</b>	
<b>NET (LOSS)/PROFIT BEFORE TAXATION</b>	<b>(19,413)</b>	<b>22,495</b>	
Taxation (benefit)/expense	(5,585)	6,299	
<b>NET (LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>	<b>(13,828)</b>	<b>16,196</b>	
<b>OTHER COMPREHENSIVE INCOME</b>			
That will be reclassified to profit or loss when conditions are met:			
Movement in cash flow hedge reserve	(282)	43	
Deferred tax on other comprehensive income	79	(12)	
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>(203)</b>	<b>31</b>	
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>	<b>(14,031)</b>	<b>16,227</b>	

This statement is to be read in conjunction with the Notes to the Interim Financial Statements on pages 11-13

## INTERIM STATEMENT OF CHANGES IN EQUITY

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

	GROUP ATTRIBUTABLE TO EQUITY SHAREHOLDERS				NOTES
	Contributed Equity	Hedge Reserve	Retained Earnings	Total	
<b>BALANCE AS AT 1 JULY 2019</b>	<b>41,100</b>	<b>(1,312)</b>	<b>104,050</b>	<b>143,838</b>	
<b>COMPREHENSIVE INCOME</b>					
Net surplus after taxation	-	-	16,196	16,196	
<b>OTHER COMPREHENSIVE INCOME</b>					
Movements in hedge contracts	-	43	-	43	
Deferred tax on other comprehensive income	-	(12)	-	(12)	
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>31</b>	
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>31</b>	<b>16,196</b>	<b>16,227</b>	
<b>TRANSACTIONS WITH OWNERS</b>					
Dividends paid (9.7 cents per share)	-	-	(4,000)	(4,000)	6
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	<b>-</b>	<b>-</b>	<b>(4,000)</b>	<b>(4,000)</b>	
<b>BALANCE AS AT 31 DECEMBER 2019</b>	<b>41,100</b>	<b>(1,281)</b>	<b>116,246</b>	<b>156,065</b>	
<b>BALANCE AS AT 1 JULY 2020</b>	<b>111,100</b>	<b>(1,330)</b>	<b>64,743</b>	<b>174,513</b>	
<b>COMPREHENSIVE INCOME</b>					
Net loss after taxation	-	-	(13,828)	(13,828)	
<b>OTHER COMPREHENSIVE INCOME</b>					
Movements in hedge contracts	-	(282)	-	(282)	
Deferred tax on other comprehensive income	-	79	-	79	
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>(203)</b>	<b>-</b>	<b>(203)</b>	
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>(203)</b>	<b>(13,828)</b>	<b>(14,031)</b>	
<b>TRANSACTIONS WITH OWNERS</b>					
Dividends paid (nil cents per share)	-	-	-	-	6
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>BALANCE AS AT 31 DECEMBER 2020</b>	<b>111,100</b>	<b>(1,533)</b>	<b>50,915</b>	<b>160,482</b>	

This statement is to be read in conjunction with the Notes to the Interim Financial Statements on pages 11-13

 CHAIR AND CHIEF  
 EXECUTIVE'S  
 REPORT

 FINANCIAL  
 STATEMENTS

 EVA KEY  
 PERFORMANCE  
 INDICATOR

 CORPORATE  
 DIRECTORY

## INTERIM BALANCE SHEET

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

FOR THE PERIOD ENDED	GROUP			NOTES
	Dec 2020 unaudited	Jun 2020 audited	Dec 2019 unaudited	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	46,447	66,752	3,119	
Trade and other receivables	14,968	14,568	32,084	
Current tax asset	6,647	1,062	-	
Prepayments	3,517	2,734	3,764	
Derivative financial instruments	171	273	105	
<b>TOTAL CURRENT ASSETS</b>	<b>71,750</b>	<b>85,389</b>	<b>39,072</b>	
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	181,519	183,202	214,877	8
Right-of-use assets	58,107	66,159	64,219	
Intangibles	12,663	13,926	16,840	8
Inventories	2,225	2,025	1,820	
Deferred tax asset	9,331	9,252	-	
Other non-current assets	13	51	52	
Derivative financial instruments	9	31	-	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>263,867</b>	<b>274,646</b>	<b>297,808</b>	
<b>TOTAL ASSETS</b>	<b>335,617</b>	<b>360,035</b>	<b>336,880</b>	
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	9,198	11,924	13,639	
Lease liabilities	6,374	6,380	6,371	
Employee entitlements	21,010	20,613	21,067	7
Current tax liability	-	-	2,701	
Derivative financial instruments	642	152	309	
Loan facility - unsecured	58,000	58,000	-	
<b>TOTAL CURRENT LIABILITIES</b>	<b>95,224</b>	<b>97,069</b>	<b>44,087</b>	
<b>NON-CURRENT LIABILITIES</b>				
Loan facility - unsecured	-	-	58,000	
Lease liabilities	67,666	76,064	61,434	
Deferred tax liability	-	-	5,675	
Employee entitlements	10,669	10,413	10,111	7
Derivative financial instruments	1,576	1,976	1,508	
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>79,911</b>	<b>88,453</b>	<b>136,728</b>	
<b>TOTAL LIABILITIES</b>	<b>175,135</b>	<b>185,522</b>	<b>180,815</b>	
<b>NET ASSETS</b>	<b>160,482</b>	<b>174,513</b>	<b>156,065</b>	
<b>EQUITY</b>				
Share Capital	111,100	111,100	41,100	
Reserves	(1,533)	(1,330)	(1,281)	
Retained Earnings	50,915	64,743	116,246	
<b>TOTAL EQUITY</b>	<b>160,482</b>	<b>174,513</b>	<b>156,065</b>	

This statement is to be read in conjunction with the Notes to the Interim Financial Statements on pages 11-13

## INTERIM STATEMENT OF CASH FLOWS

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

FOR THE PERIOD ENDED 31 DECEMBER	GROUP		NOTES
	2020 Unaudited	2019 Unaudited	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH WAS PROVIDED FROM:</b>			
Receipts from customers	65,673	126,784	
Receipts from government	3,528	-	
Interest received	269	4	
<b>CASH WAS APPLIED TO:</b>			
Payments to suppliers	(18,423)	(27,619)	
Payments to employees	(60,790)	(66,326)	
Interest paid	(1,878)	(1,270)	3
Income tax paid	-	(9,631)	
<b>NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(11,621)</b>	<b>21,942</b>	11
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
<b>CASH WAS PROVIDED FROM:</b>			
Sale of property, plant and equipment	1,200	39	
Sale of investments	-	32	
<b>CASH WAS APPLIED TO:</b>			
Purchase of property, plant and equipment	(4,776)	(11,248)	
Purchase of intangible assets	(3,557)	(11,550)	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(7,133)</b>	<b>(22,727)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>CASH WAS PROVIDED FROM:</b>			
Drawdown of loan facility	-	8,000	
<b>CASH WAS APPLIED TO:</b>			
Principle elements of lease payments	(1,551)	(1,114)	
Payment of dividends	-	(4,000)	6
<b>NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(1,551)</b>	<b>2,886</b>	
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>	<b>(20,305)</b>	<b>2,101</b>	
Cash at the beginning of the period	66,752	1,018	
<b>CASH AT THE END OF THE PERIOD</b>	<b>46,447</b>	<b>3,119</b>	

This statement is to be read in conjunction with the Notes to the Interim Financial Statements on pages 11-13

CHAIR AND CHIEF  
EXECUTIVE'S  
REPORTFINANCIAL  
STATEMENTSEVA KEY  
PERFORMANCE  
INDICATORCORPORATE  
DIRECTORY

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****NOTE 1 BASIS OF PREPARATION**

These interim financial statements as at and for the six months ended 31 December 2020 are for the consolidated group (Airways), consisting of Airways Corporation of New Zealand Limited and its subsidiaries: Airways International Limited, Aeropath Limited, Airways Training Limited and Airshare Limited. They have been prepared in accordance with:

- ▶ Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and NZ IAS 34, 'Interim Financial Reporting'. The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Annual report of the Group for the year ended 30 June 2020; and
- ▶ The requirements of the Financial Reporting Act 2013, Companies Act 1993 and the State-Owned Enterprises Act 1986.

The interim financial statements were authorised for issue by the directors on 19 February 2021

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

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

**COVID-19: IMPAIRMENT**

Airways recognised an impairment of \$48.7 million in relation to its core Cash Generating Unit, for the year ended 30 June 2020. The impairment is determined using a number of highly sensitive assumptions applied to a discounted cash flow model.

During the 6 months ended 31 December 2020, the operating results of Airways exceeded the budgeted results used in the discounted cash flow model at 30 June 2020. This was primarily a result of higher than anticipated flight volumes (revenue) and reduction in actual spend for the period. At the balance date there are no further indications to suggest a further impairment is required, instead the improved results leading to changes in the key estimates may result in a part reversal of impairment at the end of the Financial Year.

Due to the ongoing uncertainties in relation to the impact of Covid-19 to Airways and the key assumptions used in the discounted cashflow model, Airways will perform an impairment assessment at 30 June 2021, based on working assumptions at that time.

**GOING CONCERN**

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

Due to the on-going impacts of COVID-19 resulting in a reduction in domestic and international flight volumes, Airways incurred a loss after tax of \$13.8 million for the 6 months ended 31 December 2020 (2019: profit after tax of \$22.5 million) and its current liabilities exceed its current assets by \$23.5 million (2019: current liabilities exceed current assets by \$5.0 million).

It is forecasted Airways will continue to incur losses for the foreseeable future and the financial position of Airways will further deteriorate from cash outflows used in operating activities.

Despite the above, Airways have access to a number of funding arrangements at the balance date, which will allow Airways to continue as a going concern for the next 12 months:

- ▶ \$95 million of undrawn capital facility is subscribed by the Crown and remains available for draw down should Airways require.
- ▶ Waiver of breach in banking covenants remain until 31 December 2021. Airways has \$32 million of undrawn financing facilities at balance date, which if required, can be utilised.

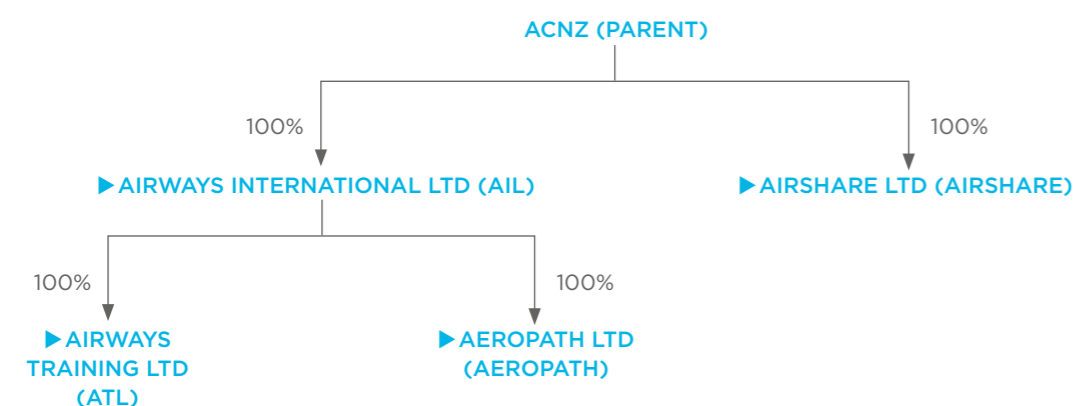
CHAIR AND CHIEF  
EXECUTIVE'S  
REPORTFINANCIAL  
STATEMENTSEVA KEY  
PERFORMANCE  
INDICATORCORPORATE  
DIRECTORY

**NOTE 2 GROUP STRUCTURE**

Airways Corporation of New Zealand Limited is a limited liability company incorporated and domiciled in New Zealand. It is also a State-Owned Enterprise established under the State-Owned Enterprises Act 1986 with shares held in equal numbers by the Minister for State-Owned Enterprises and the Minister of Finance, on behalf of the Crown.

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

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



Entity	Principal activity
Airways International Ltd	Revenue management, recruitment and training, and air navigation services and maintenance of systems
Airways Training Ltd	Aviation English Training
Aeropath Ltd	Aeronautical information management and procedural design and development services
Airshare Ltd	Delivery of unmanned aerial vehicle (UAV) and drone traffic management services

**NOTE 3 FINANCE EXPENSE**

Finance expense of \$1.9 million, includes interest expense from unwinding lease liabilities of \$1.6 million and financing expense of \$1.2 million offset by capitalised interest of \$1.0 million (2019: \$1.2 million net).

Interest expenses incurred from unwinding of lease liabilities amounting to \$1.6 million (2019: \$1.2 million), was previously classified under cashflows used in financing activities in the statement of cash flows. These amounts have been re-classified under cashflows used in operating activities to conform with presentation in the 2020 Annual report. These reclassifications had no effect on the reported results of Airways.

**NOTE 4 OTHER GAINS AND LOSSES**

Other gains and losses include a gain on sale of \$1.2 million from the sale of the old Wellington Tower on 27 November 2020 and a \$0.9 million gain on the partial surrender of a leased building in Christchurch.

**NOTE 5 IMPAIRMENT**

Airways recognised an impairment of \$1.3 million relating to Invercargill Digital Tower Project as it was assessed the likelihood of the project being discontinued is highly probable.

**NOTE 6 DIVIDENDS PAID**

No interim dividend was declared and paid to the shareholders (2019: \$4 million). Airways do not expect to pay dividends to its shareholders during the year ending 30 June 2021.

**NOTE 7 EMPLOYEE ENTITLEMENTS**

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

**NOTE 8 CAPITAL COMMITMENTS**

Airways had total capital commitments of \$11.4 million as at 31 December 2020 (2019: \$14.8 million). This programme will be funded through increased capital.

Property, Plant & Equipment of \$181.5 million (2019: \$214.9 million) includes \$67.8 million of work-in-progress. Of the \$67.8 million of work-in-progress, \$48.3million (2019: \$47.2 million) relates to intangible projects in progress, primarily reflecting the ongoing development of the new ATM system. These balances will be transferred to intangibles on completion of the project.

In the prior year note, the capital commitments note disclosed both contracted and uncontracted external and internal costs. The comparative period has been restated to only disclose the contracted external costs.

**NOTE 9 CONTINGENT LIABILITIES**

Airways has contingent liabilities of \$0.7 million for performance bonds (2019: \$1.2 million).

**NOTE 10 SUBSEQUENT EVENTS**

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

**NOTE 11 RECONCILIATION OF THE NET CASH FLOW FROM OPERATING ACTIVITIES TO REPORTED PROFIT**

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

FOR THE PERIOD ENDED 31 DECEMBER	Dec 2020	Dec 2019
<b>NET (LOSS)/SURPLUS AFTER TAXATION</b>	<b>(13,828)</b>	<b>16,196</b>
<b>ADD NON CASH ITEMS</b>		
Accounting loss/(gain) on sale of assets	(1,158)	25
Accounting gain on partial surrender of leases	(943)	-
Amortisation	1,784	2,864
Depreciation	10,316	11,418
Impairment	1,329	-
<b>TOTAL ADJUSTMENTS FOR ITEMS IN SURPLUS NOT IMPACTING CASH FLOW</b>	<b>11,328</b>	<b>14,307</b>
<b>ADD MOVEMENTS IN WORKING CAPITAL ITEMS</b>		
Decrease in payables	(8,614)	(4,864)
Increase in receivables	(507)	(3,697)
<b>TOTAL ADJUSTMENTS FOR ITEMS NOT IN SURPLUS IMPACTING CASH FLOW</b>	<b>(9,121)</b>	<b>(8,561)</b>
<b>NET CASH (OUTFLOW)/ INFLOW FROM OPERATING ACTIVITIES</b>	<b>(11,621)</b>	<b>21,942</b>





## EVA KEY PERFORMANCE INDICATORS

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

FOR THE PERIOD ENDED 31 DECEMBER	PARENT Dec 2020	PARENT Dec 2019
<b>DEBT AND EQUITY EMPLOYED</b>		
Debt employed	175,947	176,827
Equity employed	136,165	148,900
<b>TOTAL DEBT AND EQUITY EMPLOYED</b>	<b>312,112</b>	<b>325,727</b>
<b>SUMMARY OF PARAMETERS FOR COST OF CAPITAL</b>		
Charge on operating capital	8,596	8,475
Economic Value Added	(23,390)	2,997
Risk free rate - three-year Government Stock	0.16%	0.93%
Market risk premium	7.0%	7.0%
Company tax rate	28.0%	28.0%
Business risk factor (asset beta)	0.60	0.60
Cost of capital	5.48%	6.02%

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

The EVA reporting framework applied by Airways can be found at the following website:

<https://www.airways.co.nz/about/financial-operational-and-safety-performance-reports/>

The cost of capital of 5.48% for the period ending December 2020 compares to a cost of capital of 6.59% used for determining 2020-2022 air navigation services pricing.

The negative EVA for the period ending December 2020 has been driven by reduction in flight volumes due to Covid-19.

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

FOR THE PERIOD ENDED 31 DECEMBER	PARENT Dec 2020	PARENT Dec 2019
(Loss)/Profit After Tax	(16,548)	9,858
Deduct: Charge on operating capital	(8,596)	(8,475)
Deduct: non-cash employee costs	421	754
Deduct: movement in deferred taxation	-	(37)
Add back: interest costs	1,333	897
<b>Economic Value Added</b>	<b>(23,390)</b>	<b>2,997</b>

CHAIR AND CHIEF  
EXECUTIVE'S  
REPORT

FINANCIAL  
STATEMENTS

EVA KEY  
PERFORMANCE  
INDICATOR

CORPORATE  
DIRECTORY



## CORPORATE DIRECTORY

### Registered office

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

### Directors

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

### Web address

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

### Auditors

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

### Bankers

ANZ Bank New Zealand Limited  
Bank of New Zealand Limited

©Airways, February 2021

CHAIR AND CHIEF  
EXECUTIVE'S  
REPORT

FINANCIAL  
STATEMENTS

EVA KEY  
PERFORMANCE  
INDICATOR

CORPORATE  
DIRECTORY

