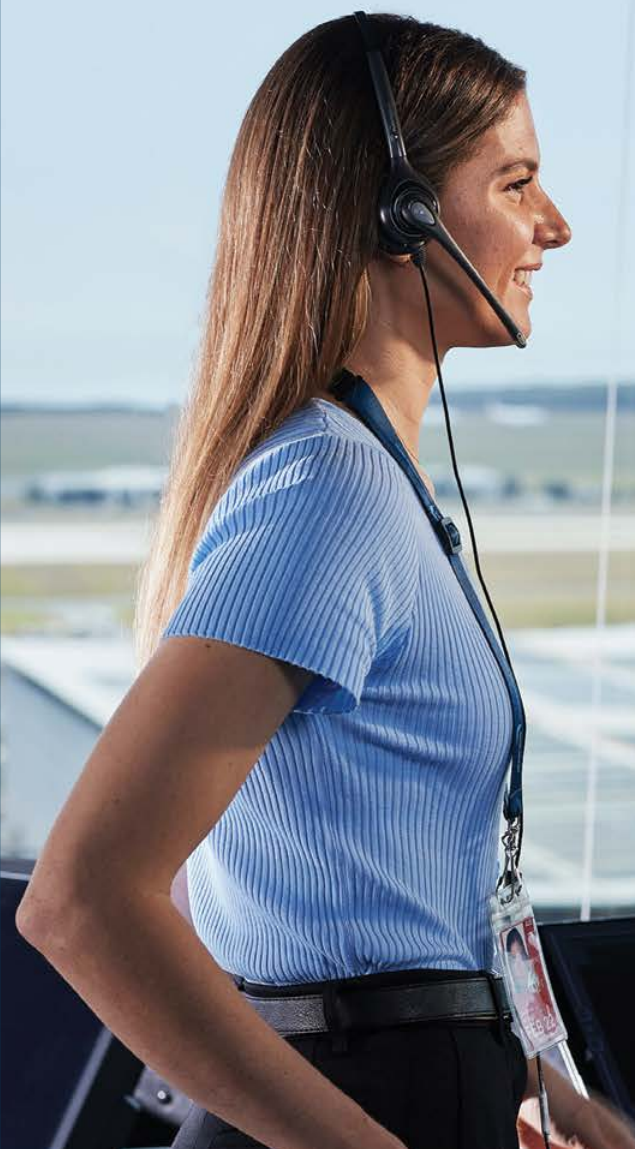




2020-21

ANNUAL REPORT



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ANNUAL PERFORMANCE STATEMENT

Airservices Australia, as a corporate Commonwealth entity, presents its 2020-21 Annual Performance Statement (APS) as prepared in accordance with section 39 of the *Public Governance Performance and Accountability Act 2013 (Cth)* (PGPA Act).

In accordance with section 16F of the *Public Governance Performance and Accountability Rule 2014 (Cth)* (PGPA Rule), the APS accurately presents how we have performed against our strategic initiatives and key performance areas in meeting our purpose, as outlined in our 2020-21 Corporate Plan.

DIGITAL ACCESS

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Chairman
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The Hon Barnaby Joyce MP
Deputy Prime Minister and
Minister for Infrastructure, Transport and Regional Development
Parliament House
CANBERRA ACT 2600

Dear Deputy Prime Minister,

Airservices Australia Annual Report 2020-21

On behalf of the Board of Airservices Australia, I am pleased to submit to you the Airservices Australia Annual Report for the financial year 2020-21, as required under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

During 2020-21 we were accountable to the Australian Parliament and to the Australian Government through your portfolio as the Minister for Infrastructure, Transport and Regional Development. The Board, as the accountable authority of Airservices Australia, is responsible for preparing and submitting this report to you. It was endorsed at our meeting on 15 September 2021.

The report has been prepared in accordance with the requirements of the *Air Services Act 1995*, the PGPA Act, the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule), and other relevant legislation.

This report outlines the achievements and milestones met by Airservices, and includes a review of operations and financial statements for the year ending 30 June 2021.

The performance statement has been prepared to demonstrate our performance over the 2020-21 period against the Airservices Corporate Plan. It reports against our key performance measures and initiatives articulated within the Plan. The appropriateness of the performance statement was reviewed by Airservices Board Audit and Risk Committee at its meeting on 2 September 2021.

In the Board's opinion, the annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act and section 16F of the PGPA Rule.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Weber".

John Weber
Chairman
15 September 2021

connecting australian aviation



LETTER OF TRANSMITTAL



ABOUT US

We are our nation's air traffic management and aviation rescue fire fighting provider operating at 29 of Australia's major airports and managing 11 per cent of the world's airspace, including the upper airspace for Nauru and the Solomon Islands.

We connect people with their world safely through our world-class services - linking family and friends, generating economic activity, creating jobs, and facilitating trade and tourism.

As our skies get busier and more complex, we are committed to making aviation safer, more efficient and cleaner.

We provide our services from:

- 29** Air Traffic Control Towers
- 2** Air Traffic Service Centres in Melbourne and Brisbane
- 27** locations with fire stations
- 2** Terminal Control Units in Sydney and Perth

We do so by living our values of:



Safety always



Service first



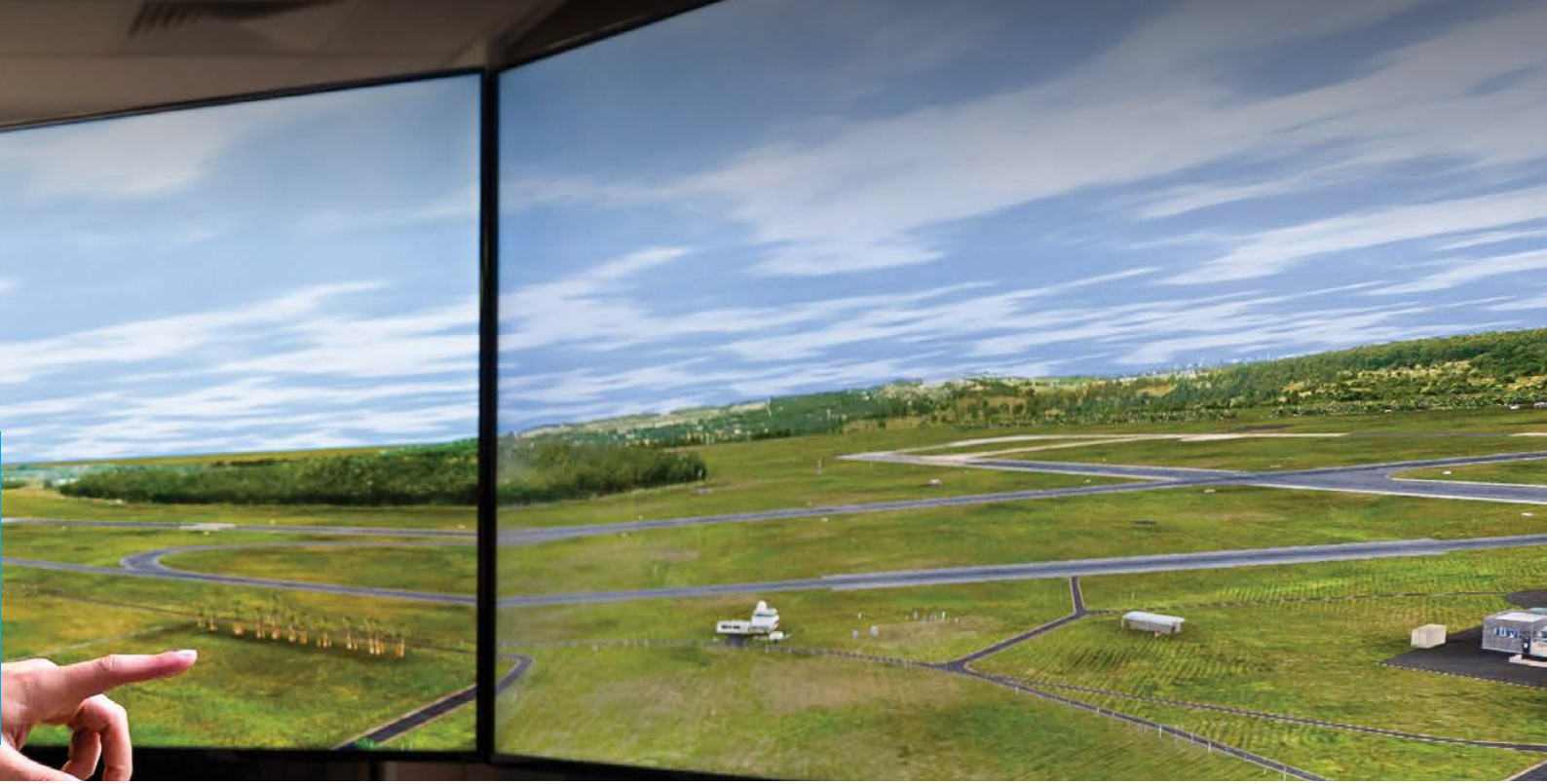
Love what you do



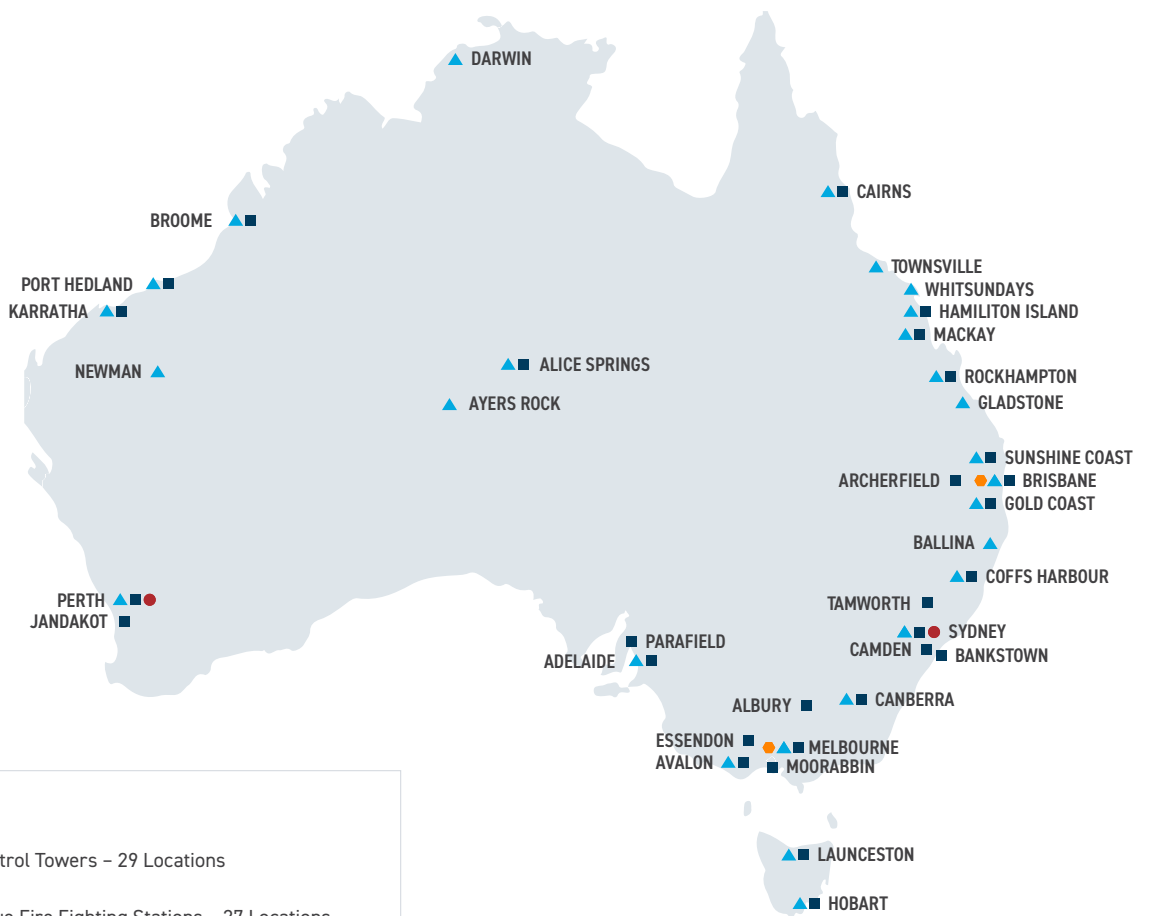
Work as one



Own it



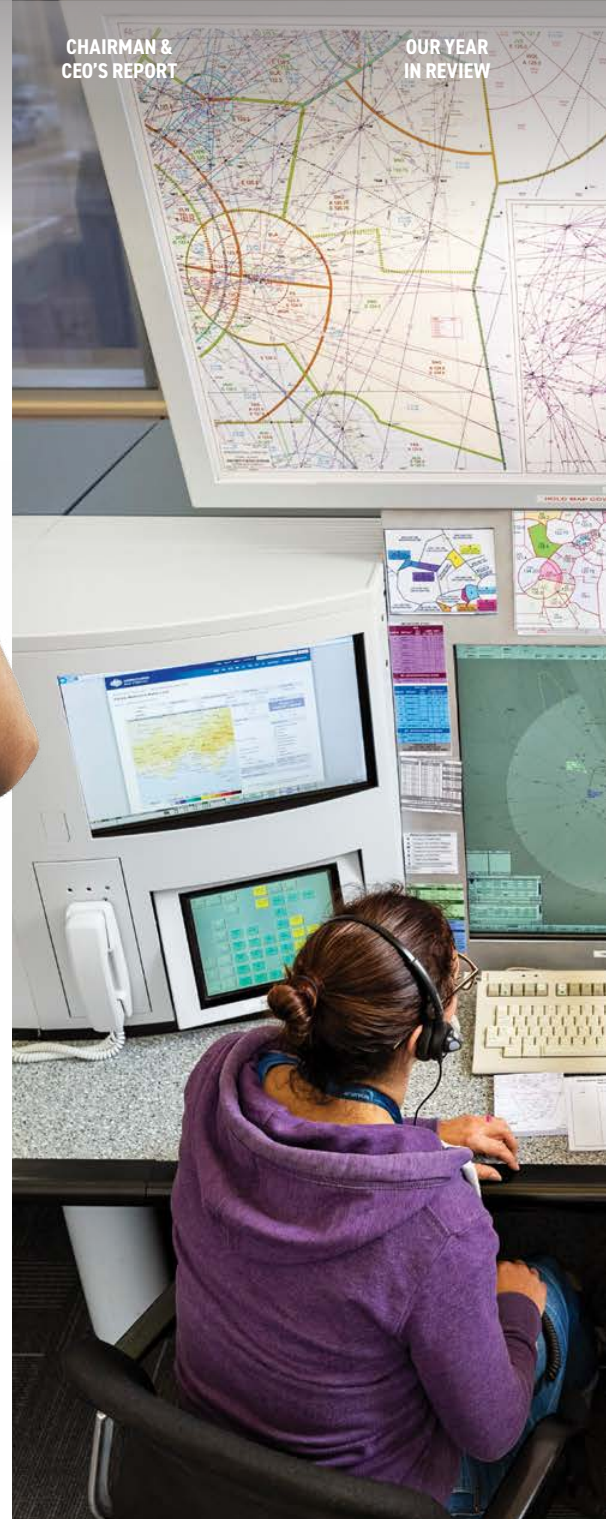
OUR LOCATIONS



LEGEND

- Air Traffic Control Towers – 29 Locations
- ▲ Aviation Rescue Fire Fighting Stations – 27 Locations
- Terminal Control Units – 2 Locations
- ⬡ Air Traffic Services Centres – 2 Locations





We are a government-owned organisation established by the *Air Services Act 1995* (the Act). We are a designated corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

Our primary role, as defined under the Act, is to:

- provide facilities and services for the safety, regularity and efficiency of air navigation within Australian-administered airspace. This includes providing air traffic services, aviation rescue fire fighting services, aeronautical information, radio navigation and telecommunications services.
- promote and foster civil aviation in Australia and overseas.

We operate in accordance with the Act, the *Australian Airspace Policy Statement 2018*, the PGPA Act and the *Minister's Statement of Expectations*. In addition, a range of other legislation informs our operations.

We are funded through customer charges for our services and by capital raised from debt markets. Our Board set our prices after extensive consultation with industry and oversight by the Australian Competition and Consumer Commission (ACCC). The aviation industry was directly impacted by the COVID-19 pandemic, leading to a 56 per cent reduction in revenue. As a result, we have received government assistance to support the industry, which is outlined in this report.



In undertaking our functions, we regard the safety of air navigation as our most important consideration, and we protect the environment as far as practicable from the effects of aircraft operations.

More information is available at <https://www.airservicesaustralia.com/about-us/our-governance/>

CHAIRMAN & CEO'S REPORT



John Weber
Chairman



Jason Harfield
Chief Executive Officer

Our ability to deliver a safe and continuous service amid ongoing disruption has again been tested and proven in 2020-21.

This year marked 100 years of civil aviation regulation in Australia with the enactment of the Air Navigation Act in early 1921 and the subsequent formation of our ancestral predecessor, the Civil Aviation Branch. This milestone launched our nation's industry, connecting Australians with each other and the world in a way that had not occurred before. Over the century, Australia has delivered an exceptional aviation safety record that is globally respected to this day.

In that time, Australian civil aviation has grown from a few mostly postal and aeromedical services to over 4 million annual air traffic movements that carry 160 million passengers and millions of tonnes of freight. All the while supporting an aviation ecosystem that generates economic growth, creates jobs and facilitates both national and international commerce and tourism.

Over the last century, there have been very few periods where civil aviation has been as severely disrupted as it has by the COVID-19 pandemic. As Australia's civil air navigation and aviation rescue fire fighting service provider, we have responded to this disrupted and uncertain operating environment by continuing to support all who use our skies.

During the year, air traffic patterns changed substantially from the long-standing norms. We have seen significantly reduced international commercial air traffic, a disrupted pattern for domestic air traffic, a surge in aviation activity at regional airports and the continuation of intra-state charter flights, particularly fly-in-fly-out services.

In this challenging and ever-changing environment, it is a testament to the professionalism and dedication of our people that we have seamlessly adapted to meet the varying needs of our customers. We have done this without interruption to our services while still maintaining our exemplary safety record.

Like many across the aviation industry, our financial performance for the year ending 30 June 2021 was severely affected by the pandemic. Our airways revenue was 56 per cent lower than the previous year at \$327 million with an underlying net loss after tax of \$471 million. This was the second year in which we had been affected by the pandemic.

Ordinarily, airline customers are the source of over 90 per cent of our revenue, with more than half of that generated by international flights. As the pandemic hit and airline traffic diminished, our revenue was severely reduced. Over the course of the year, Government funding has been vital in enabling us to continue to deliver our essential services and provide much needed direct support to customers via domestic fee waivers. Three grants of financial assistance (totalling \$1.1 billion) were received to support ongoing operations.

Assisting in offsetting the reduction in our revenue, we also targeted and delivered over \$100 million in cost savings through a range of initiatives. These savings came as we implemented efficiency improvements and adjusted our operating model to better support customers in a challenging aviation environment.

Notwithstanding the pandemic, the aviation industry continues to evolve at pace, with new airspace users such as drones and urban air mobility vehicles entering our skies and integrating with current air traffic. We had already begun to transform and reposition our organisation to continue the focus on our customers and to tailor our service delivery to their needs. This focus, together with our maturing strategy to prepare for technological disruption and build the foundations for the future, stood us in good stead when the COVID-19 pandemic hit.

“Our people are our greatest asset and we are committed to building a safe and inclusive workplace for all.”

Delivery of the OneSKY Program is an integral part of this preparation. It will deliver more than \$1.2 billion in economic benefits to the aviation industry over the next 20 years, with a world-first harmonised civil and military air traffic management system (CMATS). During the year, we completed the CMATS critical design review and construction of two new state-of-the-art Air Traffic Service Centres in Melbourne and Brisbane.

In supporting and enabling the OneSKY Program and our future aviation services, we are investing to modernise our critical telecommunications network infrastructure as part of our Enterprise Network Modernisation Program. As part of this we have entered into a new managed services contract to deliver telecommunication network services and commenced the design and planning phase.

Digitalising our service delivery is also an important focus. In the past year, we have commenced the delivery of Digital Aerodrome Services (DAS) at both Canberra and Western Sydney Airport. The establishment of DAS at these locations is the first step towards being able to provide flexible, scalable, automated and remote aerodrome services. Over time, DAS will provide safer and more cost-effective services and is a key capability underpinning the seamless integration of new airspace users, such as drones.

In welcoming and integrating new airspace users to our skies, we have commenced a series of pilot initiatives. This includes the installation of drone surveillance units at the 29 airports across the country where we provide services, as well as commencing the development of a prototype for a Flight Information Management System that will safely integrate all airspace users in Australian skies.

The Flight Information System will also serve as an interface to the broader air traffic management system for the Federal Government's National Emerging Aviation Technologies (NEAT) policy, released during the year. We continue to work with the Government, regulators and other agencies to develop and implement the NEAT policy, an important step towards an integrated airspace model.

In addition to the focus on transformation of our operations and service delivery, we are also investing in the environmental sustainability of our organisation. In May, we released our Environmental Sustainability Strategy 2021–2026, which sets out our path to net-zero carbon emissions by 2050. This includes our sustainability commitments, targets and investment to reduce our environmental footprint, minimise pollution and waste, and build more sustainable and resilient operations.

An important focus over the past year has been the transformation of our culture. Our people are our greatest asset and we are committed to building a safe and inclusive workplace for all. Over the course of the year, we have made significant progress implementing all the recommendations of The Review of Culture at Airservices Australia undertaken by Elizabeth Broderick and Co. This includes the launch of a new values statement, the establishment of a Culture Reform Board and the implementation of Safe Place, which is a specialised team providing essential psychological, wellbeing and investigative support to our people.

Over the course of the year, our ability to adapt, maintain momentum and ensure the continuity and integrity of our service delivery, is largely due to the passion, capability and commitment of our people. On behalf of the Board and Executive, we would like to extend our thanks and appreciation to the entire Airservices team for their hard work and service during a challenging year.

Finally, we are privileged to present the Airservices 2020-21 Annual Report. While our industry's path to recovery remains uncertain, we are optimistic and confident that aviation will rebound and come back even stronger as we continue to connect people with their world safely.



John Weber
Chairman



Jason Harfield
Chief Executive Officer

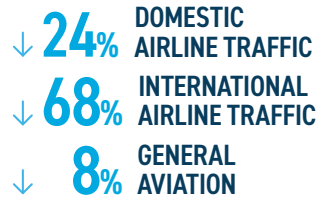
OUR YEAR IN REVIEW

Through the COVID-19 pandemic, we have continued to keep our skies safe and deliver efficient services.

TOTAL MOVEMENTS



DECLINE FROM 2019-20



0 SIGNIFICANT ATTRIBUTABLE SAFETY OCCURRENCES

ATM since 2010-11

ARFF since 2015-16



2,401 TOTAL ARFF CALLOUTS



296 AIRCRAFT INCIDENTS RESPONDED TO BY ARFF



16 LIVES SAVED





FINANCIALS

Like many across the aviation sector, our financial performance has been significantly impacted by the COVID-19 pandemic.

↓ **56.16%**

DECLINE IN AIRWAYS REVENUE TO \$327M;
70% lower compared to 2019¹

\$471M NLAT

UNDERLYING² NET LOSS AFTER TAX

\$1.1B³

GOVERNMENT GRANT ASSISTANCE RECEIVED

\$100M

COST SAVINGS DELIVERED

\$578

COST PER IFR⁴ FLIGHT HOUR

-2.1%

RETURN ON ASSETS

¹ As reported in the financial year ended 30 June 2019

² The net loss excluding government grants

³ Incl. \$550m (Budget 2021-22 received 28 June 2021)

⁴ Instrument Flight Rules (IFR)



CUSTOMER

We support a range of customers who derive value from our services.



71% CUSTOMER SATISFACTION SCORE



CIVIL MILITARY AIR TRAFFIC MANAGEMENT SYSTEM (CMATS) CRITICAL DESIGN REVIEW COMPLETE



2 NEW STATE-OF-THE-ART AIR TRAFFIC SERVICE CENTRES (ATSC) IN MELBOURNE AND BRISBANE



29 DRONE SURVEILLANCE UNITS INSTALLED AT AIRPORTS



PEOPLE

We are continuing our culture transformation journey to build a safe and inclusive workplace for all.



55% DIVERSITY INDEX



2000+ OF OUR EMPLOYEES OPERATING ON COVID-RESILIENT ROSTERS



60% EMPLOYEE ENGAGEMENT INDEX



1000+ OF OUR EMPLOYEES CAN WORK FROM HOME



1.0 LTIFR⁴ compared to 2.3 in FY2019-20



ALL 2020-21 RECOMMENDATIONS ACTIONED FROM THE REVIEW OF CULTURE AT AIRSERVICES AUSTRALIA REPORT⁵

⁴ Lost time injury frequency rate (LTIFR)

⁵ Review of Culture at Airservices Australia by Elizabeth Broderick and Co, August, 2020



ANNUAL PERFORMANCE STATEMENT

On behalf of the Airservices Board, I present the Airservices 2020-21 Annual Performance Statement (APS), which has been prepared in accordance with section 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). It is our opinion that the statement accurately presents Airservices performance in the reporting period and complies with subsection 39(2) of the PGPA Act.



John Weber

Chairman





OUR PERFORMANCE

While responding to the impacts of the pandemic and building the foundation for change, we have remained committed to achieving our purpose to *connect people with their world safely*.

We continue to remain focused on the following objectives:

- Adjust our services to be scalable and more closely aligned to customer requirements while maintaining safety as the first priority
- Become a more inclusive and agile organisation by building a culture of trust, care and accountability
- Transition to a more flexible cost structure, with lower operating costs
- Accelerate the introduction of digitised services to prepare for future operating environments and improve productivity
- Transform our asset base to align capability to service demand and shift capital commitments to operating expenses

This section provides a detailed assessment of our 2020-21 performance against our key performance indicators (KPIs) and corporate plan initiatives, balanced against our 3 strategic pillars: Customers, People and Financials. Case studies provide supporting information on the efforts that have influenced our performance outcomes.

STRATEGY ON A PAGE

CONNECTING PEOPLE WITH THEIR WORLD SAFELY



HORIZON 1

NOW

Responding to the impacts of the pandemic and building the foundation for change



HORIZON 2
2022-23

Tailoring our service performance levels to the needs of our customers and community

HORIZON 3
2024-25

Transforming how we deliver our services through digitalisation and automation

AERODROME SERVICES ENABLING ARCHITECTURE

(Space-Based Augmentation System, Future CNS Program)

(Airspace Modernisation Program, Surveillance Aerodrome Flight Information Service)

(Flight Information Management System sub-program, Drone Surveillance sub-program, Research sub-program)

Network Management

(Airport – Collaborative Decision Making)

Aeronautical Information Management

(Digital Information Program)

(Cyber Security Program)

(CNS Program, Air Traffic Management Network Sustainment Program, Integrated Facilities Program)

(Enterprise Network Modernisation Program)

AERODROME SERVICES

DIGITAL AERODROME SERVICES

- Canberra Airport Digital Tower
- Western Sydney Airport Digital Tower
- Sydney Airport Contingency Capability

AERODROME PROGRAM

- Melbourne New Runway
- Perth New Runway

**AVIATION RESCUE
FIRE FIGHTING SERVICES**

FLEET MODERNISATION PROGRAM

INFRASTRUCTURE PROGRAM

- Western Sydney ARFF Station

- Identify new ways of delivering value to our customers
- Investing in and maturing our digitised services
- Evolve to a more flexible service model based on varying customer and community needs

- Expand our services in line with our value proposition including sensing technology, unmanned aircraft surveillance capability and space-based services



Safe always



Service first



Love what we do



Work as one



Own it

OUR WORKFORCE TO MEET THE NEEDS OF THE FUTURE

- Adjusting our workforce to be more flexible to respond to customer need
- Equipping our people with technology to support changing work demands

- Continually evolving our workforce capability, utilising increasing digitisation and automation

- Evolve our pricing model
- Build more strategic supplier relationships
- Improve how we access and manage capital

- Evolve strategic partnerships with providers to continually innovate, mitigate risk and reduce cost

CUSTOMER OUTCOMES

Understand our industry's needs and enhance our services to deliver a better experience with more value for those that consume our services.

KPI RESULTS

		2018-19	2019-20	2020-21	
		Result	Result	Target	Result
Significant Attributable Safety Occurrences	Air Traffic Management (ATM) Any loss of separation or runway incursion where the Risk Assessment Tool score is Category A.	0	0	0	0
	Aviation Rescue Fire Fighting (ARFF) Any aircraft incident on a runway in which the response did not meet the regulated response time of 3 minutes.	0	0	0	0
Arrival airborne delay (high volume operations)* The median (and 75th percentile) excess time incurred during the arrival airborne phase of flight in reference to the estimated time of arrival for high-volume operations. Brisbane, Melbourne, Perth and Sydney are defined as high-volume operating environments.		0.7	0.9	0.4	0
		3.8	4.3	3.1	1.2
Customer satisfaction* Prior to 2019-20, we measured our customer advocacy as determined by the net promoter score.				≥70%	71%

* Source: Airservices 2020-21 Corporate Plan, page 19.

ANALYSIS

In the current period of volatility and uncertainty, our focus has been to support our customers by ensuring the continuity of services and working together to prepare for the new normal proactively.

Safety remains our first and foremost priority, and we continue to achieve our target of no significant attributable safety occurrences recorded for our air traffic management and aviation rescue and fire fighting services.

In the current environment of reduced traffic demand, there was minimal airborne delay at all major capital city locations.

The customer satisfaction result from the most recent survey was 71 per cent. Our customers acknowledged our progress in increasing our alignment with their key priorities and quickly adapting our service delivery to meet their needs and deliver efficiencies during the pandemic. This includes adapting our operations to customers' dynamic schedule changes and shorter planning cycles.

Notwithstanding the significant overall reduction in traffic, we saw a strong recovery in aviation activities at regional airports in the three months ending December 2020 and March 2021 and accelerated growth of new airspace use cases. We have been actively working with industry and government stakeholders to modernise airspace and enhance air traffic service provision at locations with increasing airspace complexity and risk profile, such as Ballina, New South Wales.

INITIATIVES

CUSTOMER INITIATIVES	ACHIEVEMENTS
<p>ONESKY PROGRAM Significant program to deliver a harmonised civil military air traffic management system that enables us to meet Australia's air traffic management needs into the future, maintain Defence capability and meet national security imperatives.</p>	<ul style="list-style-type: none"> — We have refocused our Enterprise Investment Program to prioritise the delivery of OneSKY and its critical dependencies. Our core investment in OneSKY sets the foundation for world-class air traffic management services for the future. — We have made significant progress in the OneSKY Program: <ul style="list-style-type: none"> • we completed the Critical Design Review of the Civil Military Air Traffic Management System (CMATS) • we completed construction of the new Air Traffic Service Centres (ATSC) in Melbourne and Brisbane, with final commissioning expected in Q1 of 2021-22.
<p>ENTERPRISE NETWORK MODERNISATION PROGRAM Ensure we have the capacity, availability, flexibility and security to manage current and future telecommunication network demands. It is a key dependency supporting the OneSKY Program and is critical to maintaining the reliability and availability of the national airways system.</p>	<ul style="list-style-type: none"> — We successfully completed negotiations for a managed services contract for the delivery and ongoing management of our telecommunications environment. This positions us to provide scalable and reliable enabling infrastructure for data-driven digital capabilities.
<p>ADJUSTED INVESTMENT PROGRAM THAT LEVERAGES ACCESS TO OPERATIONAL CAPACITY Accelerate key elements of our investment program by implementing initiatives that align and are relevant to our future state and/or make use of short-term access to operational capacity.</p>	<ul style="list-style-type: none"> — While ceasing or deferring non-essential works, we are investing in vital digital capabilities such as digital aerodrome services to deliver enhanced efficiency, flexibility and safety outcomes for our customers. — We have also made significant progress in preparing our airspace for integration of new entrants. This will position us to meet the accelerated demand for airspace usage by drone deliveries and urban mobility services as society adjusts to stay at home and social distancing measures. <ul style="list-style-type: none"> • we developed the concept for the Flight Information Management System and approached the market to produce a prototype • we completed the installation of 29 passive drone surveillance units enabling matured data analysis, and the development of risk-methodologies and procedures. Real-time drone surveillance trials have also commenced in a towered environment • we shared our findings and learnings with Civil Aviation Safety Authority and the appropriate government departments to help inform government policy development.
<p>SERVICE PERFORMANCE OUTCOMES MATCHED TO THE NEEDS OF OUR CUSTOMERS Develop a safe and efficient graduated service offering for each customer segment.</p>	<ul style="list-style-type: none"> — We adjusted our staff utilisation and rostering approach with COVIDSafe controls to match industry demands while ensuring resilience to disruptions and positive safety performance. — We strengthened our engagement with our domestic airlines to align our network planning to their forward schedules. — We actively supported the planning of major airport developments at Melbourne, Perth, and Western Sydney that are vital to industry return to growth. — We have prioritised the introduction of the Surveillance Flight Information Service (SFIS) to enhance safety at regional airports with increasing traffic demand and airspace complexity.
<p>NEW DIGITAL CAPABILITIES TO DRIVE EFFICIENCY Accelerate digitalisation and automation of services and solutions to prepare for future operating scenarios and improve unit cost efficiency.</p>	<ul style="list-style-type: none"> — We are exploring satellite-based surveillance and communications capability with a new strategic partner SkyKraft, extending our ability to provide value-added service for our customers. This offers the opportunity to enhance safety, lower costs and reduce our environmental footprint.

**CASE STUDY**

INTEGRATED AIRSPACE PROGRAM

The world has entered a new era of aviation in which emerging aviation technologies such as drones, aerial taxis and high altitude aircraft are filling the airspace alongside conventional air traffic, bringing with them social, economic and environmental benefits.

In Australia, unmanned aerial vehicles such as drones have the potential to bridge the distance between cities and regional and rural communities. They will transform industries such as agriculture, construction and public health.

For these benefits to be realised and serve the needs of our customers in this new environment, we need to build the foundation to integrate these technologies into our air traffic management system seamlessly.

Our Integrated Airspace Program is a series of initiatives exploring and designing future airspace management for the safe integration and scalability of emerging aircraft. Two of the key initiatives are drone surveillance and the Flight Information Management System (FIMS).

DRONE SURVEILLANCE

We are piloting a baseline drone surveillance system at all 29 aerodromes in partnership with the Civil Aviation Safety Authority and the Department of Defence. This will capture data trends and provide insights for the next phase.

An Unmanned Aircraft System Traffic Management (UTM) Remote Operations Centre (UROC) has been established in Canberra to assist with the development of procedures and the coordination of air traffic control integration trials.

FLIGHT INFORMATION MANAGEMENT SYSTEM (FIMS)

As part of the Government's National Emerging Aviation Technology policy, we are developing and managing a FIMS that will be a gateway to the broader air traffic management system for government and industry.

The combined UTM system will enable the safe and equitable scaling of drone operations across the country.



PEOPLE PERFORMANCE

Create a thriving purpose and values-led organisation.

KPI RESULTS

	2018-19	2019-20	2020-21	
	Result	Result	Target	Result
<p>Lost time injury frequency rate (LTIFR) A lost time injury is an occurrence that resulted in time lost from work as one day or shift, permanent disability or fatality. The rate measures the number of lost time injuries per million hours worked.</p>	4.0	2.3	3.0	1.0
<p>Employee engagement index Expressed as a percentage of satisfaction.</p>	47%	Independent Review	>47%	- 60%*
<p>Diversity index Expressed as a percentage of the extent to which employees feel that the work environment is inclusive of all employees.</p>	38%	Independent Review	>38%	- 55%*

Source: Airservices 2020-21 Corporate Plan, page 19.

* Launch of new Continuous Feedback platform (Glint) in October 2020.

ANALYSIS

Our LTIFR decreased by 56.5 per cent year-on-year, continuing its trend downwards over the past 5 years. This downward trend coincides with our targeted hazard, risk reduction and early intervention programs, which have reduced injuries in our aviation rescue fire fighters by 74 per cent compared with the previous year.

We transitioned to a new technology-led staff engagement survey in December 2020 to enable more frequent, relevant, real-time data and insights about our work environment and culture. As a result, the Employee Engagement and Diversity Index scores are based on slightly different questions from the previous annual surveys.

INITIATIVES

PEOPLE INITIATIVES	ACHIEVEMENTS
<p>REALIGNED OPERATING MODEL EFFICIENCY IMPROVEMENTS</p> <p>Redesign our operating model to operate as an efficient customer value chain while driving the right behaviours and culture across the organisation.</p>	<ul style="list-style-type: none"> – To deliver greater value to meet customers' needs, we implemented a new value chain operating model and reset our Leadership team. This provided us the opportunity to: <ul style="list-style-type: none"> • ensure strategy and investment is focused on customer needs led by a newly established customer experience function • reduce our cost-to-service by removing duplication and silos • support our cultural transformation by influencing customer-centric mindset and behaviours. – We adapted and changed to more flexible workplaces and working arrangements and implemented Microsoft Office 365 (M365). This new secure platform will facilitate our ability to work from anywhere, at any time and from any device.
<p>ALIGNED VALUES, LEADERSHIP AND BEHAVIOURS</p> <p>Deliver actions in response to the recommendations from the Review of Culture at Airservices Australia, and enhance leadership to build a foundation of trust, care and accountability.</p>	<ul style="list-style-type: none"> – We implemented changes to our workplace to drive sustainable cultural reform, including: <ul style="list-style-type: none"> • established a Cultural Reform Board to oversee the implementation of our commitments • implemented Safe Place, an independent unit designed to provide our people with a compassionate and human-centred response to negative workplace behaviours • launched our redesigned Purpose and Values to align to our desired culture, and continue to embed the new values across the organisation • established a series of employee networks that allow people to act as champions and allies and promote an inclusive workplace experience • updated our code of conduct standard to ensure a safe, inclusive and respectful workplace • adopted a new facilities inclusion standard for all our facilities to ensure our workplaces are inclusive and comfortable for all staff. We assessed all existing facilities against these new standards, identifying the work required to close any gaps • introduced a values-based behavioural assessment to pass probation, and the assessment of our leaders against our new leadership standard. – We launched a Leadership program involving virtual modules, 360-degree feedback, action-planning and coaching to support our leaders to deliver our target culture, focusing on developing values-based leaders who are courageous, vulnerable and authentic in their practice.
<p>ALIGNED STRATEGIC WORKFORCE AND TALENT</p> <p>Develop a sustainable strategic workforce planning approach/framework, and identify ongoing skill and capability requirements (skills, culture, mindset).</p>	<ul style="list-style-type: none"> – We developed and presented a strategic workforce plan and framework for organisational workforce planning. – We recruited new capabilities to focus on the current and future skill and capability requirements for enabling functions.

CASE STUDY

EMPLOYEE NETWORKS

We launched 3 Employee Networks as part of our continuing journey to build a more diverse and inclusive organisation.

These are:

- ELEVATE - Pride Network for LGBTIQ+ employees and allies
- Women@Airservices - Network for the women of Airservices and allies
- Yakka Bunji - Network for Aboriginal and Torres Strait Islander and allies

The networks provide an environment where our people can come together based on a shared identity or experience to raise awareness, discuss issues and advocate for change.

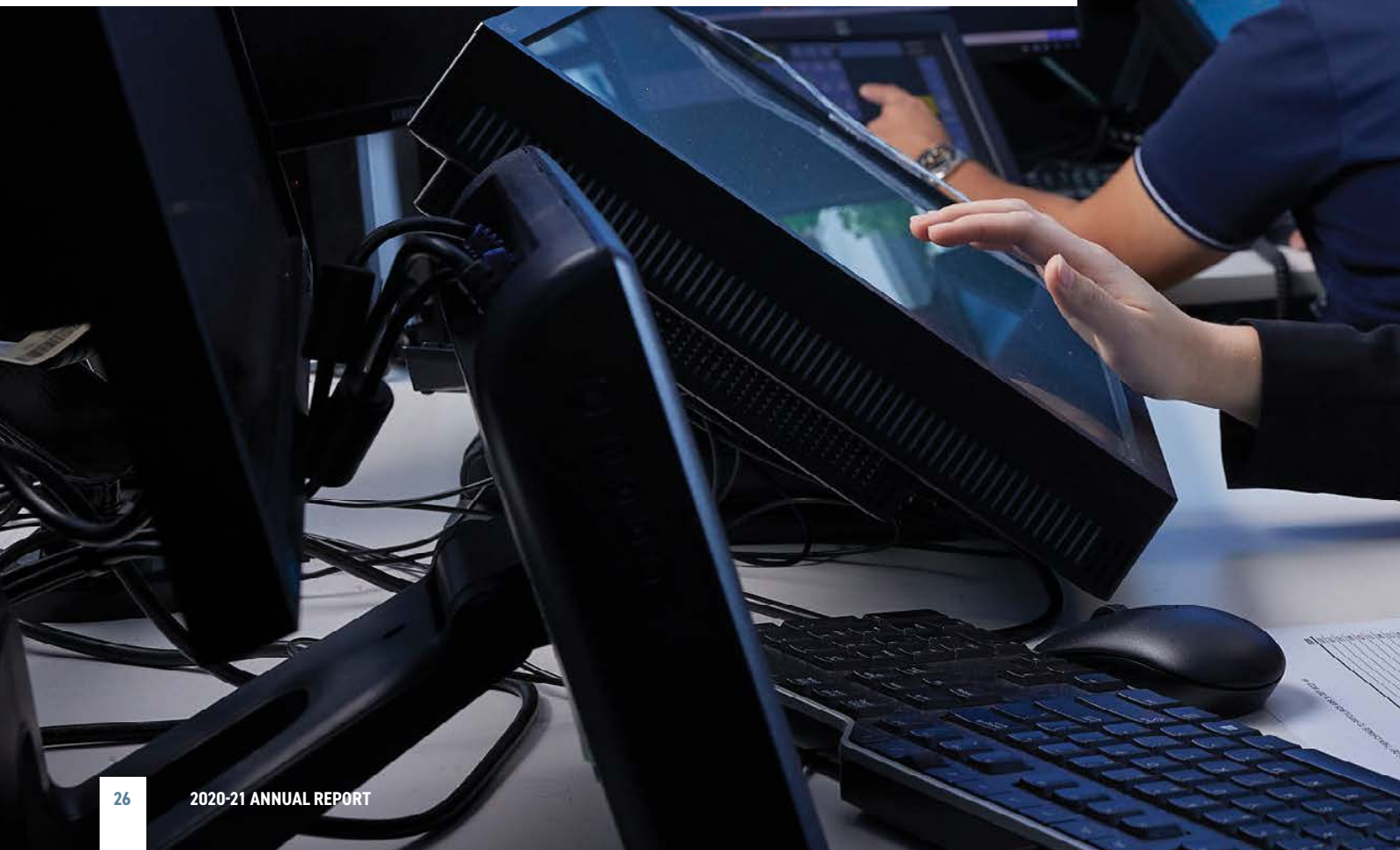
ELEVATE

Our Pride Network has been proactive in the first half of 2021 in raising awareness about LGBTIQ experiences and what it means to be inclusive.

The group's objective is to create an environment in which LGBTIQ+ people feel safe to bring their whole self to work. This vision extends beyond Airservices to the entire aviation industry.

With 45 members, it has run Pride awareness training sessions for 150 leaders, which will now be offered to all employees. It has also had high attendance at its guest speaker events.

The group is developing our Pride Inclusion Strategy in the coming months, which will set the agenda for the next 3 years.







FINANCIAL PERFORMANCE

Reform our revenue and cost model and financing structure to be more efficient, flexible and sustainable.

KPI RESULTS

	2018-19	2019-20	2020-21	
	Result	Result	Target	Result
Cost per Instrument Flight Rules Flight Hour Our cost per instrument flight rules (IFR) flight hour (\$/hour)	\$332	\$367	\$890	\$578
Return on assets (RoA) Airservices annual earnings as a percentage of assets	8.2%	-1.3%	-12.3%	-2.1% ¹

¹ Excludes \$550M Government Grant Tranche 3 for future funding
 Source: Airservices 2020-21 Corporate Plan, page 19.

ANALYSIS

Our cost per instrument flight rules (IFR) flight hour is favourable to target mainly driven as a result of cost reductions of \$100m during 2020-21.

The Australian Government provided relief to the Australian aviation industry through this time. Airservices received \$1.1b in 2020-21 to help fund the provision of critical air traffic and aviation rescue fire fighting services, while airways revenue dropped by 50.4 per cent. It also helped fund fee waivers provided to domestic aircraft operations worth \$159.2m. The expected negative return on assets of -12.3% was reduced as a result of saving in operating costs, to -2.1%.

INITIATIVES

FINANCIAL INITIATIVES	ACHIEVEMENTS
<p>SHORT-TERM COST-SAVING MEASURES Obtain \$85m of savings in 2020-21 by reducing demand-driven expenditure and identifying process changes to ensure that expenditure is minimised as air traffic returns.</p>	<ul style="list-style-type: none"> – Implemented a program of rigorous cost savings in response to the financial impacts of the COVID-19 pandemic on the industry. The various initiatives saved us \$100m throughout the year and will remain in place for the foreseeable future. – We have finalised the voluntary redundancy program for management and corporate agreement staff enabling \$28.1m in annualised savings.
<p>SUPPLIER ENGAGEMENT Work with suppliers to find appropriate solutions to harvest incremental and sustainable savings. Establish scalable and flexible cost structures to move away from static, fixed cost structures.</p>	<ul style="list-style-type: none"> – Opportunities to realise near and longer-term savings of approximately \$13m have been identified. – \$7.2m worth of savings negotiated in 2020-21.
<p>LIQUIDITY MANAGEMENT / GEARING STRATEGY Agree acceptable financial KPIs/ratios centred around sustainable debt and liquidity during the pandemic and through the recovery phase to ensure ongoing financial sustainability.</p>	<ul style="list-style-type: none"> – Capital Structure review undertaken to understand our funding structure. – The Australian Government provided financial assistance to Airservices. This assistance, along with our cost savings, enabled us to continue to deliver our services while maintaining our charges. We continued to administer the Australian Airline Financial Relief Package (AAFRP), which has provided \$159.2m in financial relief through fee waivers to the domestic airlines and operators for 2020-21.

CASE STUDY

ONE AIRSERVICES PLAN

The COVID-19 pandemic has severely impacted the aviation industry. Border closures and movement restrictions meant a drastic drop in air traffic operations. As a result, the way we think about travel and connect with people has changed. Disruptive trends that were already impacting the industry have accelerated.

To support the aviation industry and safe access to our skies in these turbulent times, our strategic One Airservices Plan was introduced in 2020-21. The Plan's focus was threefold: address the immediate challenges presented by COVID-19; reposition the organisation to react and respond quickly in a volatile environment; and continue our journey to reimagine how we work and transform, to meet the evolving needs of our customers into the future.

In response to dramatically declining revenues as the pandemic took hold, we moved swiftly to drive efficiency and enhance service resilience, reduce costs, pause discretionary spending and adjust our investment program.

Together these measures have delivered \$100m in savings in 2020-21.

As we repositioned to meet the 'new normal' operating environment affected by border closures and restrictions, we introduced a new operating model to support us to be more flexible, scalable and efficient.

We also identified some unexpected opportunities to prepare for the future while our skies are quieter.

This includes accelerating important projects such as the enabling projects for OneSKY, investing in digitalisation, automation and infrastructure, that will deliver value to our customers in the future and ensure we are better placed to support them as they recover from the pandemic.





FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



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AUDIT REPORT

For the year ended 30 June 2021



INDEPENDENT AUDITOR'S REPORT

To the Minister for Infrastructure, Transport and Regional Development

Opinion

In my opinion, the financial statements of the Airservices Australia (the Entity) for the year ended 30 June 2021:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by Chairman, Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

Auditor's responsibilities for the audit of the financial statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office 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 the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Scott Sharp
Executive Director

Delegate of the Auditor-General

Canberra
15 September 2021

STATEMENT BY CHAIRMAN, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Airservices Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board.



JOHN WEBER
Chairman



JASON HARFIELD
Chief Executive Officer



PAUL LOGAN
Chief Financial Officer

Canberra, 15 September 2021





STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
CONTINUING OPERATIONS			
INCOME			
Airways revenues	1.1	326,952	745,743
Finance income	1.1	1,026	2,480
Reversal of previous asset write-down		-	485
Other business revenue		21,552	22,061
Net gain on disposal of non-current assets	1.1	659	-
Miscellaneous income		86	761
Government Grants	1.1	1,131,833	250,000
TOTAL INCOME		1,482,108	1,021,530
EXPENSES			
Employee benefits	1.2	652,478	642,098
Suppliers	1.2	187,811	218,532
Depreciation and amortisation	2.3	141,475	152,443
Finance costs	1.2	31,014	21,199
Impairment loss on financial instruments	1.2	5,924	20,290
Write-down and impairment of other assets	1.2	4,555	2,971
Net loss on disposal of non-current assets	1.2	-	497
TOTAL EXPENSES		1,023,257	1,058,030
PROFIT/ (LOSS) BEFORE INCOME TAX		458,851	(36,500)
Income tax expense/ (benefit)	1.3	137,675	(11,531)
PROFIT/ (LOSS) AFTER INCOME TAX		321,176	(24,969)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Changes in asset revaluation reserve		267	5,824
Actuarial gain/ (loss) on defined benefit fund	4.2	61,610	(47,783)
Income tax on items that will not be reclassified to profit or loss		(18,563)	12,588
Items that may be reclassified subsequently to profit or loss			
Loss on foreign exchange hedges		(1,619)	(1,161)
Income tax on items that may be reclassified to profit or loss		486	348
TOTAL OTHER COMPREHENSIVE INCOME NET OF TAX		42,181	(30,184)
TOTAL COMPREHENSIVE INCOME		363,357	(55,153)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
CURRENT ASSETS			
Cash and cash equivalents	3.1	791,556	517,808
Trade and other receivables	2.1	66,725	32,743
Prepayments		32,747	36,253
Inventories		2,127	2,091
Assets classified as held for sale	2.2	45	445
Other current financial assets	2.6	100	4,024
TOTAL CURRENT ASSETS		893,300	593,364
NON-CURRENT ASSETS			
Property, plant and equipment	2.3	882,750	957,855
Intangible assets	2.3	76,084	87,373
Assets under construction	2.3	624,176	501,036
Deferred tax assets	1.3	15,794	15,743
Defined benefit fund asset	4.2	185,600	143,538
Other non-current financial assets	2.6	8,738	13,345
TOTAL NON-CURRENT ASSETS		1,793,142	1,718,890
TOTAL ASSETS		2,686,442	2,312,254
CURRENT LIABILITIES			
Trade and other payables	2.5	107,045	121,495
Employee provisions	4.1	203,271	203,720
Income tax payable		155,927	816
Other provisions	2.5	26,662	27,900
Borrowings	3.3	134,855	479,593
Other current financial liabilities	2.6	1,895	1,739
Other current liabilities	2.7	13,445	13,596
TOTAL CURRENT LIABILITIES		643,100	848,859
NON-CURRENT LIABILITIES			
Employee provisions	4.1	38,425	37,023
Other provisions	2.5	78,871	77,082
Borrowings	3.3	922,245	671,599
Other non-current financial liabilities	2.6	17,481	19,105
Other non-current liabilities	2.7	125,948	161,880
TOTAL NON-CURRENT LIABILITIES		1,182,970	966,689
TOTAL LIABILITIES		1,826,070	1,815,548
NET ASSETS		860,372	496,706
EQUITY			
Retained earnings		722,623	355,798
Reserves		115,559	118,718
Contributed equity		22,190	22,190
TOTAL EQUITY		860,372	496,706

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Retained earnings		Asset revaluation reserve	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Opening balance				
Balance carried forward from previous period	355,798	408,317	120,434	120,118
Adjustment for changes in accounting policies	4	-	-	-
Adjustment on initial application of AASB 16	-	6,212	-	-
Adjusted opening balance	355,802	414,529	120,434	120,118
Comprehensive income				
Defined benefits actuarial gains - gross	61,610	(47,783)	-	-
Defined benefits actuarial gains - income tax effect	(18,483)	14,335	-	-
Net revaluation - gross	-	-	267	5,824
Net revaluation - income tax effect	-	-	(80)	(1,747)
Profit/ (Loss) for the period	321,176	[24,969]	-	-
Total comprehensive income	364,303	(58,417)	187	4,077
Transactions with owners				
Returns on capital				
Dividends	-	(5,400)	-	-
Capital returns	-	-	-	-
Transactions with owners	-	(5,400)	-	-
Transfers between equity components				
Revaluation reserve - disposals	3,160	5,372	(3,160)	(5,373)
Revaluation reserve - disposals (income tax effect)	(642)	(286)	948	1,612
Revaluation reserve - impairments (net of tax)	-	-	(1)	-
Closing balance	722,623	355,798	118,408	120,434

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Foreign exchange hedge reserve		Total reserves		Contributed equity		Total equity	
2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
(1,716)	(903)	118,718	119,215	22,190	222,190	496,706	749,722
-	-	-	-	-	-	4	-
-	-	-	-	-	-	-	6,212
(1,716)	(903)	118,718	119,215	22,190	222,190	496,710	755,934
-	-	-	-	-	-	61,610	(47,783)
-	-	-	-	-	-	(18,483)	14,335
(1,619)	(1,161)	(1,352)	4,663	-	-	(1,352)	4,663
486	348	406	(1,399)	-	-	406	(1,399)
-	-	-	-	-	-	321,176	(24,969)
(1,133)	(813)	(946)	3,264	-	-	363,357	(55,153)
-	-	-	-	-	-	-	(5,400)
-	-	-	-	-	(200,000)	-	(200,000)
-	-	-	-	-	(200,000)	-	(205,400)
-	-	(3,160)	(5,373)	-	-	-	(1)
-	-	948	1,612	-	-	306	1,326
-	-	(1)	-	-	-	(1)	-
(2,849)	(1,716)	115,559	118,718	22,190	22,190	860,372	496,706

CASH FLOW STATEMENT

For the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received			
Receipts from customers (inclusive of GST)		333,665	936,202
Government grants		1,131,833	250,000
Interest received		1,239	3,492
Total cash received		1,466,737	1,189,694
Cash used			
Payments to employees		(652,645)	(618,957)
Payments to suppliers (inclusive of GST)		(236,797)	(333,629)
Borrowing costs		(21,640)	(14,782)
Interest payments on lease liabilities		(2,075)	(2,361)
Income tax paid		(386)	(45,800)
Total cash used		(913,543)	(1,015,529)
Net cash flows from / (used by) operating activities	3.2	553,194	174,165
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant, equipment and intangibles		2,118	1,600
Proceeds from sales of assets held for sale		445	3,272
Total cash received		2,563	4,872
Cash used			
Purchase of property, plant, equipment and intangibles		(171,348)	(300,005)
Total cash used		(171,348)	(300,005)
Net cash flows from / (used by) investing activities		(168,785)	(295,133)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received			
Proceeds from borrowings		275,000	495,000
Total cash received		275,000	495,000
Cash used			
Dividends paid		-	(5,400)
Capital returns		-	(200,000)
Repayments of borrowings		(370,000)	(20,000)
Principal payments of lease liabilities		(15,661)	(12,530)
Total cash used		(385,661)	(237,930)
Net cash flows from / (used by) financing activities		(110,661)	257,070
Net increase in cash and cash equivalents		273,748	136,102
Cash and cash equivalents at the beginning of the reporting period		517,808	381,706
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	3.1	791,556	517,808

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Overview

Airservices is an Australian Government-owned for-profit entity. The financial statements are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are general purpose financial statements for the year ended 30 June 2021.

The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and Financial Reporting Rules (FRR) made under the PGPA Act.

The financial statements were authorised for issue in accordance with a resolution of the Board on 15 September 2021.

SIGNIFICANT MATTERS IN THE CURRENT REPORTING PERIOD

Coronavirus (COVID-19) Impact

The Novel Coronavirus pandemic (COVID-19) has had significant impacts on global economies, particularly in the aviation and travel industries, which resulted in several support actions from the Australian government. The impact of COVID-19 continues to evolve, and, where applicable, Airservices has considered the impact of COVID-19 and other market volatility in preparing its financial statements and measurement of its assets and liabilities at the reporting date. Whilst the specific areas of judgement have not changed, the impact of COVID-19 has resulted in the application of further judgement within certain areas and is discussed below and in each of the related notes.

Impact of COVID-19 on estimation uncertainty

The preparation of financial statements requires the use of certain critical accounting estimates and exercise of judgment in the process of applying Airservices accounting policies. Airservices processes to determine the impact of COVID-19 for these financial statements is consistent with the processes disclosed and applied in its 30 June 2020 financial statements. The ongoing COVID-19 pandemic has influenced certain accounting judgements and estimates in the preparation of these financial statements. The estimation uncertainty is associated with:

- the extent and duration of travel restrictions and border closures arising from the actions by government, airlines, businesses and consumers to contain the spread of the virus,
- the extent and duration of the expected economic downturn and forecasts for future economic recovery scenarios including key economic factors such as Consumer Price Inflation (CPI), Gross Domestic Product (GDP), rates of unemployment, and
- the effectiveness of government measures that have and will be put in place to support the domestic economy and the aviation industry throughout the disruption and period of economic downturn.

As a result of the impact of COVID-19, the factors above resulted in continued judgment being required in the assessment of expected credit losses for impairment of receivables (Note 2.1), impairment of non-financial assets (Note 2.3) and salary growth assumptions applied in valuation of employee benefits (Notes 4.1 and 4.2).

As there is a higher than usual degree of uncertainty associated with these assumptions and estimates, actual outcomes may differ to those forecasted, which may impact the accounting estimates included in these financial statements. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Impact of COVID-19 on Airservices Financial Performance

To ensure continuity of critical air navigation and aviation rescue fire-fighting services in future periods, the Government supported Airservices financially through the provision of government grants and other revenue substitution measures, including a lump sum \$550m upfront funding (received 28 June 2021) recognised as part of the 2020-21 results. Payment up-front to Airservices provides certainty for ongoing operations and planning, including for reserves to support cash flow and management of supplier costs.

Refer Table 1 below for reconciliation of statutory profit after tax to an underlying Net Loss after Tax (NLAT) position. NLAT is a non-statutory measure used by management to provide a meaningful and consistent representation of the underlying performance of Airservices.

Table 1: Reconciliation of statutory profit or loss after tax to underlying NLAT

Notes	2021 \$'000	2020 \$'000
STATUTORY PROFIT/ (LOSS) AFTER INCOME TAX	321,176	(24,969)
<i>Less: Government Grants - COVID Assistance</i>		
Government Grant (Budget 2020-21)	(581,333)	(250,000)
Government Grant (Budget 2021-22 received 28 June 2021)	(550,000)	0
	339,550	75,000
<i>Less: prima-facie tax impact at 30%</i>		
Total items not included in underlying NLAT	(792,283)	(175,000)
UNDERLYING NET LOSS AFTER TAX	(471,107)	(199,969)

Items not included in Underlying NLAT are government grants received for revenue substitution or relating to support for future business activities;

- Government Grants received (\$581.3m) include revenue substitution for Airservices as a result of waiving 100 per cent of air service charges for eligible domestic flight operators for the period February to December 2020.
- Government Grants received (\$550m) in late June 2021 through the Budget 2021-22 measures represented payments upfront to provide certainty for ongoing operations and planning, support the continued provision of critical air services and the waiver of domestic air services and provide reserves to support cash flow and management of supplier costs.

GOING CONCERN

Airservices reported a net profit of \$321.2m in the financial year ended 30 June 2021 compared to a net loss of \$25.0m in the previous financial year. The financial result this year is primarily driven by the substantial increase in government grants received to subsidise lost revenues and critical operating costs, including a grant of \$550m received prior to the close of the financial year on 28 June 2021.

This year's financial results were driven by the continued impact of COVID-19 quarantine and border lockdown measures on the aviation industry, offset by government financial assistance. Nevertheless, the Board consider Airservices to be a going concern and able to meet its debts and obligations as they fall due, on the following basis:

- Continued funding and support from the Department of Infrastructure, Transport, Regional Development and Communications. To date, the entity has received \$1,132m by way of government financial assistance for the financial year 2021 (2020-21), which includes an upfront payment of \$550m in late June 2021 to support ongoing provision of critical air services in future periods. Refer to Note 1.1 Revenue for further details.
- In addition, Airservices has a number of short and long-term debt facility arrangements, which will provide the ability to balance our short and long-term funding needs. Total unused debt facilities at 30 June 2021 is \$1,030m; refer to Note 3.4 'Standby arrangements and unused credit facilities' for further details.

No adjustments have been made to the financial statements relating to the recoverability and classification of the recorded asset amounts or the amounts and classification of liabilities that might be necessary should Airservices not continue as a going concern.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

Historical cost convention

These financial statements have been prepared on an accrual basis and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit and loss, and certain classes of property, plant and equipment.

Compliance with IFRS

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of Airservices are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Airservices functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Translation differences on financial assets and liabilities carried at fair value and non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

TAXATION

Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST) is applicable to Airservices. Refer to Note 1.3 Taxation for further information relating to income tax.

USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the following notes:

— Recoverability of trade and other receivables	Note 2.1
— Valuation of property, plant, equipment and intangibles	Note 2.3
— Recoverable amount of other financial assets	Note 2.6
— Measurement of lease liabilities	Note 2.7
— Long Service Leave & Early Retirement Benefits	Note 4.1
— AvSuper defined benefits	Note 4.2

NEW ACCOUNTING STANDARDS

Adoption of new Australian Accounting Standards requirements

There were no new standards issued prior to the sign-off date applicable to the current reporting period that had a material effect, and are expected to have a future material effect on the entity's financial statements. No accounting standard has been adopted earlier than the application date as stated in the standard.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Our Financial Performance

This section analyses the financial performance of Airservices Australia for the year ended 2021.

1.1 REVENUE

	2021 \$'000	2020 \$'000
Airways revenue		
Gross Airways revenue	415,683	838,232
Fee waivers granted ¹	(159,245)	(92,489)
Recovery from government for fee waivers ²	70,514	-
	326,952	745,743

¹ Waivers provided for domestic aviation charges of \$159.2m under the Government's COVID-19 relief package during 2020-21.

² From 1 January 2021, \$70.5m was received from the government, representing a 50 per cent recovery of the fee waivers provided to domestic passenger and aeromedical operations for Airservices charges. Refer Government Grant note below for fee waiver recoveries prior to 1 January 2021.

Domestic Flight Waivers

On 18 March 2020, the Minister for Infrastructure, Transport and Regional Development announced a relief package for the Australian aviation industry to refund and waive a range of charges, including Airservices charges on domestic aircraft operations. This relief package continued through 2020-21, during which time the scope of the program was reduced to target passenger carrying and aeromedical services in the second half of the year. For 2020-21, flight waivers provided under this program totalling \$159.2m have been recognised.

Economic dependency

Airservices is dependent on airline activity in the Australian aviation industry, of which the Qantas and Virgin Groups are the dominant operators. Of the airways revenue earned during the year, 39 per cent (2020: 34 per cent) related to the Qantas Group, including the Jetstar Group and 14 per cent (2020: 16 per cent) related to Virgin. To help fund the provision of critical air traffic and aviation rescue and fire fighting services whilst Airservices revenues are impacted by the COVID-19, Airservices also received Government funding support. Refer to the Government Grant note below for details.

ACCOUNTING POLICY

Airways Revenues

Revenue is recognised when services are rendered for both airways and other business revenue. The prices charged for regulated services are in accordance with the agreements negotiated with customers and endorsed by the Australian Competition and Consumer Commission (ACCC). Underpinning this agreement are risk-sharing provisions which compensate parties where either airways activity volumes exceed or do not achieve agreed levels, costs vary due to regulatory change, or capital expenditure levels vary substantially from agreed investment levels.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.1 REVENUE CONTINUED

	2021 \$'000	2020 \$'000
Government grant		
Revenue grant 1 ¹	150,000	250,000
Revenue grant 2 ²	431,833	-
Revenue grant 3 ³	550,000	-
	1,131,833	250,000

¹ \$150m was received on 14 July 2020 and relate to the balance of the first grant established in 2019-20 under the COVID-19 Response Package - Aviation Support, established through the *Appropriation (Coronavirus Economic Response Package) Bill (No.1) 2019-2020*. This includes revenue substitution measures for recovery of the 100 per cent fee waivers provided to domestic passenger and aeromedical operations for Airservices charges.

² \$431.8m was received progressively throughout 2020-21 under the second revenue grant provided under the COVID-19 Response Package - Aviation Support established in Budget 2020-21. This includes revenue substitution measures for recovery of the 100 per cent fee waivers provided to domestic passenger and aeromedical operations for Airservices charges up to 31 December 2020.

³ In June 2021, the Australian Government provided an additional third revenue grant of \$550m (received on 28 June 2021) to support Airservices during the next stages of its recovery during the COVID-19 pandemic. This third grant was facilitated through AFM determination (No. 8 of 2020-2021) and represents upfront payment to provide certainty for ongoing operations and planning, including for reserves to support cash flow and management of supplier costs.

ACCOUNTING POLICY

Government grants

Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received and Airservices will comply with all attached conditions. Where the grants have attached conditions and/or are project specific, they are recognised at their fair value and initially credited to deferred income upon receipt, then recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Where those grants relate to expenditure that is to be capitalised, they are credited to the Statement of Comprehensive Income on a straight-line basis over the expected lives of the related assets from the date of commissioning. Grants that compensate Airservices for expenses incurred are recognised in the Statement of Comprehensive Income on a systematic basis in the periods in which the expenses are recognised. Where the grants have no attached conditions, or there is a lack of clarity from the grantor in relation to the intent of costs to be compensated, and the timeframes thereof, the grant will be recognised in the Statement of Comprehensive Income upon receipt.

	2021 \$'000	2020 \$'000
Finance income		
Deposits	920	2,154
Cash at bank	106	240
Other	-	86
Total finance income	1,026	2,480

ACCOUNTING POLICY

Finance income

Finance income is recognised using the effective interest method as set out in AASB 9 *Financial Instruments*. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

	2021 \$'000	2020 \$'000
Net gain on disposal of non-current assets		
Property, plant and equipment:		
Proceeds from sale	2,118	-
Written down value of scrapped assets	(1,459)	-
Net gain on disposal of non-current assets	659	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.2 EXPENSES

	2021 \$'000	2020 \$'000
Employee benefits		
Wages and salaries	453,248	452,771
Superannuation (defined contribution funds)	52,528	51,557
Leave and other entitlements	95,833	115,138
Separation and redundancies - other	31,066	3,255
Employee benefits (excluding defined benefit superannuation expense)	632,675	622,721
Net defined benefit superannuation expense recognised in employee benefits		
Current service cost	23,804	25,621
Net interest expense	(4,001)	(6,244)
Defined benefit superannuation expense	19,803	19,377
Total employee benefits	652,478	642,098
Supplier expenses		
Goods and services supplied or rendered		
Contractor, consultancy and compliance costs	26,557	43,755
IT and telecommunication costs	62,131	56,987
Infrastructure costs	34,330	54,775
Restructuring costs	6,781	-
Other	48,432	55,241
Total goods and services supplied or rendered	178,231	210,758
Other expenses		
Operating lease rentals ¹	2,440	2,020
Short-term leases	23	676
Low value leases	4,565	4,426
Variable lease payments	346	652
Loss on lease modifications	2,206	-
Total other supplier expenses	9,580	7,774
Total supplier expenses	187,811	218,532
Finance Costs		
Borrowing costs	23,256	15,760
Interest rate swap fair value loss	5,683	3,078
Interest on lease liabilities	2,075	2,361
Total finance costs	31,014	21,199
Impairment loss on financial instruments		
Impairment on trade and other receivables	5,777	20,020
Bad debts written off	147	270
Total impairment loss on financial instruments	5,924	20,290

¹ The 'operating lease rentals' line item includes any non-lease components not included in the measurement of the lease liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.2 EXPENSES CONTINUED

	2021 \$'000	2020 \$'000
Write-down and impairment of other assets		
Impairment of property, plant and equipment	4,555	2,994
Revaluation (increments)/decrements	-	(23)
Total write-down and impairment of other assets	4,555	2,971
Net loss on disposal of non-current assets		
Proceeds from disposal of non-current assets	-	(1,600)
Written-down value of disposed non-current assets	-	2,097
Proceeds from disposal of assets held for sale	-	(3,272)
Written-down value of disposed assets held for sale	-	3,272
Net loss on disposal of non-current assets	-	497

The above lease disclosures should be read in conjunction with the accompanying note 2.3, 2.7.

ACCOUNTING POLICY

Employee Benefits

Accounting policies for employee-related expenses is contained in the Our People section (refer to Section 4).

Short-term leases and leases of low-value assets

The Entity has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). The entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.3 TAXATION

	2021 \$'000	2020 \$'000
Income tax expense		
Current tax expense ¹	155,497	6,863
Deferred tax expense	(17,822)	(18,394)
Income tax expense attributable to profit from continuing operations	137,675	(11,531)
Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	458,851	(36,500)
Prima facie income tax expense at 30%	137,656	(10,949)
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	1	2
Prior year over provision of tax	(446)	(661)
Other non-deductible/(assessable) expenditure	464	77
Income tax expense	137,675	(11,531)

¹ The movement in income tax expense is a result of the movement in the profit/loss figure in the current and prior reporting period. This movement was driven by the receipt and recognition in revenue of additional Government grants in the current reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.3 TAXATION CONTINUED

ACCOUNTING POLICY

Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate. It is then adjusted for any changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

	2021 \$'000	2020 \$'000
Deferred tax liability		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the statement of comprehensive income</i>		
Depreciation for accounting purposes	6,928	(1,341)
Provision for doubtful debts	8,422	6,689
Employee benefits	65,743	60,056
Provision for revenue to be returned to customers	187	187
Provision for legal costs	71	386
Other provisions	30,190	27,318
Accruals	1,178	1,759
Government grants	158	-
	112,877	95,054
<i>Amounts recognised directly in equity</i>		
Foreign exchange hedge reserve	1,221	735
Revaluation of land, buildings, plant and equipment	(51,868)	(52,093)
Defined benefit (asset) / liability	(43,774)	(25,291)
Transition to AASB 16 Leases	(2,662)	(2,662)
	(97,083)	(79,311)
Net deferred tax (liability) / assets	15,794	15,743
Movements:		
Opening balance at 1 July	15,743	(14,252)
Charged to the statement of comprehensive income	17,823	18,391
Credited to equity	(17,772)	11,604
Closing balance at 30 June	15,794	15,743

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.3 TAXATION CONTINUED

Tax losses

Airservices has capital losses of \$4.9m (2020: \$4.9m) that are available indefinitely for offset against future capital gains. Deferred tax assets have not been recognised in respect of these losses as management has evaluated and concluded that it is not probable that future capital gains will be available, against which Airservices can utilise these losses in the foreseeable future.

ACCOUNTING POLICY

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax assets and liabilities are offset 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 either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 DIVIDENDS

Dividends paid

No final dividend for the year ending 30 June 2020 was paid (2020: a \$5.4m final dividend for the year ending 30 June 2019 was paid on 3 March 2020). No interim dividends for the years ending 30 June 2021 and 30 June 2020 were paid.

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30 per cent (2020: 30 per cent) are \$340.3m (2020: \$339.9m).

The above amounts represent the balance of the franking account as at the end of the financial year.

ACCOUNTING POLICY

Dividends

A provision is made for the amount of any dividend approved by the Board but unpaid, prior to the end of the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Our Asset Base

This section analyses Airservices Australia's assets used to generate financial performance and the operating liabilities incurred as a result. Employee-related information is disclosed in the Our People section.

2.1 RECEIVABLES

	2021 \$'000	2020 \$'000
Trade and other receivables		
Trade receivables, net of waivers (a)	93,208	49,952
Less impairment loss allowance (b)	(28,075)	(22,298)
	65,133	27,654
Accrued revenue and interest	1,403	2,969
Other receivables	189	2,120
Total receivables	66,725	32,743
(A) AGEING ANALYSIS OF TRADE RECEIVABLES		
Current	60,206	19,823
Overdue by:		
1 to 30 days	3,494	4,521
31 to 60 days	622	1,648
61 to 90 days	534	10,892
90 + days	28,352	13,068
Total trade receivables	93,208	49,952
Trade and other receivables (net) expected to be recovered		
No more than 12 months	66,725	32,743
More than 12 months	-	-
Total trade and other receivables (net)	66,725	32,743
(B) RECONCILIATION OF THE IMPAIRMENT LOSS ALLOWANCE		
Opening balance	22,298	2,278
Increase recognised in net profit/(loss)	5,777	20,020
Closing balance	28,075	22,298
The provision for impairment of receivables is aged as follows:		
Current	457	1,260
Overdue by:		
1 to 30 days	217	1,118
31 to 60 days	132	666
61 to 90 days	217	8,184
90 + days	27,052	11,070
Total provision for impairment of receivables	28,075	22,298

Credit terms for goods and services are 28 days.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.1 RECEIVABLES CONTINUED

NOTES:

Domestic Flight Waivers

On 18 March 2020, the Minister for Infrastructure, Transport and Regional Development announced a relief package for the Australian aviation industry to refund and waive a range of charges, including Airservices charges on domestic airline operations. Refer to Note 1.1 Revenue for further information.

Provisions for expected credit losses (ECL)

COVID-19 has had a significant impact on global and domestic economies, and as such, many of Airservices customers. The ongoing travel restrictions resulting in financial challenges faced within the aviation industry due to COVID-19 has resulted in an increase in the provision for Expected Credit Loss (ECL) to \$28.1m (2020: \$22.3m).

Modelled provision for ECL

The modelled provision for ECL is a probability-weighted estimate of multiple scenarios using the roll-rate approach based on historical analysis of receivable balances, provisioning, and delinquencies. A further average probability of default measurement for our key customers' receivables of 1.64 per cent was applied. Together, this is representative of Airservices view of the forward-looking distribution of potential loss outcomes. The increase in provisions as a result of changes in modelled ECL are reflected through the line item "increase recognised in net loss".

COVID-19 overlay

Whilst the impacts on the economy and travel sector generally are included in the assumptions used in the model and the weightings applied to the scenarios, the general economic shocks do not reflect the specific impact on individual customers as a result of the sustained unpredictable impact of COVID-19. This continues to pose a risk to the business for potential delinquencies, downgrades and defaults. Airservices have assessed the impact of any future likely downgrades currently not captured in the model assumptions and assessed that the modelled provision of \$28.1m is sufficient and complete.

Airservices will continue to reassess this treatment as the situation evolves and the longer-term impacts of the COVID-19 pandemic become clearer. Beyond the specific COVID-19 government support packages received this year, it is likely that some airline customers will continue into general hardship arrangements and thus will represent an increased credit risk.

2.2 ASSETS CLASSIFIED AS HELD FOR SALE

Two land assets have been classified as assets held for sale. Disposal is expected to be completed within the next financial year. The carrying amount of the asset amounts is \$0.05m (2020: \$0.4m).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.3 PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES

Non-current assets - property, plant, equipment and intangibles

	Land \$'000	Buildings \$'000	Plant and equipment \$'000
As at 1 July 2020			
Gross book value	68,189	490,665	755,625
Accumulated depreciation and impairment	(3,405)	(74,135)	(279,084)
Net book value 1 July 2020	64,784	416,530	476,541
Additions			
Purchased	-	-	-
Internally developed	-	-	-
Commissioned assets under construction	-	19,425	20,593
Right-of-use (ROU) assets additions	-	11,540	689
Revaluations and impairments recognised in other comprehensive income	267	-	-
Revaluations recognised in profit and loss	-	-	-
Impairments - recognised in profit and loss	-	-	-
Impairments - recognised in other comprehensive income	-	-	-
Impairments on right-of-use assets recognised in net cost of services	-	-	-
Depreciation/amortisation expense	-	(31,980)	(78,518)
Depreciation on right-of-use assets	(3,462)	(9,288)	(4,690)
Other movements	-	-	4,694
Other movements of right of use assets	(3,403)	-	-
Disposal of ROU assets	-	-	-
Disposals - other	(1,235)	(165)	(59)
Transferred to assets held for sale	400	-	-
Transfers - other	-	(4)	91
Net book value 30 June 2021	57,351	406,058	419,341
Net book value as of 30 June 2021 represented by:			
Gross book value	64,218	521,068	777,270
Accumulated depreciation and impairment	(6,867)	(115,010)	(357,929)
	57,351	406,058	419,341
Carrying amount of right-of-use assets	34,023	72,427	2,209

¹ Total property, plant and equipment includes right-of-use assets leased to third parties as an operating lease is \$0.3m at 30 June 2021.

² Total Assets under Construction is broken down as follows:

AUC Component	2020-21 \$(m)	Major Assets/Projects
Buildings	146.3	Melbourne and Brisbane ATSC extension
Plant and Equipment	72.3	Civil-Military Air Traffic Management System (CMATS) solution and OneSKY CMATS
Intangibles	405.6	CMATS solution and OneSKY CMATS
Total	624.2	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Total property, plant and equipment ¹ \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangibles \$'000	Assets under construction ² \$'000	Total \$'000
1,314,479	353,749	82,330	436,079	501,036	2,251,594
(356,624)	(268,182)	(80,524)	(348,706)	-	(705,330)
957,855	85,567	1,806	87,373	501,036	1,546,264
-	-	-	-	170,048	170,048
-	2,310	-	2,310	(2,310)	-
40,018	-	25	25	(40,043)	-
12,229	-	-	-	-	12,229
267	-	-	-	-	267
-	-	-	-	-	-
-	-	-	-	(4,555)	(4,555)
-	-	-	-	-	-
-	-	-	-	-	-
(110,498)	(12,584)	(953)	(13,537)	-	(124,035)
(17,440)	-	-	-	-	(17,440)
4,694	-	-	-	-	4,694
(3,403)	-	-	-	-	(3,403)
-	-	-	-	-	-
(1,459)	-	-	-	-	(1,459)
400	-	-	-	-	400
87	(879)	792	(87)	-	-
882,750	74,414	1,670	76,084	624,176	1,583,010
1,362,556	354,906	81,365	436,271	624,176	2,423,003
(479,806)	(280,492)	(79,695)	(360,187)	-	(839,993)
882,750	74,414	1,670	76,084	624,176	1,583,010
108,659	-	-	-	-	108,659

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.3 PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES CONTINUED

Non-current assets - property, plant, equipment and intangibles

	Land \$'000	Buildings \$'000	Plant and equipment \$'000
As at 1 July 2019			
Gross book value	25,950	410,144	731,775
Accumulated depreciation and impairment	-	(57,439)	(198,443)
Net book value 1 July 2019	25,950	352,705	533,332
Recognition of right of use asset on initial application of AASB 16	44,122	79,455	2,693
Adjusted total as at 1 July 2019	70,072	432,160	536,025
Additions	-	-	2,535
Right-of-use assets additions	171	131	7,762
Revaluations and impairments recognised in other comprehensive income	-	508	-
Revaluations recognised in profit and loss	(73)	5,897	-
Impairments - recognised in profit and loss	-	-	-
Commissioned assets under construction	-	18,310	20,485
Depreciation/amortisation expense	-	(31,267)	(85,318)
Depreciation on right-of-use assets	(3,405)	(9,411)	(4,245)
Other movements of ROU assets	-	233	(233)
Disposals - other	(1,539)	(31)	(470)
Transfers to assets held for sale	(445)	-	-
Transfers - other	3	233	(233)
Net book value 30 June 2020	64,784	416,763	476,308
Gross book value	68,189	490,665	755,625
Accumulated depreciation and impairment	(3,405)	(74,135)	(279,084)
	64,784	416,530	476,541
Carrying amount of right-of-use assets	40,888	70,175	6,210

¹ Total Assets under Construction includes \$314.6m of intangible assets, which is mainly comprised of the OneSKY - Civil Military Air Traffic Control System and \$186.5m of property, plant and equipment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Total property, plant and equipment \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangibles \$'000	Assets under construction ¹ \$'000	Total \$'000
1,167,869	344,675	83,301	427,976	259,903	1,855,748
(255,882)	(252,735)	(80,611)	(333,346)	-	(589,228)
911,987	91,940	2,690	94,630	259,903	1,266,520
126,270	-	-	-	-	126,270
1,038,257	91,940	2,690	94,630	259,903	1,392,790
2,535	-	-	-	294,521	297,056
8,064	-	-	-	-	8,064
508	-	-	-	-	508
5,824	-	-	-	-	5,824
-	-	-	-	(2,994)	(2,994)
38,795	9,267	2,330	11,597	(50,394)	(2)
(116,585)	(15,640)	(3,157)	(18,797)	-	(135,382)
(17,061)	-	-	-	-	(17,061)
-	-	-	-	-	-
(2,040)	-	(57)	(57)	-	(2,097)
(445)	-	-	-	-	(445)
3	-	-	-	-	3
957,855	85,567	1,806	87,373	501,036	1,546,264
1,314,479	353,749	82,330	436,079	501,036	2,251,594
(356,624)	(268,182)	(80,524)	(348,706)	-	(705,330)
957,855	85,567	1,806	87,373	501,036	1,546,264
117,273	-	-	-	-	117,273

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.3 PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES CONTINUED

(A) REVALUATION OF LAND, BUILDINGS, PLANT AND EQUIPMENT

The valuation basis for land, buildings, plant and equipment is fair value as outlined in Note 2.4.

Airservices engaged accredited valuers Marsh to value its land and buildings. The effective date of the revaluation was 30 June 2021.

(B) CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Capital commitments for property, plant, equipment and intangibles was \$717.2m (2020: \$923.9m) and includes GST where relevant.

(C) IMPAIRMENT

In line with accounting standards, management has performed an impairment review of both existing assets and assets under construction. Principally, the review has focused on future use of existing assets and changes in project, technology and business system requirements.

(D) CARRYING AMOUNTS THAT WOULD HAVE BEEN RECOGNISED IF LAND, PLANT AND EQUIPMENT WERE MEASURED USING THE COST MODEL:

	2021 \$'000	2020 \$'000
Land		
At cost	1,850	2,065
	1,850	2,065
Buildings		
At cost	600,680	583,413
Accumulated depreciation	(294,398)	(271,824)
Net book amount	306,282	311,589
Plant and Equipment		
At cost	1,361,931	1,350,581
Accumulated depreciation	(908,810)	(839,748)
Net book amount	453,121	510,833

(E) BORROWING COSTS

The total borrowing costs capitalised at 30 June 2021 is \$20.9m (2020: \$18.2m), of which \$4.2m (2020: \$10.6m) were capitalised during the year, and \$1.4m were transferred to fixed assets. As Airservices borrows money generally to fund both operating and capital expenditure, the weighted average cost of borrowings of 3.59 per cent (2020: 3.88 per cent) was used as the capitalisation rate.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases less than \$5,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Cost and valuation

Property, plant and equipment are measured at cost or at fair value, less, where applicable, accumulated depreciation and any accumulated impairment losses.

Assets purchased by Airservices are initially recorded at cost and represent costs directly attributable to the acquisition. Labour and direct overheads incurred in installation are capitalised and added to the cost. Assets constructed by Airservices are initially recognised at the cost of materials, labour, direct overheads and borrowing costs incurred on qualifying assets.

All costs associated with repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Revaluations

Following initial recognition at cost, property, plant and equipment (excluding ROU Assets) are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the reporting date. Revaluations are conducted by an independent qualified valuer.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position unless it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Income, in which case the increase is recognised in profit or loss.

Any revaluation deficit is recognised in the Statement of Comprehensive Income, except that a decrease offsetting a previous surplus for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. The revaluation surplus is accounted for net of deferred tax in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Leased Right of Use (ROU) Assets

At inception of a contract, Airservices assesses whether an arrangement is, or contains, a lease. An arrangement contains a lease if a customer has the right to control the use of an identified asset for a period in exchange for consideration. Airservices is a party to lease contracts for the following ROU asset classes – land, building, plant and equipment at 30 June 2021.

Airservices has elected not to separate non-lease components and account for its lease and non-lease components as a single lease component only if immaterial, as allowed by the Department of Finance.

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease, less any lease incentives received. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

If the lease transfers ownership of the underlying asset to Airservices by the end of the lease term, or if the costs of the ROU asset reflect that Airservices will exercise a purchase option, the asset will be depreciated from the commencement date to the end of the useful life of the underlying asset.

These assets are accounted for as separate asset classes to corresponding assets owned outright but included in the same column as where the corresponding underlying assets would be presented if they were owned.

Following initial application, an impairment review is undertaken for any ROU lease asset that shows indicators of impairment and an impairment loss is recognised against any ROU lease asset that is impaired. Leased ROU assets continue to be measured at cost after initial recognition in Airservices financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ACCOUNTING POLICY CONTINUED

De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from de-recognition, calculated as the difference between net disposal proceeds and carrying value, is included in the Statement of Comprehensive Income in the year the asset is derecognised.

Impairment of non-financial assets

The carrying values of property, plant and equipment (including ROU assets) are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and, as a minimum, at least annually. All assets were assessed for impairment as at 30 June 2021.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs. If any impairment indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Recoverable amount of non-current assets

All assets are subjected to impairment tests at each reporting date. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value, less costs to sell and value in use. It is determined for each asset unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash flows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a market-determined risk-adjusted discount rate.

Depreciation

Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to Airservices, using in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date, and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives.

	2021	2020
Buildings (e.g. control towers, fire stations, commercial property)	10-45 years	10-45 years
Building equipment	1-40 years	1-40 years
Other Assets (e.g. airways technical equipment, vehicles)	2-40 years	2-40 years

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ACCOUNTING POLICY CONTINUED

Spares

Asset-specific spare parts (repairable spares) have been treated as plant and equipment and depreciated over the useful life of the parent asset to which they are related.

Decommissioning and site rehabilitation

Where Airservices has an obligation to incur site rehabilitation costs and the requirements outlined in Note 2.5 Other Provisions and Payables have been met, the estimated cost to make good the site has been recorded as a provision.

The net present value of the make-good obligation is measured by discounting using market yields at the reporting date on high-quality corporate bonds (AA and AAA-rated bonds only) with terms to maturity that match, as closely as possible, to the estimated future cash-flows of the related make-good obligation.

Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Where amortisation is charged on assets with finite lives, this expense is taken to the Statement of Comprehensive Income. Software is amortised on a straight-line basis over 3 - 10 years.

Research costs associated with in-house developed intangible assets are expensed as incurred. Costs incurred on development projects (relating to the design and testing of new, improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility, and its cost can be measured reliably. The carrying value of development costs is reviewed for impairment annually or more frequently if there is evidence to suggest that the carrying value may not be recoverable. All intangibles were assessed for indicators of impairment as at 30 June 2021.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset, as at the date of de-recognition and are recognised in the Statement of Comprehensive Income.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.4 FAIR VALUE DISCLOSURE

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the Statement of Financial Position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1:	Level 2:	Level 3:
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.	Unobservable inputs for the asset or liability.

Fair value measurements

Fair value measurements at 30 June 2021 by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period				
	2021 \$'000	2020 \$'000	Category (Level 1, 2, or 3)	Valuation technique	Inputs used
Financial assets					
Forward exchange contracts	232	681	2	ADCF	[1]
Interest rate swaps	8,366	16,688	2	ADCF	[2]
Total financial assets at fair value	8,598	17,369			
Non-financial assets					
Land	23,328	23,896	2	DC	[3]
Buildings	333,631	346,355	3	DRC	[4]
Plant and equipment	417,132	470,331	3	DRC	[5]
Assets held for sale	45	445	2	DC	[3]
Total non-financial assets at fair value	774,136	841,027			
Total fair value measurements of assets	782,734	858,396			
Financial liabilities					
Forward exchange contracts	4,331	3,169	2	ADCF	[1]
Interest rate swaps	15,045	17,675	2	ADCF	[2]
Total financial liabilities at fair value	19,376	20,844			
Total fair value measurements of liabilities	19,376	20,844			
Financial Liabilities not measured at fair value in the statement of financial position					
Medium Term Notes	709,585	994,600	1	DC	[6]
Commercial Paper	134,949	134,905	1	DC	[6]
Standby Cash Advances	250,248	70,181	1	DC	[6]
Total financial liabilities not measured at fair value	1,094,782	1,199,686			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.4 FAIR VALUE DISCLOSURE CONTINUED

NOTES:

- DC** Direct Comparison
- DRC** Depreciated Replacement Cost (Cost Approach)
- ADCF** Adjusted Discounted Cashflows
- [1]** Current foreign exchange market rates.
- [2]** Current market interest rates.
- [3]** Land assets were assessed by adopting a high-level desk review only. These were assessed by direct comparison to wider market conditions for their locality and subjected to professional judgement to determine fair value, taking into account tenure, encumbrances, town planning, location, size and shape.
- [4]** Buildings asset class subject to high-level desk review only. Historical capitalised costs are adjusted to current date by the application of specific indices (range used: +0.58 per cent - +2.15 per cent). Indices adopted have no material movement compared to 2020.
- [5]** Plant and equipment asset class subject to high-level desk review only. Historical capitalised costs are adjusted to current date by the application of specific indices considered appropriate to specific Enterprise Asset Management Framework (EAMF) categories (range used: -1 per cent - +2 per cent). Indices adopted have no material movement compared to 2020.
- [6]** Medium-term notes, standby cash advances and commercial paper fair values reflect the price that an existing investor is prepared to receive if they were to sell their investment in the secondary market.

Airservices engages external, independent and qualified valuers to assess the fair value of Airservices property, plant and equipment on an annual basis. Highest and best use is the same as current use.

Land

The fair value of the freehold land assets have been determined through a desk review whereby general and local market conditions, in conjunction with recent sales data, was analysed to determine fair value movement. The high-level desk review includes the confirmation of legal descriptions including limitations, interests, encumbrances, and notifications. Additional information utilised in the high-level desk review includes resources management whereby land assets were analysed in line with their zoning and development control constraints.

Buildings

Buildings and site improvements are subject to high-level desk review and have been valued on the basis of the Cost Approach (depreciated replacement cost). This has been determined by first establishing the estimated cost to replace a current asset with an equivalent new asset, less depreciation for their physical, functional, and economic obsolescence.

For this year's high-level desk review, the assets' replacement values were updated to reflect current construction costs in line with and adjusted to national and local indices including, where applicable, additional replacement cost loading for remote locations. The high-level assessment of building assets included the appropriate adjustment of remaining useful life periods to derive fair value.

Plant and Equipment (P&E)

These assets represent a specialised group of assets integrated to perform the control, monitoring and safety requirement of air and ground movement of commercial aircraft and airport support vehicles within Australia. Generally, the plant and equipment assets are typical at each airport and only vary subject to the operational requirements of each airport. Airservices assets include navigational aids, en-route surveillance systems, airport infrastructure and fire and rescue vehicles. As such, all plant and equipment assets are considered to be specialised and, for 2021, were valued using the Cost Approach (depreciated replacement cost). For the current assessment year, P&E assets were subject to a high-level desk review and the cost indices were reviewed, indicating that there were no material movement in costs to current date. As such, net book values are considered to reflect fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.4 FAIR VALUE DISCLOSURE CONTINUED

Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets		
	Buildings	Plant and equipment	Total
	2021 \$'000	2021 \$'000	2021 \$'000
Opening balance	346,355	470,331	816,686
Commissioned	19,425	20,593	40,018
Disposals	(169)	(59)	(228)
Depreciation	(31,980)	(78,518)	(110,498)
Transfers	-	91	91
Other movements	-	4,694	4,694
Closing balance	333,631	417,132	750,763

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.5 OTHER PROVISIONS AND PAYABLES

	2021 \$'000	2020 \$'000
Current payables and other provisions		
Current trade and other payables		
Trade payables	12,409	13,361
Employees		
Salaries and wages	15,785	15,385
Superannuation	1,781	1,648
Tax payables		
Accrued payroll tax	7,730	9,483
Net goods and services tax payable	6,910	-
Group tax payable	5,924	5,784
Revenue received in advance	598	678
Interest payable	2,863	3,775
Other accrued expenses	53,045	71,381
Total current trade and other payables	107,045	121,495
Current other provisions		
Revenue to be returned to customers	622	622
ARFF decontamination ¹	12,285	11,892
Litigation and legal costs	236	1,288
Makegood on leasehold assets	825	213
Other ²	12,694	13,885
Total current other provisions	26,662	27,900
Total current provisions and payables	133,707	149,395
Non-current other provisions		
ARFF decontamination ¹	46,223	47,417
Makegood on leasehold assets	30,780	27,559
Other ²	1,868	2,106
Total non-current provisions	78,871	77,082

Description of provisions

¹ **Aviation Rescue & Fire Fighting (ARFF) services decontamination**

The provision relates to the assessment, management and containment of possible contaminated ARFF training sites as outlined in Note 5.1 Contingent liabilities.

² **Other provision**

The other provision includes on-costs associated with recreation leave and long service leave, such as workers compensation and payroll tax. This is classified as separate provisions to employee benefits in accordance with section 24 of the FRR, and the total amount for 30 June 2021 is \$13.1m (2020: \$14.1m).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

Provisions

Provisions are recognised when Airservices has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the obligation is measured using a discount rate which reflects current market assessments and the risks specific to the liability. Increases in the provision due to the passage of time (unwinding of the discount) are then recognised as expense.

ACCOUNTING JUDGEMENTS AND ESTIMATES

Other provisions

An estimate of expected future costs has been used to establish the provision for the assessment, management and containment of possible contaminated ARFF training sites and the remediation and restoration of leased property sites.

	2021 \$'000	2020 \$'000
Movements in provisions		
(i) Revenue to be returned to customers (Current)		
Carrying amount at start of period	622	607
Additional provisions made	-	15
Carrying amount at end of period	622	622
(ii) ARFF decontamination (Current/Non-current)		
Carrying amount at start of period	59,309	54,524
Additional provisions made	7,675	14,441
Payments	(8,476)	(9,656)
Carrying amount at end of period	58,508	59,309
(iii) Litigation and legal costs (Current)		
Carrying amount at start of period	1,288	1,825
Additional provisions made	216	1,288
Payments	(1,268)	(1,825)
Carrying amount at end of period	236	1,288
(iv) Makegood on leasehold assets (Current/Non-current)		
Carrying amount at start of period	27,772	24,646
Additional provisions made	3,839	3,394
Payments	(6)	(268)
Carrying amount at end of period	31,605	27,772
(v) Other (Current/Non-current)		
Carrying amount at start of period	15,991	14,860
Additional provisions made	435	1,221
Payments	(1,864)	(90)
Carrying amount at end of period	14,562	15,991

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.6 OTHER FINANCIAL ASSETS AND LIABILITIES

	2021 \$'000	2020 \$'000
Other current financial assets		
Interest rate swaps	-	3,608
Forward exchange contracts	100	416
Total other current financial assets	100	4,024
Other non-current financial assets		
Interest rate swaps	8,366	13,080
Forward exchange contracts	132	265
Other financial assets	240	-
Total other non-current financial assets	8,738	13,345
Other current financial liabilities		
Interest rate swaps	504	944
Forward exchange contracts	1,391	795
Total other current financial liabilities	1,895	1,739
Other non-current financial liabilities		
Interest rate swaps	14,541	16,731
Forward exchange contracts	2,940	2,374
Total other non-current financial liabilities	17,481	19,105

Refer to Note 2.4 for basis of fair value measurement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.7 OTHER ASSETS AND OTHER LIABILITIES

	2021 \$'000	2020 \$'000
Other current liabilities		
Lease liability		
Land	3,286	2,733
Buildings	8,875	6,753
Plant and equipment	1,284	4,110
Total other current liabilities	13,445	13,596
Other non-current liabilities		
Lease liability		
Land	30,555	35,169
Buildings	68,104	66,538
Plant and equipment	791	1,710
Other ¹	26,498	58,463
Total other non-current liabilities	125,948	161,880
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	15,074	15,827
Between 1 to 5 years	53,998	46,383
More than 5 years	78,647	78,765
Total leases	147,719	140,975

The above lease disclosures should be read in conjunction with the accompanying notes 1.2 and 2.3.

¹ This represents the excess of amounts received from the Department of Defence under the On-Supply Agreement, from Defence's share of work conducted by Thales under the Civil Military Air Traffic Management System (CMATS) acquisition contract.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.7 OTHER ASSETS AND OTHER LIABILITIES CONTINUED

ACCOUNTING POLICY

Lease liabilities

For all new contracts entered into, Airservices considers whether the contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or Airservices incremental borrowing rate.

The lease liability is measured at the present value of future lease payments, discounted using the Implicit Interest Rate (IIR), if available, otherwise, the Incremental Borrowing Rate (IBR) is used. The discount rate represents Airservices borrowing rate with the asset portfolio adjusted for the profile of the underlying asset (and its securitisation), currency and the tenure.

Where the IBR is used, Airservices will reference a 30-year Australian Medium-Term Note (MTN) corporate bond yield curve, which has been built to reflect our costs of borrowings. The curve can be used to represent the entity's borrowing rate across asset categories and tenures.

Lease payments to be included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives; variable lease payments that depend on an index or a rate; the exercise price of a purchase option if reasonably certain of exercise; amounts expected to be payable under a residual value guarantee; and any payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments not included in the initial measurement of the lease liability are recognised directly in profit and loss. Overall, the variable payments constitute up to 3 per cent of Airservices entire lease payments at 30 June 2021. Airservices expects this ratio to remain constant in the future years. Refer to Note 1.2 Expenses for further detail.

The lease term determined comprises of the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Subsequent to initial measurement, the lease liability will be reduced to reflect lease payments made and increased to reflect interest on the lease liability.

Airservices remeasures the lease liability whenever there is a change in future lease payments arising from change in an index or rate, if there is a change in the entity's estimate of the amount expected to be payable under a residual value guarantee, or if the entity changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset or profit and loss, depending on the nature of the reassessment or modification.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Our Funds Management

This section identifies Airservices Australia's funding structure.

3.1 CASH AND CASH EQUIVALENTS

	2021 \$'000	2020 \$'000
Cash and cash equivalents		
Cash at bank and in hand	222,756	43,608
Deposit at call	448,800	264,200
Term deposits	120,000	210,000
Total cash and cash equivalents	791,556	517,808

(A) CASH AT BANK AND IN HAND

Cash at bank has a floating interest rate of 0.30 per cent (2020: 0.45 per cent) for balances up to \$25m. For balances greater than \$25m, the interest rate is 0.10 per cent (2020: 0.25 per cent). Cash in hand and some non-interest bearing bank accounts have a zero interest rate.

(B) DEPOSITS AT CALL

The deposits at call have a floating interest rate of 0.10 per cent (2020: 0.25 per cent). These 11am cash deposits are rolled over on a daily basis.

(C) TERM DEPOSITS

This represents \$50m maturing on 29 September 2021 and \$70m maturing on 28 October 2021. Term deposits have a weighted average interest rate of 0.22 per cent.

ACCOUNTING POLICY

Cash and cash equivalents

Cash is recognised at its nominal amount. Cash in the Statement of Financial Position comprises cash at bank and in hand and deposits at call which are readily convertible to cash on hand. For the purposes of the cash flow statement, cash includes cash and cash equivalents net of outstanding bank overdrafts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.2 RECONCILIATION OF CASH AND CASH EQUIVALENTS

	2021 \$'000	2020 \$'000
Reconciliation of net profit/(loss) after income tax to net cash flows from operations		
Net profit/(loss) after income tax	321,176	(24,969)
Adjustments for:		
Depreciation expense	141,475	152,443
Impairment recognised for property, plant and equipment	4,555	2,994
Reversal of previous asset write-downs	-	(485)
Net gain on sale/write-down of non-current assets	(659)	-
Net loss on sale/write-down of non-current assets	(2,026)	790
AvSuper defined benefit contributions movement (after tax)	43,127	(33,448)
Change in assets		
(Increase)/decrease in gross receivables	(39,999)	73,899
(Increase)/decrease in inventories	(36)	(165)
(Increase)/decrease in prepayments	3,506	620
(Increase)/decrease in other assets	8,771	(875)
(Increase)/decrease in deferred tax	(51)	(29,995)
Change in liabilities		
Increase/(decrease) in employee benefits	(40,576)	60,521
Increase/(decrease) in allowance for impairment	5,777	20,020
Increase/(decrease) in legal provisions	(1,052)	(537)
Increase/(decrease) in other liabilities	119,981	(57,470)
Increase/(decrease) in other provisions	1,603	5,587
Increase/(decrease) in creditors and accruals	(12,378)	5,220
Increase/(decrease) in revenue to be returned to customers provision	-	15
Net cash flow from operating activities	553,194	174,165

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.3 BORROWINGS

	2021 \$'000	2020 \$'000
Unsecured borrowings		
Current ¹	134,855	479,593
Non-current ²	922,245	671,599
Total borrowings	1,057,100	1,151,192

1 This represents amounts issued under a \$300m commercial paper program. It includes \$10m maturing 3 August 2021, \$75m maturing 21 October 2021, \$20m maturing on 18 November 2021 and \$30m maturing 7 December 2021.

2 This represents amounts issued under a \$975m medium term note program and a \$250m bilateral cash advance facility. It includes \$200m maturing on 15 May 2023, \$250m maturing on 17 November 2023, \$200m maturing on 15 May 2026 and \$275m maturing on 15 May 2030.

3.4 STANDBY ARRANGEMENTS AND UNUSED CREDIT FACILITIES

	2021 \$'000	2020 \$'000
Unused credit facilities - bank overdraft	5,000	5,000
Borrowing facilities		
Commercial paper program	300,000	300,000
Medium-term note program	975,000	975,000
Committed standby cash advance facilities	775,000	535,000
Uncommitted 11am borrowing	40,000	60,000
Total borrowing facilities	2,090,000	1,870,000
Amount utilised	(1,060,000)	(1,155,000)
Unused borrowing facilities	1,030,000	715,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.5 FINANCIAL INSTRUMENTS

Airservices has exposure to credit risk, liquidity risk, market risk (comprising of interest rate and foreign exchange risk) arising from its operations and use of financial instruments. Airservices uses financial instruments to manage these risks within a framework consisting of a comprehensive set of risk management policies. These risks are managed centrally, and speculative trading is strictly prohibited.

FINANCIAL ASSETS AND LIABILITIES - CLASSIFICATION AND MEASUREMENT

Cash and cash equivalents

Airservices cash and cash equivalents are overnight or short-term deposits that are held to maturity and have cash flows that solely represent principal and interest. All cash and cash equivalents are classified under AASB 9 as financial assets at amortised cost.

Trade and other receivables

All Airservices trade receivable cash flows solely represent principal and interest payments and are classified under AASB 9 as financial assets at amortised cost. When measuring its trade and other receivables, Airservices has adopted the AASB 9 simplified approach to measure the impairment loss allowance at an amount equal to the lifetime expected credit loss.

Committed standby cash advances

Airservices standby cash advances are bank loans that are held to maturity and have cash flows that solely represent principal and interest. All committed standby cash advances are classified under AASB 9 as financial liabilities at amortised cost.

Medium-term notes and commercial papers

Airservices financial liabilities include medium term notes and commercial papers, which are initially measured at fair value less transaction costs and subsequently remeasured using the effective interest method. Under AASB 9, these instruments are all classified as financial liabilities at amortised cost.

Trade and other payables

Supplier and other payables are recognised at amortised cost as all cash flows solely represent payment of principal. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Derivative financial instruments

Under AASB 9, all Airservices derivative financial liabilities are measured and classified as financial assets or liabilities at fair value through profit and loss.

DERIVATIVE FINANCIAL INSTRUMENTS - HEDGE ACCOUNTING UNDER AASB 9

Airservices uses derivative financial instruments, such as Forward Exchange Contracts (FECs) and Interest Rate Swaps (IRSs), to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on reporting date. Derivatives are carried as current or non-current financial assets when the fair value is positive and as current and non-current financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion, which is recognised in other comprehensive income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.5 FINANCIAL INSTRUMENTS CONTINUED

Fair value measurements

The fair values of Airservices FECs and IRSs are calculated using a credit adjusted discounted cash-flow methodology. FEC and IRS contracted rates are compared to current market rates to calculate future cash flows, which are then discounted to arrive at a present value. Airservices uses only observable market data as inputs. This has not changed as a result of COVID-19.

Airservices does not apply netting to the fair values of its financial assets and liabilities. The Statement of Financial Position separates the fair values into current and non-current financial assets and liabilities. However, as at 30 June 2021, if netting was applied to the FEC portfolio, then FEC financial assets of \$232,532 would have been reduced by FEC financial liabilities of \$4,331,170 to the net liability amount of \$4,098,638 (2020: FEC financial assets of \$681,128 would have been reduced by FEC financial liabilities of \$3,169,301 to the net liability amount of \$1,973,853).

If netting was applied to the IRS portfolio, then IRS financial assets of \$8,365,730 would have been reduced by IRS financial liabilities of \$15,045,010 to the net liability amount of \$6,679,280 (2020: IRS financial assets of \$16,687,904 would have been reduced by IRS financial liabilities of \$17,675,456 to the net asset amount of \$987,552).

Medium-term note and commercial paper fair values reflect the price that an existing investor is prepared to receive if they were to sell their investment in the secondary market. These prices are provided by independent secondary market traders.

There is no secondary market for committed standby cash advances as they are executed under bilateral agreements with bank counterparties. As a result, their fair value is equal to the carrying amount.

Refer to Note 2.4 for fair value measurement basis of these instruments.

	AASB 9 accounting classification	Carrying amount 2021 \$'000	Fair value 2021 \$'000	Carrying amount 2020 \$'000	Fair value 2020 \$'000
Assets					
Forward exchange contracts	FVTPL	233	233	681	681
Cash and cash equivalents	AC	791,487	791,487	517,808	517,808
Receivables	AC	66,725	66,725	32,743	32,743
Interest rate swaps	FVTPL	8,366	8,366	16,688	16,688
Other financial assets	AC	240	240	-	-
Total assets		867,051	867,051	567,920	567,920
Liabilities					
Forward exchange contracts	FVTPL	4,331	4,331	3,169	3,169
Interest rate swaps	FVTPL	15,045	15,045	17,675	17,675
Medium Term Notes	AC	672,246	709,585	946,378	994,600
Trade and other payables	AC	107,045	107,045	121,495	121,495
Commercial Paper	AC	134,855	134,949	134,814	134,905
Standby cash advances	AC	250,000	250,000	70,000	70,000
Total liabilities		1,183,522	1,220,955	1,293,531	1,341,844

NOTES:

AC Amortised Cost

FVTPL Fair Value Through Profit and Loss

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.5 FINANCIAL INSTRUMENTS CONTINUED

Financial risk

The financial risk management policy is aligned to Airservices risk appetite statement. The policy identifies financial risks and provides effective guidance on how Airservices manages the risks faced by the organisation. It sets the risk limits, identifies the controls and determines the process for monitoring and adhering to limits. The policy is designed to add value without adding to the overall risks of the organisation.

The financial risk management policy and systems are reviewed regularly to reflect changes in market practices and Airservices activities. Internal audit undertakes ad hoc reviews of financial risk management policy, controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

Airservices uses financial instruments to manage its financial risks. The central Treasury unit identifies and evaluates the financial risks in close co-operation with other Airservices units and seeks to minimise potential adverse effects on the financial performance.

As a result of the nature of Airservices business and internal policies dealing with the management of financial risk, Airservices residual exposure to credit, liquidity and market risk is considered to be low.

Credit risk

Credit risk represents the risk that one party to a transaction will fail to discharge an obligation and cause the other party to suffer a financial loss. Airservices invests money and enters into financial derivative contracts with authorised counterparties whose long term credit rating is at, or above, A- (Standard and Poor's) or A3 (Moody's). There are currently only four approved counterparties. The maximum credit limit for each approved counterparty is currently \$250m. Counterparty credit exposure is assessed using the principles of the 'Current Exposure Method'. As at 30 June 2021, the maximum risk exposure to all authorised counterparties after applying the Current Exposure Method was \$641.4m (2020: \$548.1m).

Airservices is exposed to credit risk arising from potential default of debtors. This is equal to the total amount of trade and other receivables (2021: \$67.0m and 2020: \$32.7m). Airservices has assessed the risk of default on payment and has allocated \$28.1m in 2021 (2020: \$22.3m) as an allowance for impairment.

Airservices trades only with recognised, creditworthy third parties, and as such, collateral is not requested, nor is it Airservices policy to securitise its trade and other receivables.

Credit risk of financial instruments not past due or individually determined as impaired.

	Not past due nor impaired 2021 \$'000	Not past due nor impaired 2020 \$'000	Past due or impaired 2021 \$'000	Past due or impaired 2020 \$'000
Receivables	60,206	19,823	33,002	30,129
Total	60,206	19,823	33,002	30,129

Airservices is exposed to concentration of risk with respect to trade receivables. 53 per cent of revenues earned are from the following dominant operators: Qantas Group (including Jetstar) and Virgin Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.5 FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

Liquidity risk management is concerned with ensuring there are sufficient funds available to meet financial commitments in a timely manner, whilst also planning for unforeseen events which may reduce cash inflows and cause pressure on liquidity.

The primary objectives of short-term liquidity risk management are to ensure sufficient funds are available to meet daily cash requirements, whilst ensuring that cash surpluses in low interest-bearing accounts are minimised.

The primary objective of long-term liquidity risk management is to ensure that funding (i.e. debt) facilities are in place to meet future long-term funding requirements.

2021	Average interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial liabilities							
Non-derivative							
Trade and other payables	-	-	-	-	-	107,045	107,045
Standby cash advances	0.81	-	2,025	253,046	-	-	255,071
Commercial paper	0.33	135,000	-	-	-	-	135,000
Medium-term notes	2.25	-	18,050	455,700	299,200	-	772,950
Derivative							
Interest rate swaps ¹	-	-	(3,878)	(4,656)	4,412	-	(4,122)
Interest rate swaps ²	-	-	5,023	6,537	(257)	-	11,303
Net financial liabilities		135,000	21,220	710,627	303,355	107,045	1,277,247

¹ Weighted average interest rates at 30 June were pay float at 0.10% and receive fixed at 1.78%.

² Weighted average interest rates at 30 June were pay fixed at 2.45% and receive float at 0.10%.

2020	Average interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial liabilities							
Non-derivative							
Trade and other payables	-	-	-	-	-	121,495	121,495
Standby cash advances	0.96	-	70,337	-	-	-	70,337
Commercial paper	0.63	135,000	-	-	-	-	135,000
Medium term notes	3.42	-	299,581	261,200	511,750	-	1,072,531
Derivative							
Interest rate swaps ³	-	-	(7,371)	(9,899)	526	-	(16,744)
Interest rate swaps ⁴	-	-	5,899	11,537	602	-	18,038
Net financial liabilities		135,000	368,446	262,838	512,878	121,495	1,400,657

³ Weighted average interest rates at 30 June were pay float at 0.15 per cent and receive fixed at 2.84 per cent.

⁴ Weighted average interest rates at 30 June were pay fixed at 2.52 per cent and receive float at 0.15 per cent.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.5 FINANCIAL INSTRUMENTS CONTINUED

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The following table is a sensitivity analysis of the market risk that Airservices is exposed to through the use of foreign exchange and interest rate derivatives, as well as investments and borrowings.

Interest rate sensitivity analysis is calculated on a 'reasonably possible' basis with reference to the key drivers of interest rates, market expectations and historical data. In analysing interest rate sensitivities, Airservices has adopted to vary actual interest rates by +/- 0.74 per cent (2020: +/- 0.09 per cent).

Airservices has adopted a simplified approach to calculate market risk sensitivities for foreign exchange contracts. A standard sensitivity variable of +/- 7.89 per cent (2020: +/- 8.41 per cent) has been applied to all currencies. Airservices acknowledges that it is necessary to monitor annual movements in currencies to ensure the relevance of using a single constant rate.

2021	Carrying amount \$'000	Change in risk variable +/-%	Effect of positive movement		Effect of negative movement	
			Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'000
Currency risk						
Buy USD	(521)	7.89	-	(1,517)	-	1,439
Buy EUR	(3,578)	7.89	(29)	(2,717)	27	2,067
Interest rate risk						
Cash and cash equivalents	791,556	0.74	5,858	-	(5,858)	-
Medium-term notes	672,246	-	-	-	-	-
Standby cash advances	250,000	-	-	-	-	-
Interest rate swaps	(6,679)	0.74	31	-	(23)	-
Commercial paper	134,855	0.74	(122)	-	122	-

2020	Carrying amount \$'000	Change in risk variable +/-%	Effect of positive movement		Effect of negative movement	
			Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'000
Currency risk						
Buy USD	180	8.41	-	(1,145)	-	1,338
Buy EUR	(2,668)	8.41	(101)	(3,062)	119	3,431
Interest rate risk						
Cash and cash equivalents	517,808	0.09	452	-	(452)	-
Medium-term notes	946,378	-	-	-	-	-
Standby cash advances	70,000	0.09	(63)	-	63	-
Interest rate swaps	(988)	0.09	19	-	-	-
Commercial paper	134,814	0.09	(122)	-	122	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.5 FINANCIAL INSTRUMENTS CONTINUED

Forward exchange contracts

Airservices uses Forward Exchange Contracts (FECs) to hedge foreign currency exchange rate risk arising from committed transactions primarily relating to capital expenditure program undertakings. Airservices accounts for all of its FECs as cash flow hedges. Airservices policy is to achieve 100 per cent hedge effectiveness. All foreign currency exposures have a greater than 95 per cent certainty of occurring, as all exposures are committed.

The effectiveness test is on an FEC rate to market rate comparison. Prospective testing is on a critical terms basis, with the retrospective test based on an effectiveness ratio of 80 - 125 per cent. Gains or losses are recognised on the hedging instrument (i.e. the FEC) and hedged item (i.e. the committed foreign exchange exposure) with any ineffectiveness recognised in the Statement of Comprehensive Income.

At balance date, the details of outstanding contracts are (Australian dollar equivalents):

	Sell Australian Dollars		Average Exchange Rate	
	2021 \$'000	2020 \$'000	2021 EURO/\$1	2020 EURO/\$1
Buy EUROS				
Maturity				
3 months or less	2,833	5,855	0.5820	0.5961
Greater than 3 months but less than 1 year	4,581	6,492	0.5715	0.5896
Greater than 1 year	26,967	30,262	0.5496	0.5519
	Sell Australian Dollars		Average Exchange Rate	
	2021 \$'000	2020 \$'000	2021 US/\$1	2020 US/\$1
Buy US Dollars				
Maturity				
3 months or less	4,449	4,889	0.7034	0.7068
Greater than 3 months but less than 1 year	5,987	6,801	0.7050	0.6711
Greater than 1 year	8,752	2,797	0.7638	0.7394

Capital management

Airservices is a price regulated government-owned corporate commonwealth entity with a capital management strategy that currently targets a minimum standalone/independent credit rating of BBB and allows for sufficient flexibility in gearing to enable Airservices to absorb a short to medium-term shock to traffic levels of +/-70 per cent through the COVID-19 pandemic.

When managing capital structure, Airservices considers its current and forecast net debt and shareholder's equity positions to develop funding and liquidity strategies that achieve the longer-term optimal capital structure and provide a balance between cost and risk. These strategies are then incorporated into the annual planning cycles.

Airservices reviews its optimal capital structure on a regular basis, there were no changes to Airservices approach to capital management during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Our People

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

4.1 EMPLOYEE PROVISIONS

	2021 \$'000	2020 \$'000
Current employee provisions		
Employee benefits		
Recreation leave	46,475	53,708
Long service leave	150,141	142,623
Separations and redundancies	6,396	7,117
Pre-Comcare Workers compensation	259	272
Total current employee provisions	203,271	203,720
Non-current employee provisions		
Employee benefits		
Long service leave	31,688	33,532
Separations and redundancies	4,664	1,377
Pre-Comcare Workers compensation	2,073	2,114
Total non-current employee provisions	38,425	37,023

Description of provision

Employee benefits:

Workers compensation

These provisions represent Airservices self-insured liability for workers compensation prior to 1 July 1989, which is calculated annually by an independent actuary.

Separations and redundancies

This includes \$5.8m (2020: \$6.7m) in early retirement benefits, which have been elected to be taken by employees as a lump sum on retirement and \$3.6m (2020: \$1.8m) for redundancy provisions.

The provision for early retirement benefits includes \$5.5m (2020: \$6.3m) for ATC employees who were employed by Airservices on 1 July 1998 and continue to meet the eligibility requirements under the relevant enterprise agreement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

Employee benefits

Salaries, wages and termination benefits

Liabilities for short-term employee benefits and termination benefits expected to be wholly settled within 12 months of the end of the reporting period are measured at their nominal amounts. Liabilities for salary and wages are recognised and are measured as the amount unpaid at the reporting date at pay rates which will be applicable when paid, in respect of employees' services up to that date.

Recreation leave

The provision for recreation leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Accordingly, the employee benefit provision is measured as a long-term benefit by calculating the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Long service leave and early retirement benefit

Employee benefit provisions for long service leave and early retirement benefits are assessed by qualified actuaries on an annual basis. Various actuarial assumptions are required when determining Airservices obligations, and these are discussed below.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. A liability for early retirement benefit is recognised within the provision for separations and redundancies in accordance with the applicable Enterprise Agreement, and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds (AA and AAA-rated bonds only) with terms to maturity that match, as closely as possible, the estimated future cash outflows.

On-costs associated with recreation leave and long service leave are classified as separate provisions from employee benefits, in accordance with section 24 of the FRR and is recognised in Other Provisions, Note 2.5.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.2 DEFINED BENEFIT FUND ASSET

Superannuation plan

Airservices is the principal sponsor of the superannuation fund, AvSuper. The plan has a defined benefit scheme and a defined contribution section. The defined benefit section provides benefits based on the length of service and final average salary. The defined contribution section receives fixed contributions, and Airservices legal or constructive obligation is limited to these contributions.

The following sections set out details relating only to the defined benefits section of the Plan. Note that the defined benefits section has been closed to new membership since 2002.

	2021 \$'000	2020 \$'000
Benefit asset		
<i>The amounts recognised in the statement of financial position are determined as follows:</i>		
Present value of the defined benefit obligation	(679,738)	(698,840)
Fair value of defined benefit plan assets	865,338	842,378
Net benefit asset - non-current	185,600	143,538
Categories of plan assets		
<i>The major categories of plan assets are as follows:</i>		
Cash	134,478	101,875
Equity instruments	407,772	399,877
Debt instruments	110,964	133,358
Other assets	212,124	207,268
	865,338	842,378
Reconciliations		
<i>Reconciliation of the present value of defined benefit obligation:</i>		
Balance at the beginning of the year	698,840	710,657
Current service cost	23,804	25,621
Contribution by members	8,790	9,142
Interest cost	18,180	19,936
Remeasurements		
Effect of changes in financial assumptions	33,065	(13,416)
Effect of experience adjustments	(25,829)	2,081
Benefits paid	(77,112)	(55,181)
Balance at the end of the year	679,738	698,840
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	842,378	921,059
Interest Income	22,181	26,180
Remeasurements		
Return on plan assets (excluding interest income)	68,846	(59,118)
Contribution by Airservices	256	295
Contribution by members	8,790	9,142
Benefits paid	(77,113)	(55,180)
Balance at the end of the year	865,338	842,378

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.2 DEFINED BENEFIT FUND ASSET CONTINUED

Net amount recognised in the Statement of Comprehensive Income

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2021 \$'000	2020 \$'000
i. Defined benefit cost recognised in profit or loss		
Current service cost	23,804	25,621
Interest on the net defined benefit asset	(4,001)	(6,244)
Total included in employee benefits expense	19,803	19,377
ii. Remeasurements (recognised in Other Comprehensive Income)		
Effect of changes in financial assumptions	33,065	(13,416)
Effect of experience adjustments	(25,829)	2,081
Return on plan assets (excluding interest income)	(68,846)	59,118
Total remeasurements included in Other Comprehensive Income - (gain)/loss	(61,610)	47,783
iii. Total defined benefit (gain)/loss recognised in the Statement of Comprehensive Income	(41,807)	67,160
Actual return on plan assets	100,956	(11,139)

Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2021	2020
Discount rate	2.90%	2.70%
Future salary increases – short term	2.90%	3.10%
Future salary increases – long term	3.90%	3.10%

The economic assumptions used by the actuary to make the funding arrangements were:

- a discount rate of 2.9 per cent p.a. derived by applying the yield curve reported by Milliman to the expected cash flows of AvSuper and equating this to a single equivalent rate.
- the salary increase rate assumption is equivalent to a liability weighted single rate assumption of 3.8 per cent p.a.

Sensitivity analysis

A sensitivity analysis for the key actuarial assumptions, holding other assumptions constant, and their potential impact on the defined benefit obligation are shown below.

2021	Increase \$'000	Decrease \$'000
Discount rate (0.5% movement)	37,812	(36,928)
Future salary increases (0.5% movement)	(33,769)	35,836
2020	Increase \$'000	Decrease \$'000
Discount rate (0.5% movement)	38,843	(35,826)
Future salary increases (0.5% movement)	(33,430)	36,987

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.2 DEFINED BENEFIT FUND ASSET CONTINUED

Maturity profile

The following payments are expected to be made in future years out of the defined benefit plan obligation.

	2021 \$'000	2020 \$'000
Undiscounted Benefit Payments		
1 year or less	45,214	47,541
2 to 5 years	215,427	227,503
5 to 10 years	242,846	244,318
Greater than 10 years	762,597	744,749
Total expected payments	1,266,084	1,264,111

The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years (2020: 9 years).

Employer contributions

Employer contribution rates are reviewed by the Employer as required under the Trust Deed. The Trustee receives advice on contribution rates with each actuarial investigation of the Plan undertaken for the Trustee. The Employer also reviews contribution rates as required if the financial position of the plan deteriorates. An actuarial investigation of the Plan is made each year (current practice), and the last such assessment was made as at 30 June 2020. This disclosed a surplus of \$233.8m. An actuarial investigation meeting requirements of the *Superannuation Industry (Supervision) Act 1993* is undertaken every three years.

For the year ended 30 June 2021, the employer contribution rate was:

- 3 per cent of gross salary for those employees who remain members of the Commonwealth Superannuation Scheme (CSS category) (2019-20: 3 per cent);
- From 1 July 2018, a contribution holiday was applied for other Airservices employees who are full members (FULL) accruing a defined benefit under Division 2 of the Trust Deed.

The Employer and Trustee have in place an agreement on the contributions required should the Fund's financial position become unsatisfactory.

The objectives in setting the contribution rate are to ensure:

- i. the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable, and;
- ii. there is a low probability that the assets are insufficient to meet the minimum benefit liabilities of the Fund should it terminate.

To achieve the first objective, the actuary has adopted a method of funding benefits known as the Attained Age Normal funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their remaining working lifetimes. To achieve the second objective, the actuary undertakes scenario testing of the short-term financial position of the Plan.

Employer contributions expected to be paid by Airservices for the year ending 30 June 2022 are \$0.2m due to the contribution holiday for FULL members, not including any additional contributions required.

Net Financial position of the plan

In accordance with AAS 25 Financial Reporting by Superannuation Plans, the Plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of Plan assets. This was determined as at the date of the most recent financial report of AvSuper (2020) when a surplus of \$233.8m was reported. Last year in these financial statements, Airservices recognised a defined benefit asset of \$143.5m at 30 June 2020. The difference between the amounts is due to the different accounting treatment of the net financial position for the employer under AASB 119, and the Plan under AAS 25.

As at 30 June 2021, these financial statements disclose a defined benefit asset of \$185.6m (2020: \$143.5m). AvSuper's net financial position for the Plan under AAS 25 will not be available until after these financial statements have been signed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

Superannuation

Contributions are made predominantly to AvSuper (sponsored by Airservices) and Commonwealth Superannuation Corporation (ComSuper), which administers the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation (PSS) funds. AvSuper has a defined benefit section and an accumulation section within its fund. Contributions to the AvSuper defined benefit fund are made in accordance with advice received from the fund's actuary. Contributions to accumulation funds are in accordance with the organisation's Enterprise Agreement(s) and other employee contracts, having regard to legislative requirements. Contributions to ComSuper for the PSS and CSS funds are in accordance with actuarial reports, as notified by the Department of Finance.

Contributions to all funds except the AvSuper defined benefit fund are recognised as an expense as they become payable. With respect to the AvSuper defined benefit fund, the net interest on the net defined benefit asset is recognised in the profit before income tax, whereas actuarial gains and losses are recorded in other comprehensive income.

A liability or asset in respect of the AvSuper defined benefit superannuation plan is recognised in the Statement of Financial Position and is measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets as outlined above. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interpolation between the yield on high-quality corporate bonds (AA and AAA-rated bonds only) that have terms approximating to the terms of the related obligation. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

ACCOUNTING JUDGEMENTS AND ESTIMATES

AvSuper defined benefit plan

Various actuarial assumptions are required when determining Airservices obligations under the AvSuper defined benefit plan. The assumptions relied on for the period to 30 June 2021 are discussed above.

Long Service Leave and Early Retirement Benefits

Various actuarial assumptions are required when determining Airservices obligations for long service leave and the early retirement benefit scheme. The long-term employee benefit assumptions relied on for the period to 30 June 2021 are based on enterprise agreements that were applicable during the financial year. These include a 2.9 per cent annual salary increase for the first four years and 3.9 per cent p.a. thereafter, staff turnover rates ranging from 7 per cent to 19 per cent (depending on period of service), and average long service leave taken of 0.23 months per annum. The Discount Rate is derived from a yield curve based on interpolation of high-quality corporate bonds (AA and AAA-rated bonds only) based on the durations to reflect the estimated mean term of the liabilities, they are as follows:

Liability	Mean term	Corporate Bonds	Discount Rate
Defined Benefits	9.0 years	Discount rate derived by applying Milliman's yield curve to expected cashflows of AvSuper and equating this to a single rate	2.9% p.a.
Long Service Leave	6.5 years	7 year and 8 year	2.0% p.a.
Early Retirement Benefit	3.8 years	4 year and 5 year	1.1% p.a.
Recreation leave	0.7 years	Discount rate derived by applying Milliman's short term yield curve (1 year and 2 year)	0.2% p.a.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.3 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Airservices, directly or indirectly, including any Board member. Key management personnel remuneration is reported in the table below:

	2021 \$'000	2020 \$'000
Key executive remuneration expense for the reporting period		
Board		
Short-term employee benefits:		
Salary	723	660
Allowances and other benefits	17	33
Total short-term employee benefits	740	693
Post-employment benefits:		
Superannuation (post-employment benefits)	70	64
Total post-employment benefits	70	64
Total Board remuneration	810	757

The information about non-executive Board members included in the table above relates to 10 individuals (2020: 10 individuals).

	2021 \$'000	2020 \$'000
Key Executive Management		
Short-term employee benefits:		
Salary ¹	3,387	2,977
Allowances and other benefits	174	119
At-risk component ²	-	-
Total short-term employee benefits	3,561	3,096
Post-employment benefits:		
Superannuation (post-employment benefits)	310	294
Total post-employment benefits	310	294
Other long-term benefits:		
Long service leave	79	43
Total other long-term benefits	79	43
Total Key Executive Management remuneration	3,950	3,433
Total key management personnel remuneration³	4,760	4,190

Airservices has determined the key management personnel to be the Board members, Chief Executive Officer and 7 Executive General Managers. The information about executives included in the above table relates to 7.3 Full-Time Equivalents (FTEs) (2020: 7.1 FTEs).

¹ Salary includes recreation leave paid and the net movement in recreation leave balance in the current reporting period. Prior year comparative for recreational leave has moved from other long-term benefits to short-term employee benefits.

² Executive remuneration packages include an at-risk element that is awarded based on executives meeting or exceeding objectives and key performance measures, which are linked to specific annual business objectives.

³ The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.4 RELATED PARTY TRANSACTIONS

(A) BOARD MEMBERS

The names of persons who were Board members of Airservices during the financial year and up to the date of signing these financial statements are as follows:

	Status	Commenced	Finished
Chairman			
John Weber	On-going	6 April 2017	Current
Deputy Chair			
Mark Binskin	Ceased	13 September 2018	31 July 2021
Board members			
Fiona Balfour	Ceased	3 June 2013	2 September 2020
Anne Brown	On-going	4 December 2019	Current
Sue-Ellen Bussell	On-going	4 December 2019	Current
Eileen Doyle	On-going	21 April 2021	Current
Marlene Kanga	On-going	4 September 2017	Current
David Marchant	On-going	21 July 2014	Current
Timothy Rothwell	Ceased	21 July 2014	20 April 2021
Lawrence Turner	On-going	3 March 2021	Current
Chief Executive Officer			
Jason Harfield	On-going	11 August 2015	Current

(B) EXECUTIVES

The names of persons who were Executives of Airservices during the financial year (excluding the CEO, included above) and up to the date of signing these financial statements are as follows:

	Title	Commenced	Finished
Executives			
Peter Curran	Chief Customer Experience & Strategy Officer	6 May 2019	Current
Michelle Bennetts	Chief Service Delivery Officer	16 April 2018	Current
Nicole Devlin	Chief Communications Officer	29 March 2021	Current
Lucinda Gemmell	Chief People & Culture Officer	1 June 2020	Current
Paul Logan	Chief Financial Officer	2 July 2015	Current
Mark Hind	Chief Technology Enablement Officer	27 April 2020	Current
Claire Marrison	Chief Safety & Risk Officer	3 November 2018	Current
Robert Porter	Executive GM Aviation Rescue Fire Fighting Services	7 January 2019	30 August 2020

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(C) TRANSACTIONS WITH RELATED PARTIES

Certain Board member-related entities have transactions with Airservices that occur within normal customer or supplier relationships on terms and conditions no more favourable than those which it is reasonable to expect Airservices would have adopted if dealing with the Board member-related entity at arm's length in similar circumstances. These transactions include the following entities and have been described below where the transactions are considered likely to be of interest to users of these financial statements:

2021

- Airservices provided payments to Civil Aviation Safety Authority amounting to \$182,369 for the period 1 July 2020 to 30 June 2021, during which time Mark Binskin was Deputy Chair of the Airservices Board and was a Chair-designate of Civil Aviation Safety Authority from 19 August 2021.
- Airservices provided payments to Recreational Aviation Australia amounting to \$25,000 for the period 1 July 2020 to 30 June 2021, during which time Mark Binskin was both Deputy Chair of the Airservices Board and a member of Recreational Aviation Australia.
- Airservices received payments from Australian Warbirds Association amounting to \$384 for the period 1 July 2020 to 30 June 2021 during which time Mark Binskin was both Deputy Chair of the Airservices Board and a member of the Australian Warbirds Association.
- Airservices provided payments to Klynveld Peat Marwick Goerdeler (KPMG) under a standing panel arrangement amounting to \$161,007 for the period 1 July 2020 to 30 June 2021 during which time Sue Bussell was a board member of Airservices Australia and held a contract with KPMG to undertake work on an ad hoc basis through her own business, DAIS.
- Airservices provided rent payments to Sydney Water Corporation amounting to \$22,032 for the period 1 July 2020 to 30 June 2021, during which time Dr Marlene Kanga was both a Board member of Airservices Australia and a Board member of the Sydney Water Corporation.
- Airservices provided rent payments to Queensland Rail Limited amounting to \$144,476 for the period 1 July 2020 to 30 June 2021 during which time David Marchant was both a Board member of Airservices Australia and Chair of Queensland Rail Limited.
- Airservices provided rent and electricity payments to Port Authority of New South Wales amounting to \$15,114 for the period 1 July 2020 to 30 June 2021 during which time David Marchant was both a Board member of Airservices Australia and Non-Executive Director of Port Authority of New South Wales.

2020

- Airservices received professional services from KPMG under a standing panel arrangement amounting to \$304,544 for the period 1 July 2019 to 30 June 2020, during which time Sue Bussell was a board member of Airservices Australia and held a contract with KPMG to undertake work on an ad hoc basis through her own business, DAIS.
- Airservices provided rent payments to Sydney Water Corporation amounting to \$21,167 for the period 1 July 2019 to 30 June 2020, during which time Dr Marlene Kanga was both a Board member of Airservices Australia and a Board member of the Sydney Water Corporation.
- Airservices provided rent payments to Queensland Rail Limited amounting to \$70,476 for the period 1 July 2019 to 30 June 2020, during which time David Marchant was both a Board member of Airservices Australia and a Chair of the Queensland Rail Limited.
- Airservices provided air navigation services to BAE Systems Flight Training amounting to \$48,404 for the period 1 July 2019 to 30 June 2020, during which time Mark Binskin was both Deputy Chair of the Airservices Board and Non-Executive Director of BAE Systems Australia.
- Airservices entered into a contract with PrimeNext Consulting to receive IT consulting services from Chris Seller, which amounted to \$27,720 for 2019-20. Chris Seller was Chief Information Officer of Airservices until his resignation on 24 April 2020. The contract with PrimeNext Consulting was executed on 15 April 2020.

To the extent permitted by law, Airservices provides indemnities to its Board members and officers, which complements insurance arrangements that it has in place.

The Board adheres to a strict Conflict of Interest Protocol which includes a review of Board members' personal interests at each Board meeting. The management of any conflict is dependent on its nature and severity, and may include the exclusion of Board members from receiving related material or withdrawal from discussion or decision making.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. Managing Uncertainties

This section analyses how Airservices Australia manages financial risks within its operating environment.

5.1 CONTINGENT LIABILITIES

Airservices had contingent liabilities at 30 June 2021 in respect of:

Aviation Rescue Fire Fighting (ARFF) services potential contaminated site management

Airservices has identified a number of sites around the country that may have been contaminated with chemicals contained in certain firefighting foams formerly used by Airservices. Airservices has been managing issues arising from the use of these firefighting foams, now known to have contained per- and poly- fluoroalkyl substances (PFAS) since it became aware of concerns about PFAS in the early 2000s. These foams were widely used around the world because of their superior performance and to meet regulatory requirements.

Significant investment continues to be made to enable site investigations, site-specific management actions, including research and development, and stakeholder engagement activities. The focus of the 2020-21 financial year has been to continue to progress site investigations to understand the extent of potential PFAS contamination due to Airservices past operations, to identify potential practicable solutions to manage existing contamination for which Airservices is responsible; and to continue working with Commonwealth and State/Territory agencies and regulators to consistently manage PFAS contamination at airports within Australia at which Airservices operates.

To facilitate this work and continued PFAS related activity, a sum of \$58.5m has been provided at 30 June 2021 (2020: \$59.3m).

As site investigations progress and jurisdictional requirements mature, further investigations and site-specific management actions may be required to mitigate identified risks. These actions may include implementation of containment strategies, stakeholder communications and engagement activities. The cost of these actions cannot be quantified at this time as the extent of any Airservices obligation is not known or otherwise cannot be estimated with sufficient reliability to be provisioned.

Legal claims

Brisbane Airport Corporation (BAC) has commenced proceedings against Airservices in the Queensland Supreme Court seeking compensation for alleged Per- and Poly-fluoroalkyl Substances (PFAS) contamination by Airservices at Brisbane Airport from the historical use of fire fighting foams containing PFAS. Airservices disputes BAC's claim and has filed its defence, and the discovery process is underway. Given the stage of the proceedings, Airservices is not in a position to quantify any potential liability at this stage.

ACCOUNTING POLICY

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. Other Information

6.1 CURRENT/NON-CURRENT DISTINCTION FOR ASSETS AND LIABILITIES

	2021 \$'000	2020 \$'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	791,556	517,808
Trade and other receivables	66,725	32,743
Prepayments	13,919	8,377
Inventories	2,127	2,091
Assets held for sale	45	445
Other current assets	100	4,024
Total no more than 12 months	874,472	565,488
More than 12 months		
Prepayments	18,828	27,876
Property, plant and equipment	882,750	957,855
Intangible assets	76,084	87,373
Assets under construction	624,176	501,036
Deferred tax assets	15,794	15,743
Defined benefit fund asset	185,600	143,538
Other non-current financial assets	8,738	13,345
Total more than 12 months	1,811,970	1,746,766
Total assets	2,686,442	2,312,254
Liabilities expected to be settled in:		
No more than 12 months		
Trade and other payables	107,045	121,495
Employee provisions	203,271	195,547
Income tax payable	155,927	816
Other provisions	26,040	27,900
Borrowings	134,855	479,593
Other current financial liabilities	1,895	1,739
Other current liabilities	13,445	13,596
Total no more than 12 months	642,478	840,686
More than 12 months		
Employee provisions	38,425	45,196
Other provisions	79,493	77,082
Borrowings	922,245	671,599
Other non-current financial liabilities	17,481	19,105
Other non-current liabilities	125,948	161,880
Total more than 12 months	1,183,592	974,862
Total liabilities	1,826,070	1,815,548

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6.2 REMUNERATION OF AUDITORS

	2021 \$'000	2020 \$'000
Remuneration of auditors		
Auditing services provided by the Australian National Audit Office	341,000	341,000

6.3 MONIES HELD ON BEHALF OF THIRD PARTIES

Airservices has been contracted by the Solomon Islands Civil Aviation Authority and the Republic of Nauru to provide airspace management and accounts receivable services. The contracts require Airservices to retain cash received and to remit funds at a later date to the Solomon Islands and Nauru Governments, as required under the respective agreements. At balance date, the money held on behalf of third parties totalled \$0.4m (2020: \$0.3m) for the Solomon Islands and \$0.03m (2020: \$0.6m) for Nauru.

6.4 EVENTS AFTER THE REPORTING DATE

Airservices is undertaking a Retirement Incentive Scheme (RIS) for employees in our Air Traffic Control and Aviation Rescue Fire Fighting workforces, who are expected (based on historical retirement ages) to retire before 2024-2025. The RIS provides an incentive for employees to bring forward their retirement while air traffic is at reduced levels and enables Airservices to employ, train and develop new people to replace those who have retired before air traffic returns to pre-pandemic levels.

On 8 July 2021, Airservices obtained a Class Ruling (CR 2021/43) from the Australian Tax Office. This Ruling permits concessional tax treatment of RIS incentive payments for eligible Airservices employees. Retirements under the scheme are expected to be finalized before 30 June 2022.

As part of the October 2020 Federal Budget, a new legislation *Your Future Your Super Act 2021* (YFYS), came into effect from 1 July 2021. Under the YFYS reforms, the Australian Prudential Regulation Authority (APRA) is required to conduct an annual performance test for MySuper products. On 31 August 2021, APRA published a list of thirteen funds that failed this inaugural performance test, including AvSuper's Growth (MySuper) option product. The result of this test does not affect the valuation of the AvSuper Defined Benefit fund obligation as at 30 June 2021 (refer to Note 4.2 Defined benefit fund asset). However, as Principal Employer for the AvSuper fund and as the employer of a significant portion of AvSuper's membership, Airservices has engaged with AvSuper on this legislative change and is working with AvSuper to understand how this may impact AvSuper's strategy going forward.



GOVERNANCE AND ACCOUNTABILITY

OUR BOARD

Under the *Air Services Act 1995*, our Board is responsible for deciding the objectives, strategies and policies followed by Airservices and ensuring that Airservices performs its functions in a proper, efficient and effective manner. The functions of our Board are set out in Section 21 of the Act. Our Board is the 'accountable authority' under the *Public Governance, Performance and Accountability Act 2013*.

The following information outlines the Board and Board Committees memberships, the functions of Board Committees, meeting attendance for 2020-21, and other governance and accountability arrangements. Further information about our corporate governance is available on our website at www.airservicesaustralia.com/about-us/our-governance/

JOHN WEBER

Non-Executive Board Member
Chairman
LLB, MAICD



John Weber has been a member of the Airservices Board since April 2017, and was appointed as Chairman on 3 June 2018. His current term expires on 2 June 2024. He is a non-executive Board member.

Mr Weber served as the Australian managing partner of DLA Piper, one of the world's largest law firms, from 2014 to 2017. He was also a member of DLA Piper's international executive. Prior to that, he was chief executive of Minter Ellison, a leading Australian law firm, for 6 years and a member of its executive management team for 11 years. He has worked extensively in the transport sector (rail and aviation), health, financial services and defence/security sectors for industry and government.

Mr Weber is a Board member of the Western Sydney Airport Corporation, director of the AMS Group and a director of the Dimeo group.

Mr Weber is also a member of the Australian Institute of Company Directors and has extensive board experience across a diverse range of organisations in the public, private and not-for-profit sectors, including the European Australian Business Council, the Council of the Asia Society, the ABCN Foundation, and the Horizons Foundation.

**AIR CHIEF MARSHAL
MARK BINSKIN AC (RET'D)**

Non-Executive Board Member
Deputy Chair; Chair, Board
Safety Committee
GAICD, FRAeS



Air Chief Marshal Mark Binskin (Ret'd) was appointed Deputy Chair of the Board on 13 September 2018. He is Chair of the Safety Committee and a member of the People, Culture and Remuneration Committee, and Technology and Investment Committee. He is a non-executive Board member. Air Chief Marshal Binskin (Ret'd) was on an extended leave of absence between February and September 2020 to Chair the Royal Commission into National Natural Disaster Arrangements. He resigned from the Airservices Board with effect from 31 July 2021.

Air Chief Marshal Binskin (Ret'd) is a highly decorated and respected senior executive and leader in the national security, defence and aerospace sectors, most recently as Chief of the Defence Force of Australia from 2014-2018, and earlier as Vice Chief of the Defence Force (2011-2014) and Chief of Air Force (2008-2011). He is currently Deputy Chair of the Sir Richard Williams Foundation, on the Boards of the Western City and Aerotropolis Authority and the Australian International Military Games (Invictus Games Sydney 2018). He is a non-executive director of defence and national security policy with BAE Systems Australia.

As Chief of Defence, Air Chief Marshal Binskin (Ret'd) successfully led the Australian Defence Force, comprising 80,000 permanent and reserve personnel, to significantly improve capabilities and responses to major global events and championed organisational change across areas of national security, culture, diversity, and leadership performance. He oversaw the First Principles Review of Defence and delivered the successful implementation of the One Defence approach.

Air Chief Marshal Binskin (Ret'd) has provided specialist advice to the highest levels of government, industry leaders and international stakeholders, and his aerospace knowledge and expertise is extensive. He has over 3,500 hours in single-seat fighter aircraft, including the A-4G Skyhawk, Mirage 1110, F-16C and F/A-18 Hornet. He continues to be active in general aviation, is a warbird owner and holds Commercial, Remote and Recreational Aviation Australia pilot licences.

Air Chief Marshal Binskin (Ret'd) has completed the Harvard Business School Advanced Management Program, is a graduate member of the Australian Institute of Company Directors and a Fellow of the Royal Aeronautical Society.

OUR BOARD

ANNE BROWN

Non-Executive Board Member
Chair, Board Audit and
Risk Committee
BA CA GAICD



Anne Brown was appointed to the Board on 4 December 2019. She is Chair of the Audit and Risk Committee and a member of the People, Culture and Remuneration Committee. Her current term expires on 3 December 2022. She is a non-executive Board member.

Ms Brown has substantial knowledge and practical experience of Australian and international exchange-traded financial markets, risk management, related infrastructure, governance and regulatory environments. She was previously Chief Risk Officer with ASX Limited, following its merger with SFE Corporation Limited (SFE). Her role included group executive oversight of enterprise-wide risk management, compliance and audit. She directed risk management policy development and execution for the ASX's 2 central counterparty clearinghouses and led key regulatory stakeholder relationships.

Ms Brown also represented the ASX as the Chair and/or executive committee member of CCP12, an influential global industry association involving all major international clearing houses. Prior to the ASX-SFE merger, she was a general manager with SFE and previously worked with KPMG in both Edinburgh and Sydney.

Ms Brown is a member of the Markets Disciplinary Panel, Australian Securities and Investments Commission and a member of the Finance and Risk Committee of Monte Sant' Angelo Mercy College Ltd. She is also a former Board member of the Clean Energy Regulator and the Chair of the Australian Life Code Compliance Committee.

She is a member of the Institute of Chartered Accountants of Scotland and a graduate member of the Australian Institute of Company Directors.

SUE ELLEN BUSSELL AM

Non-Executive Board Member
Chair, Board People, Culture and
Remuneration Committee
BA (Sociology), FAHRI, GAICD



Sue Bussell was appointed to the Board on 4 December 2019. She is Chair of the Board People, Culture and Remuneration Committee and a member of the Environment and Community Committee. Her current term expires on 3 December 2022. She is a non-executive Board member.

Ms Bussell was a partner at KPMG from January 2017 to January 2020, where she led the Workplace Advisory practice.

Prior to KPMG, Ms Bussell was a senior executive at Qantas Airways and held positions including human resources, Commercial and was Executive Manager Industrial Relations for many years, responsible for industrial relations for the Qantas Group. Prior to Qantas, she was a commissioner in the Victorian Industrial Relations Commission, a consultant with the Australian Industry Group, and held a management position with Ansett Airlines. She has strong strategic capabilities and a proven ability to deliver business results and manage business outcomes in difficult environments.

Ms Bussell is an Honorary Associate at Sydney University Business School and was a member of the Work and Organisational Studies Advisory Board, 2011 to 2019. She was a Board Member of Odyssey House, 2006 to 2008, and the Macquarie University Faculty of Business and Economic Industry Advisory Board, 2009 to 2017. Ms Bussell was awarded a member of the Order of Australia in 2014 for significant service to industrial relations, as a supporter of women in business, and to the aviation sector. She is a graduate member of the Australian Institute of Company Directors.

DR EILEEN DOYLE

Non-Executive Board Member
BMath Hons, MMath, PhD,
FTSE, FAICD, FAAAAI



Eileen Doyle was appointed to the Board on 21 April 2021. She is a member of the Audit and Risk Committee and the Environment and Community Committee. Her current term expires on 20 April 2025. She is a non-executive Board member.

Dr Doyle has extensive experience at senior executive and CEO levels across several industries. She is an experienced non-executive director and is on the Board of Oil Search Ltd, NextDC Ltd, Swoop Analytics and DBI Infrastructure Ltd. She is a former Chairman of PWCS and Deputy Chairman of the CSIRO. She was Australia's first Fulbright Scholar in Business and had the opportunity to study and work in New York.

She is a Foundation Fellow of The Australian Association of Angel Investors, a Fellow of the Australian Academy of Technological Sciences and Engineering, and a Fellow of the Australian Institute of Company Directors.

DR MARLENE KANGA AM

Non-Executive Board Member
Chair, Board Environment and
Community Committee
BTech, MSc, PhD, HonFIEAust,
HonFICHEM, FTSE, FAICD



Marlene Kanga was appointed to the Board on 4 September 2017. She is Chair of the Board Environment and Community Committee and a member of the Board Safety Committee. Her current term expires on 3 September 2024. She is a non-executive Board member.

Dr Kanga has extensive experience in process safety systems engineering in the oil and gas and energy industry. She is an experienced non-executive director and is on the Board of Sydney Water Corporation, Business Events Sydney, Standards Australia. She is a past member of NSW Smart Sensing Network and the boards of Innovation Science Australia and Engineers Australia, where she was Chair and National President in 2013. She is the Past President of the World Federation of Engineering Organisations. She is a director of iOmniscient Pty Ltd, which has developed artificial intelligence-based video analytic technologies.

Dr Kanga is an Honorary Fellow of Engineers Australia, an Honorary Fellow of the Institution of Chemical Engineers (UK), a Fellow of the Australian Academy of Technological Sciences and Engineering, and a Fellow of the Australian Institute of Company Directors.

Dr Kanga was named the Engineers Australia 2018 Professional Engineer of the Year and has been listed among the Top 100 Women of Influence in Australia and the Top 100 Engineers in Australia. She is a Member of the Order of Australia in recognition of her leadership of the engineering profession.

OUR BOARD

DAVID MARCHANT AM

Non-Executive Board Member
Chair, Board Technology and
Investment Committee
GAICD



David Marchant was appointed to the Board on 21 July 2014. He is Chair of the Board Technology and Investment Committee and a member of the Audit and Risk Committee. His current term expires on 20 July 2023. He is a non-executive Board member.

Mr Marchant has extensive experience in the transport industry. He is the Chairman of Queensland Rail and QR Ltd. He is a former Managing Director and Chief Executive Officer of the Australian Rail Track Corporation Ltd, and Director and Chair of the Australasian Railways Association. Mr Marchant also served as a Director of the Rail Industry Safety and Standards Board.

Mr Marchant has worked as Managing Director of Lend Lease Engineering and Managing Director of Lend Lease Infrastructure Services and was a director of the Hunter Valley Coal Chain Coordination Company Pty Ltd.

He was appointed a member of the General Division of the Order of Australia in 2013 for significant service to the rail industry through national structural reform and infrastructure upgrades, and is a graduate member of the Australian Institute of Company Directors.

LAWRENCE (LAWRIE) TURNER

Non-Executive Board Member



Lawrie Turner was appointed to the Board on 3 March 2021. He is a member of the Technology and Investment Committee and Safety Committee. His current term expires on 2 March 2024. He is a non-executive Board member.

Mr Turner has held the position of Chief Information Officer in airline, retail, telecom and rail industries. He has over 20 years of experience in the aviation industry, having worked at an executive level in Qantas Airways, Virgin Australia Airlines and internationally with Sabre Corporation of the USA. Lawrie developed the strategy and then led the integration of commercial IT systems supporting the merger of Qantas and Australian Airlines, and later represented Qantas in the formation of the Oneworld Alliance. As Vice President for Sabre's Sirena-3 program in Russia, Mr Turner successfully implemented a version of the Sabre system to support multiple Russian airlines. At Virgin Australia, Lawrie held the roles of Chief Information Officer, Acting Chief Operating Officer and Group Executive Business Services.

He has carried out strategic consulting assignments for the Department of Defence's Chief Information Officer Group, Newcrest Mining and Velocity Frequent Flyer, and is a Board member of the Digital Lifecycle Group.

JASON HARFIELD

Executive Board Member
Chief Executive Officer
EMBA, FAICD, FRAeS



Jason Harfield was appointed Chief Executive Officer on 9 March 2016, after beginning his career with Airservices as a flight data officer in Adelaide in 1989. He is an executive Board member.

With over 30 years of experience in aviation and the air traffic management industry, Jason has been a core member of the Airservices Executive Leadership Team since 2005. His executive leadership roles included leading the safety and future services functions, and leading and transforming the air traffic services operations.

Prior to this, Jason held several operational management and senior management positions, including Australia's Head Air Traffic Controller and Australian Airspace Regulator, as well as operating as a qualified operational air traffic controller.

Jason has an EMBA from Melbourne Business School (Mt Eliza) and has completed the Advanced Management Program at Harvard Business School. He is also a fellow of both the Australian Institute of Company Directors and the Royal Aeronautical Society, as well as a private pilot.



FORMER BOARD MEMBERS

The terms of the following Board members concluded during 2020-21:

FIONA BALFOUR

BA (Hons), GradDipIM, MBA, FAICD, Fellow of The University – Monash University, FRAeS.

Fiona Balfour was appointed to the Board on 3 June 2013. Her most recent term expired on 2 September 2020. At the conclusion of her term, she was serving as Chair of the Safety Committee and a member of the Audit and Risk Committee and the Technology and Investment Committee. She was a non-executive Board member.

Mrs Balfour has over 40 years of experience across aviation, information and telecommunication services, distribution and logistics and corporate governance. She has been an advisor to Medibank Private Limited, and was previously CIO at Telstra Corporation Limited. Following several years in technology consulting in Technology and Aviation, Mrs Balfour spent 14 years as a Senior Executive with Qantas Airways Limited, during which time she held various positions including, Chief Information Officer and Executive General Manager of Qantas Business Services.

Mrs Balfour has been an independent non-executive director since 2002, and currently sits on the boards of Western Sydney Airport Corporation and the Australian Broadcasting Corporation (ABC). She is also a nominee director for the Public Sector Investment Board (Canada) at Land Services South Australia and Airtrunk. Ms Balfour is a former director of Metcash Limited (ASX:MTS), SITA SC (Geneva), Salmat Limited (ASX:SLM), Knox Grammar School, Wahroonga, TAL (Dai-ichi Life) Australia Pty Limited (formerly Tower Australia Limited (ASX:TAL), Chief Executive Women and the Australian Red Cross Blood Service.

TIM ROTHWELL

BA (Hons), FCA, MAICD

Tim Rothwell was appointed to the Board on 21 July 2014. His most recent term expired on 20 April 2021. At the conclusion of his term, he was serving as a member of the People, Culture and Remuneration Committee, Audit and Risk Committee, and the Environment and Community Committee. He was a non-executive Board member.

Mr Rothwell retired as Chief Financial Officer of Brisbane Airport Corporation in 2013, after 20 years with the organisation and is now a consultant to industry. He is a member of the Council of the University of the Sunshine Coast and a former Board member of the Cross River Rail Development Authority. Mr Rothwell mentors Queensland University of Technology Executive MBA students.

He holds a Bachelor of Arts in Economics and Accounting, is a Fellow of the Institute of Chartered Accountants and the Australian Institute of Company Directors.



BOARD COMMITTEES

In 2020-21, the five standing committees of the Board were the:

The **Safety Committee**, which assists our Board to ensure that we meet our operational safety, and work, health and safety obligations. It also monitors organisational preparedness to counter security threats. The Committee has at least 3 non-executive Board members, plus the Chairman and CEO as ex-officio committee members.

The **Audit and Risk Committee**, which assists the Board in maintaining objective and reliable financial and performance reporting, and effective systems for risk management and internal control. It helps our Board ensure that we comply with all relevant legislative and other regulatory obligations. These include obligations under the *Air Services Act 1995* and the *Public Governance, Performance and Accountability Act 2013*. The Committee has at least 3 members, all of whom must be independent non-executive Board members.

The **People, Culture and Remuneration Committee**, which assists our Board in overseeing strategy, policies and practices relating to the management of our people and culture. It also reviews the performance, remuneration and succession plans for our CEO and Executive team. The Committee has at least 3 non-executive Board members, plus the Chairman and CEO as ex-officio committee members.

The **Technology and Investment Committee**, which assists the Board in overseeing our technology, systems engineering and information technology (IT) strategies and policies. It also oversees the strategic direction and policies of business systems, operational technology and IT security and monitors the development and delivery of the capital investment program. It has responsibility for overseeing the execution of the OneSKY Program. The Committee has at least 3 non-executive Board members, plus the Chairman and CEO as ex-officio committee members.

The **Environment and Community Committee**, which assists the Board in overseeing our strategy to address the impact of operations on the environment and the community, environmental obligation compliance, community engagement, and the implementation of the recommendations of the Aircraft Noise Ombudsman. The Committee has at least 3 non-executive Board members, plus the Chairman and CEO as ex-officio committee members.

Each Board Committee has been established with its charter, which is available on our website <https://www.airservicesaustralia.com/about-us/our-governance/>. Board Committees comprises only of Board members. In 2020-21, Board members were remunerated in accordance with the *Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2020* and did not receive additional remuneration for membership of any Board committee.

MEETING ATTENDANCE

The number of meetings of the Board and Board Committees held during the period ended 30 June 2021, along with the corresponding attendance by each Board member, are shown in the tables below.

TABLE 1: BOARD

Board members	No. of possible meetings	No. of meetings attended
Mr John Weber	9	9
Air Chief Marshal Mark Binskin AC (Ret'd)	7	7
Ms Fiona Balfour	1	1
Ms Anne Brown	9	9
Ms Sue Bussell AM	9	9
Dr Eileen Doyle	2	2
Dr Marlene Kanga AM	9	9
Mr David Marchant AM	9	9
Mr Tim Rothwell	7	7
Mr Lawrence Turner	3	3
Mr Jason Harfield	9	9

Notes:

1. The term of Fiona Balfour expired on 2 September 2020.
2. The term of Tim Rothwell expired on 20 April 2021.
3. The term of Lawrence Turner commenced on 3 March 2021.
4. The term of Eileen Doyle commenced on 21 April 2021.
5. Mark Binskin was granted leave of absence for the period 20 February to 16 September 2020, due to his appointment as Chair of the Royal Commission into National Natural Disaster Arrangements.

TABLE 2: SAFETY COMMITTEE

Committee members	No. of possible meetings	No. of meetings attended
Ms Fiona Balfour	1	1
Air Chief Marshal Mark Binskin AC (Ret'd)	4	4
Ms Sue Bussell AM	5	5
Ms Anne Brown	5	5
Dr Marlene Kanga AM	6	6
Mr Lawrence Turner	1	1
Mr John Weber	6	6
Mr Jason Harfield	6	6

Notes:

1. Fiona Balfour served as Committee Chair from 1 July to 2 September 2020.
2. Anne Brown served as Committee Chair from 3 September to 16 September 2020.
3. Mark Binskin served as Committee Chair from 17 September 2020.
4. The membership of Anne Brown expired on 31 March 2021.
5. The membership of Sue Bussell expired on 31 March 2021.
6. The membership of Lawrence Turner commenced on 31 March 2021.

TABLE 3: AUDIT AND RISK COMMITTEE

Committee members	No. of possible meetings	No. of meetings attended
Mr Tim Rothwell	3	3
Ms Anne Brown	4	4
Ms Fiona Balfour	0	0
Mr David Marchant AM	4	4
Dr Eileen Doyle	1	1

Notes:

1. Tim Rothwell served as Committee Chair from 1 July 2019 to 17 September 2020.
2. Anne Brown served as Committee Chair from 17 September 2020 to 30 June 2021.
3. The membership of Fiona Balfour expired on 2 September 2020.
4. The membership of Tim Rothwell expired on 20 April 2021.
5. The membership of Eileen Doyle commenced on 21 April 2021.

TABLE 4: PEOPLE, CULTURE AND REMUNERATION COMMITTEE

Committee members	No. of possible meetings	No. of meetings attended
Ms Sue Bussell AM	5	5
Air Chief Marshal Mark Binskin AC (Ret'd)	4	4
Ms Anne Brown	1	1
Dr Marlene Kanga AM	1	1
Mr David Marchant AM	4	4
Mr Tim Rothwell	4	4
Mr John Weber	5	5
Mr Jason Harfield	5	5

Notes:

1. Sue Bussell served as Committee Chair from 1 July 2020 to 30 June 2021.
2. The membership of Marlene Kanga expired on 16 September 2020.
3. The membership of Mark Binskin resumed on 16 September 2020.
4. The membership of David Marchant expired on 31 March 2021.
5. The membership of Tim Rothwell expired on 31 March 2021.
6. The membership of Anne Brown commenced on 31 March 2021.

TABLE 5: TECHNOLOGY AND INVESTMENT COMMITTEE

Committee members	No. of possible meetings	No. of meetings attended
Mr David Marchant AM	8	8
Ms Fiona Balfour	0	0
Air Chief Marshal Mark Binskin AC (Ret'd)	7	6
Dr Marlene Kanga AM	6	6
Mr Tim Rothwell	1	1
Mr Lawrence Turner	1	1
Mr John Weber	8	8
Mr Jason Harfield	8	8

Notes:

1. David Marchant served as Committee Chair from 1 July 2020 to 30 June 2021.
2. The membership of Fiona Balfour expired on 2 September 2020.
3. The membership of Tim Rothwell expired on 16 September 2020.
4. The membership of Mark Binskin resumed on 16 September 2020.
5. The membership of Marlene Kanga expired on 31 March 2021.
6. The membership of Lawrence Turner commenced on 31 March 2021.

TABLE 6: ENVIRONMENT AND COMMUNITY COMMITTEE

Committee members	No. of possible meetings	No. of meetings attended
Dr Marlene Kanga AM	4	4
Ms Anne Brown	3	3
Ms Sue Bussell AM	4	4
Dr Eileen Doyle	1	1
Mr Tim Rothwell	3	3
Mr John Weber	4	4
Mr Jason Harfield	4	4

Notes:

1. Marlene Kanga served as Committee Chair from 1 July 2020 to 30 June 2021.
2. The membership of Anne Brown expired on 31 March 2021.
3. The membership of Tim Rothwell expired on 31 March 2021.
4. The membership of Eileen Doyle commenced on 21 April 2021.

BENEFITS AND INTERESTS IN CONTRACTS WITH AIRSERVICES AUSTRALIA

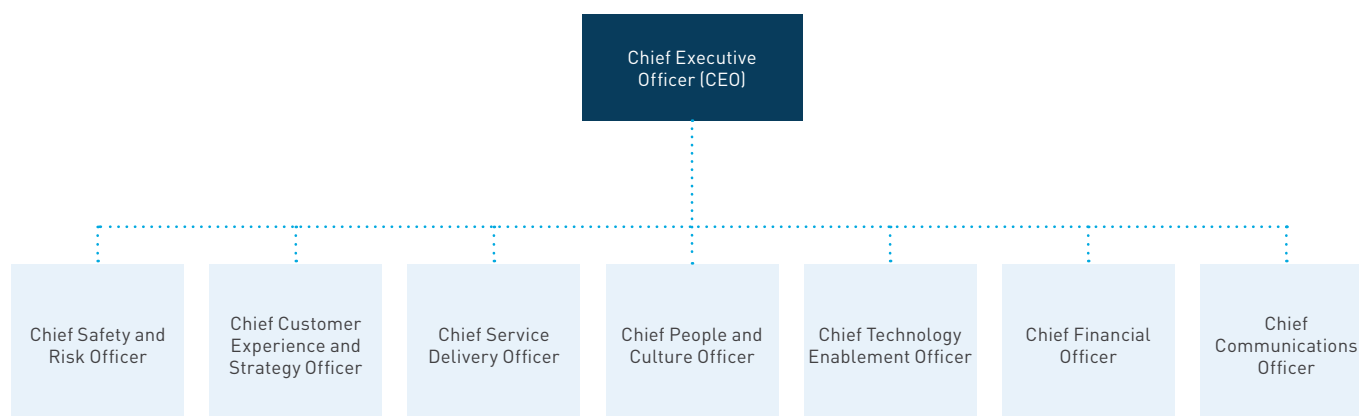
Details of directors' benefits and interests in contracts with Airservices are set out in notes 4.3 and 4.4 of the financial statements.

DIRECTORS' AND OFFICERS' INDEMNITIES AND INSURANCE

In 2020-21, we held a Directors' and Officers' liability insurance policy. It is a condition of this policy that the nature of the Directors' and Officers' indemnities and insurance, including the limits of liability and the premium payable, are not disclosed to third parties, except to the extent required by law or the insurer consents in writing to such disclosure.

OUR BUSINESS ORGANISATIONAL STRUCTURE

The diagram below outlines our organisational structure as of 30 June 2021.





OUR GOVERNANCE

As a corporate Commonwealth entity, we comply with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) to ensure the effective, efficient, economical and ethical use of our resources. The Board articulates its expectations through key organisational policies that are operationalised through 16 established governance frameworks. These governance frameworks embed legal and regulatory obligations aligned to better practice frameworks and work together to support the delivery of our corporate objectives. The overarching Governance, Risk and Compliance (GRC) Framework directs our GRC accountabilities and actions while promoting continuous improvement across all our governance frameworks. Ongoing assurance is also provided to the Board and senior management that GRC accountabilities are being effectively applied. Key activities this year have included a focus on process design and digitisation, as well as alignment of change and assurance activities.

RISK MANAGEMENT

We support a culture of proactive risk management by ensuring sound GRC practices are embedded across our functions. Our risk management approach meets the requirements of Section 16 of the *PGPA Act 2013* and is aligned to ISO 31000:2018 Risk Management Guidelines and the Commonwealth Risk Management Policy.

Our Risk Appetite Statement is reviewed annually to ensure it continues to drive effective risk management and consistent decision-making through a common understanding of the level of risk that we are willing to accept. It also articulates our need to maintain the safety of air navigation as the most important consideration while delivering value and innovative services for our customers and the aviation industry.

COMPLIANCE MANAGEMENT

As an organisation operating in the complex global aviation industry, ongoing compliance with applicable legal and regulatory obligations is fundamental to achieving our objectives. Our compliance management approach is aligned to ISO 19600:2015 Compliance Management Systems Guidelines. It is operationalised through comprehensive compliance obligation registers that are supported by legislative monitoring processes and active compliance management activities. The Three Lines assurance model continues to direct and inform our GRC insights and performance.



ETHICAL STANDARDS AND FRAUD CONTROL

We promote the highest standards of ethical behaviour and do not tolerate any fraudulent conduct, including corruption and bribery. We maintain strong and effective fraud control arrangements consistent with Section 10 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Fraud Rule).

The Executive Safety and Risk Oversight Committee monitors, advises and provides assurance over the implementation of our Fraud Control Plan. Similarly, the Executive People and Culture Committee performs this function for ethical matters. Performance against ethical standards and fraud control is reported to the Board through the People, Culture and Remuneration Committee and Board Audit and Risk Committee.

Our Ethics and Fraud Control policy and Bullying, Harassment and Discrimination policy, supported by the Code of Conduct Standard, inform employees, contractors and consultants about ethical standards and our approach to fraud control. All alleged incidents of fraud, corruption and bribery are managed in accordance with our Handling Suspected Misconduct Procedure, as well as the Public Interest Disclosure Procedure (where 'disclosable conduct' under the *Public Interest Disclosure Act 2013* is reported). This covers investigations and any actions undertaken, including reporting alleged wrongdoing that is potentially criminal or illegal to the appropriate law enforcement agency. We continually review fraud risks and monitor controls for effectiveness. All reasonable measures are undertaken to prevent, minimise and investigate incidents of fraud, with the recovery of fraud losses also occurring wherever possible.



RESILIENCE

Organisational resilience is defined within ISO 22316:2017 (Security and Resilience – Organisational Resilience – Principles and Attributes) as 'the ability of an organisation to absorb and adapt in a changing environment'. Over 2020-21, we have effectively responded to the COVID-19 outbreak in line with advice from the State and Commonwealth Departments of Health. To minimise the risk to our people, workplaces and services, ongoing key controls have been implemented, such as enhanced cleaning activities at our workplaces, restricted access to operational areas, resilience rostering for our operational teams, and work-from-home arrangements for staff with the ability to do so. These measures successfully minimised impacts on our service delivery to our customers and the aviation industry. Our Corporate Response Team also continues to meet regularly to respond and adapt quickly to evolving situations at State and Federal levels.

In addition, an annual exercise program was also conducted throughout the year. Exercises are an essential component of preparedness and are used to enhance our response capability and to ensure continuous improvement of our plans and processes. Routine exercising of operational contingency plans and other critical functions were also conducted to validate our existing arrangements.

SECURITY

We are committed to protecting our people, information and assets to deliver safe operational services to our customers. We achieve this by identifying and managing our security threats and aligning our security risk management processes to the Protective Security Policy Framework (PSPF) and the Information Security Manual (ISM).

During 2020-21, key strategies enacted from our enterprise security plan resulted in a maturity uplift against core PSPF requirements, which continued to strengthen our security posture and culture. These activities are ongoing as we work towards the delivery of the OneSKY Program. A new security incident reporting tool was also introduced, and underpins more insightful reporting on incidents and trends across the organisation.

As an aviation industry participant, we maintain a Transport Security Program and associated Aviation Security Identification Card (ASIC) Program. The programs are approved by the Aviation and Maritime Security Division of the Department of Home Affairs, as required under the *Aviation Transport Security Act 2004*, and the *Aviation Transport Security Regulations 2005*. During 2020-21, as an ASIC Issuing Body, we maintained Maturity Level 3 compliance with the cybersecurity directive from the Department of Home Affairs.

OUR INTERNAL AUDIT PERFORMANCE

Internal Audit's role is to provide independent assurance that our risk management, governance and internal control processes are operating effectively. It is the third line in the Three Lines assurance model, which we use to monitor the operation of controls and risk-mitigation activities to assure the effective and efficient performance of our business processes. During 2020-21, our internal audit team performed 12 business audits, one of which was supported by external subject matter experts, and 5 were conducted by external independent contractors. Additionally, 7 audits on compliance with the Civil Aviation Safety Regulations 1998 were performed, of which one was performed by an external independent contractor.

All corrective actions arising from our internal audits are tracked, and their implementation progress is overseen by the Board Audit and Risk Committee.

EXTERNAL AUDITS

During 2020-21 we were not the subject of any external performance audits by the Australian National Audit Office.

TRANSPARENCY PERFORMANCE

PRIVACY

We continue to promote a culture of privacy that values and protects personal information. It is supported by the steps we take to ensure compliance with the *Notifiable Data Breach Scheme* (NDBS) and the *Australian Government Agencies Privacy Code* (the Code).

These steps include:

- a review and significant update to the Airservices Privacy Policy
- the establishment of Airservices Recruitment Privacy Statement
- ongoing privacy training program to continue to enhance our people's awareness of privacy obligations and requirements. The program includes introductory privacy training as part of new employee induction and refresher training for existing employees, with follow-up privacy training to increase people's understanding of the *Privacy Act 1988*. The training program addresses the privacy obligations of our people and provides information on best practice methods when undertaking activities that involve the handling of personal information
- the continued use of our Privacy Threshold and Impact Assessments so we can identify, manage and mitigate any privacy concerns that may arise in our proposed projects and activities
- the regular update of our Register of Privacy Impact Assessments on our website, setting out all projects for which a Privacy Impact Assessment has been undertaken
- the continuous improvement of our Data Breach Response Plan to ensure optimal responses to manage and mitigate data breaches, and minimise the risk of similar breaches. This plan is overseen by our Data Breach Response Team, which comprises relevant specialists from across the business
- regular communication to all employees about privacy matters, including working collaboratively with the Office of the Australian Information Commissioner (OAIC) to remind our people of the importance of privacy during Privacy Awareness Week.

During 2020-21, no privacy breaches were identified.

Our Privacy Policy is available at <https://www.airservicesaustralia.com/privacy-policy/>

FREEDOM OF INFORMATION (FOI)

We are required to publish information as part of the *Information Publication Scheme* (IPS) in accordance with the *Freedom of Information Act 1982* (FOI Act).

During 2020-21, we received 54 FOI requests and completed 20 requests.

Our FOI Disclosure Log lists information that has been released in response to FOI access requests. The Disclosure Log and IPS are available at <https://www.airservicesaustralia.com/about-us/freedom-of-information/>

Information is not published on the Disclosure Log or the IPS if it:

- contains personal or business details, rendering it unreasonable to publish
- is exempt from release under the FOI Act
- has been published or released outside the FOI Act.

Ongoing training has been established to ensure our people's continuing awareness of FOI requirements including, introductory FOI training as part of the new employee induction and refresher training for existing employees, with follow-up FOI training to increase our people's understanding of the operation of the FOI Act.

During 2020-21, there were no requests made to the OAIC to review any of our decisions made under the FOI Act.

COMMONWEALTH OMBUDSMAN ACTIVITY

In January 2021, the Commonwealth Ombudsman commenced its own motion investigation into a number of Commonwealth agencies' administration of, and compliance with the *Public Interest Disclosure Act 2013*. Airservices was selected in their sample, and a response was provided to the Commonwealth Ombudsman in March 2021. We are yet to receive the Ombudsman's final report.

In July 2020, we received a Commonwealth Ombudsman notice of investigation into a complaint relating to Sunshine Coast airspace. We provided a response to the Commonwealth Ombudsman in August 2020. Airservices has not yet received the Ombudsman's report or been advised of any findings.

FAIR WORK COMMISSION (FWC)

No enterprise agreements were submitted to the FWC for review or approval during the reporting period.

JUDICIAL DECISIONS AND REVIEWS BY OUTSIDE BODIES

No judicial or tribunal decisions were made during the reporting period that has had, or may have a significant effect on our operations.

ADVERSE EFFECT OF NON-COMMERCIAL COMMITMENTS

No non-commercial commitments were recorded in 2020-21.

OUR WORK HEALTH AND SAFETY PERFORMANCE

This section is presented in accordance with the *Work Health and Safety Act 2011* (WHS Act).

WORK HEALTH AND SAFETY – EXECUTIVE COMMITMENT

Throughout 2020-21, our Board and Executive continued their ongoing commitment to Work Health and Safety (WHS), with the health and wellbeing of our people deemed essential to our continued success. Our priorities have centred on minimising our risk exposure in line with the Board's Risk Appetite Statement through targeted risk reduction initiatives. Supporting the mental health and protecting the physical health of our people during the ongoing COVID-19 pandemic has also remained a key focus throughout the year.

WORK HEALTH AND SAFETY INITIATIVES

Ongoing Support during the COVID-19 Pandemic

As the COVID-19 pandemic continues to impact the industry and our organisation, our primary focus has remained on the safety of our people. Through our Coronavirus Response Team, we continue to actively monitor and respond to the COVID-19 pandemic by aligning to the latest advice provided by State, Territory and Federal Governments.

Our COVID-19 Response Plan, Business Continuity Plans and the COVIDSafe Roadmap are key controls that are continually reviewed to manage the risks of COVID-19 to our operations. We continue to embed initiatives and provide up to date hazard and risk management advice to our staff to transition our workforce to new ways of working.

Over the year, we have:

- delivered Mental Health First Aid training to over 300 leaders and staff
- rolled out mindfulness-based training and resources available through phone applications
- undertaken regular 'pulse surveys' to gauge the climate of our workforce and tailored our interventions accordingly
- implemented an enterprise-wide social media tool, 'Workplace', to increase connectivity across the business and provided a platform for staff to remain informed and connected.



Hazard and Risk Management

We have continued to embed our strategic and tactical work health and safety management plans to reduce our exposure across the business. Our WHS risk baseline continues to be proactively managed, with a new cross-functional panel established to critically review and monitor our WHS risks monthly. This has enabled us to streamline and align WHS processes and approaches to better support all functions across our value chain.

Electrical Safety

Work has continued to implement recommendations arising from an external review of Electrical Safety, with enhancements made to electrical safety training and implementation of a new program designed to address the risks associated with arc flash. We also enhanced our Safe Work Method Statement process for electrical safety, and strengthened our assurance mechanisms through improved field audits.

Driving and Vehicle Safety

Initiatives associated with improving safe driving practices and our vehicle fleet were implemented this year following an internal review of work-related driving risks. The program of work focused on: setting safety standards for vehicle procurement, establishing more robust requirements for vehicle modifications, revising our approach to driver training, and introducing journey management requirements, to better manage the hazards associated with driving over long distances and difficult terrain.

Employee Health and Wellbeing

Initiatives to support our people's health and wellbeing included engagement activities for 'RUOK' Day, World Mental Health Day and Safe Work Month. Although the impact of the COVID-19 pandemic has led to restricted social contact in the workplace, a number of new tools were adopted to increase staff connectivity across the organisation through technology applications, including the 'Workplace' social media platform.

WORK HEALTH AND SAFETY REPORTING

Our Lost Time Injury Frequency Rate (LTIFR) continued a year-on-year downward trend, with a 56 per cent improvement this year. Our Total Recordable Injury Frequency Rate (TRIFR) also performed strongly, with a 28 per cent improvement.

Importantly, this was achieved while our operations were significantly impacted by the ongoing COVID-19 pandemic. Our continued LTIFR and TRIFR improvements reflect our efforts to prioritise people's wellbeing and focus on targeted hazard and risk reduction activities.

CONSULTATION AND HEALTH AND SAFETY COMMITTEES

Local Health and Safety Committee meetings were held in Brisbane, Sydney, Canberra and Melbourne, to consult on and work to resolve local work health and safety issues at those sites. We also revised our approach to Health and Safety Committees, and expanded their coverage to capture all regional sites to ensure all our locations have access to a committee to raise, review and find local solutions for safety-related issues.

WORKERS' COMPENSATION PREMIUM

The Comcare premium for 2020-21 was 0.76 per cent of payroll, which was consistent with 2019-20 while continuing to remain lower than the Commonwealth's scheme average of 0.85. This was attributable to our average claim costs (across the four-year premium window) being lower than the benchmark set, resulting in downward pressure on our overall premium.

IMPROVEMENT NOTICES AND COMCARE INVESTIGATIONS

During 2020-21, we received no improvement notices and were not the subject of any investigations.

TABLE 7: WORK HEALTH AND SAFETY OCCURRENCES AND HAZARDS 2016-17 TO 2020-21

Incident category	2016-17	2017-18	2018-19	2019-20	2020-21
Reported work-related WHS occurrences	221	250	251	167	142
Reported work-related WHS hazards	197	335	1,368	1,203	552
Workplace fatality	1 ¹	0	0	0	0
Serious Injury or Illness requiring Comcare notification	2 ²	3 ³	3	1	3 ⁶
Dangerous Incidents requiring Comcare notification	11 ⁴	18 ⁵	11	8	9

¹ Reported to Comcare based on historical claim for cancer-related death. Subsequently, Comcare rejected claim, recoded as non-work related.

² One reported serious injury or illness was recoded as non-work related based on further information.

³ One reported serious injury or illness was recoded as non-work related based on a pre-existing health condition.

⁴ Four reports recoded to non-dangerous incidents based on further information received.

⁵ Five reports recoded to non-dangerous incidents based on further information received.

⁶ One report recoded to non-dangerous incident based on further information received.

OUR EQUITY AND DIVERSITY APPROACH

We are committed to creating a diverse and inclusive workplace where people feel safe, respected and valued. Work continues to progress across the business to improve the way we support our people's physical and psychological health and safety.

As a Commonwealth authority employer, we are bound by the following legislation:

- *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*
- *Human Rights Commission Act 1986*
- *Racial Discrimination Act 1975*
- *Sex Discrimination Act 1984*
- *Disability Discrimination Act 1992*
- *Age Discrimination Act 2004*

The below table outlines the annual program report in accordance with the requirement set out in section 6 of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* (EEO Act).

TABLE 8: EQUITY AND DIVERSITY REPORTING

EEO Act (1987)	2020-21 Activities
<p>Informing employees – s.6 (a) Without limiting the generality of the definition of program in subsection 3(1), the program of a relevant authority shall provide for action to be taken:</p> <p>(i) to inform employees of the contents of the program and of the results of any monitoring and evaluation of the program under paragraph (h).</p>	<p>We developed a comprehensive and future-focused People and Culture Plan, including both short and long-term priorities for increasing diversity and fostering inclusion across the organisation.</p> <p>Our people are informed of equity and diversity programs through CEO and leader communications, the employee intranet, induction and development training, and our annual and quarterly reports.</p> <p>Internal and external awareness events are prominent in our communications plan and reflect the importance of significant days, in the workplace and the community.</p> <p>A Cultural Reform Board has also been established for the past 12 months to drive and oversee our cultural change. The board plays an important role in demonstrating our commitment to diversity, inclusion and culture change.</p>
<p>Conferring responsibility – s.6 (b) To confer responsibility for the development and implementation of the program (including a continuous review of the program), on a person or persons having sufficient authority and status within the management of the relevant authority to enable the person or persons properly to develop and implement the program.</p>	<p>In 2020-21, our Chief People and Culture Officer held responsibility for diversity and inclusion within the organisation.</p> <p>Furthermore, all leaders throughout the organisation, without exception, are responsible for creating a safe and inclusive environment for their teams where everyone is treated with respect and dignity. They are supported by ongoing training, development and awareness events.</p>
<p>Consultation with trade unions – s.6 (c) To consult with each trade union having members affected by the proposal for the development and implementation of the programme in accordance with this Act.</p>	<p>We consult with our people and their representative organisations prior to the implementation of new policies and procedures relating to employment matters. These organisations include Civil Air, the United Firefighters Union, Professionals Australia, the Community and Public Sector Union, and the Communications, Electrical and Plumbing Union.</p> <p>Our National Consultative Council also provides a mechanism for ensuring ongoing dialogue about specific employee-related issues with our employee organisations.</p>
<p>Consultations with employees – s.6 (d) To consult with employees of the relevant authority, particularly employees who are women or persons in designated groups.</p>	<p>We consult with employees, as appropriate, through the Workplace social media platform, webinars, site visits, newsletters and videos. In addition, regular Culture Pulse surveys are conducted, helping us to identify matters that should be considered in our diversity and inclusion initiatives. In addition, each of our employee network groups [Elevate (LGBTIQ), Yakka Bunji (Indigenous employees) and Women@Airservices (women)] are each sponsored by a member of the Executive team who drives initiatives and desired outcomes.</p>



EEO Act (1987)

2020-21 Activities

Collection of statistics – s.6 (e)

For the collection and recording of statistics and related information concerning employment by the relevant authority, including the number of, and the types of jobs undertaken by, or job classifications of:

- (i) employees of either sex; and
- (ii) persons in designated groups;

Please refer to Tables 9-15 for more information on our employee diversity profile, including employee numbers by gender, demographic group and job family. In addition to capturing demographic data through our human resource systems, we also collect attitudinal data on perceptions of diversity and inclusion practices through our employee surveys.

Consideration of policies, examination of practices – s.6 (f)

To consider policies, and examine practices, of the relevant authority, in relation to employment matters to identify:

- (i) any policies or practices that discriminate against women or persons in designated groups; and
- (ii) any patterns (whether ascertained statistically or otherwise) of lack of equality of opportunity in respect of women or persons in designated groups;

We review our people policies and processes to maintain inclusive, fit-for-purpose and contemporary working principles, processes and standards. This includes our Bullying, Harassment and Discrimination Policy and publication of a refreshed Code of Conduct.

Setting objectives and selecting indicators – s.6 (g)

To set:

- (i) the particular objectives to be achieved by the program; and
- (ii) the quantitative and other indicators against which the effectiveness of the program is to be assessed;

Our People Plan outlines the particular objectives to be achieved and indicators against which the effectiveness will be assessed.

Additionally, we recently published our 'Innovate' Reconciliation Action Plan (RAP) 2021-23, which was endorsed by Reconciliation Australia. It defines the key objectives and actions to be undertaken. The RAP Working Group also continues to provide oversight of the implementation of actions defined in the RAP.

The Cultural Reform Board, comprising members of diverse backgrounds, experience and perspectives from across our organisation, also has oversight responsibility for monitoring our progress in this cultural reform journey.

Monitoring and evaluation – s.6 (h)

To monitor and evaluate the implementation of the program and:

- (i) to assess the achievement of those objectives;
- (ii) to assess the effectiveness of the programme by comparing statistics and information collected and recorded under paragraph (e) with the indicators against which the effectiveness of the program is to be assessed.

We have a program of regular reporting to our Executive and Board on diversity and inclusion matters, including quantitative and qualitative indicators of progress. This includes demographic workforce data, progress against gender targets for specific workforce segments, evaluation data and information about our people's experience of inclusion and culture. The Inclusion and Diversity Action Plan will also create a baseline by which effectiveness of the program can be assessed.

DIVERSITY AND INCLUSION ACHIEVEMENTS

In 2020-21, we achieved the following:

- Launch of our 'Innovate' Reconciliation Action Plan (RAP) 2021-23, which was endorsed by Reconciliation Australia and identifies critical activities and deliverables
- Creation of Safe Place, which provides essential psychological, wellbeing and investigative support to all our staff
- Establishment of employee network groups throughout the organisation, including:
 - Elevate, Airservices Pride Network
 - Women@Airservices
 - Yakka Bunji, a network for Aboriginal and Torres Strait Islander staff.
- These groups continue to gain momentum and have good memberships and engagement
- Introduction of Pride awareness training to increase leader capability in understanding and supporting LGBTIQ+ people and communities
- Development of a standing calendar of key dates of celebration and acknowledgement of diversity within our workforce, including International Women's Day, PRIDE, Harmony Day, National Reconciliation Week and NAIDOC Week.

DIVERSITY PROFILE

Our diversity profile has remained relatively stable over the past 5 reporting periods.

Women in the workforce is currently 17.2 per cent, with women in leadership sitting at 25.1 per cent.

TABLE 9: REPRESENTATION OF DESIGNATED GROUPS IN OVERALL HEADCOUNT 2016–2021

Designated groups*	2016-17	2017-18	2018-19	2019-20	2020-21
Indigenous Australians	1.4%	1.6%	1.7%	1.7%	1.6%
People with a disability	0.8%	0.9%	0.7%	0.9%	1.0%
People from a culturally or linguistically diverse background	6.5%	6.3%	6.0%	6.1%	5.9%
Female employees	16.9%	16.9%	17.7%	17.8%	17.2%

* Note that disclosure is voluntary, and not all employees provide equity and diversity data for these groups.

TABLE 10: EMPLOYEES IN DIVERSITY GROUPS BY JOB ROLE CLASSIFICATION AS AT 30 JUNE 2021*

Job family	Aboriginal and Torres Strait Islander	Culturally and Linguistically Diverse	Disability
Air Traffic Management	8	56	13
Aviation Rescue Fire Fighting Services	31	12	4
Engineering	0	26	1
Technical and Trade	3	32	4
Information and Communications Technology	3	14	0
Enabling Professions	8	44	10
Senior Leadership	1	13	1
Total by diversity groups	54	197	33
Percentage of workforce	1.6%	5.9%	1.0%

Personal information, as recorded in our Human Resources Information System (HRIS), is treated confidentially according to the *Privacy Act 1988*.

TABLE 11: GENDER BY JOB ROLE CLASSIFICATION AS AT 30 JUNE 2021

Job family	Female by percentage	Female by number	Male by number
Air Traffic Management	15.5%	202	1,105
Aviation Rescue Fire Fighting	3.8%	32	820
Engineering	15.0%	21	119
Technical and Trade	6.8%	17	232
Information and Communications Technology	15.4%	14	77
Enabling Professions	46.1%	245	286
Senior Leadership	25.1%	46	137
Total by gender	17.2%	577	2,776

TABLE 12: EMPLOYEE AGE PROFILE AS AT 30 JUNE 2021

Age range	Under 25	25-34	35-44	45-54	55-64	65+
Number of employees	56	648	1,046	994	561	48
Percentage of employees	1.7%	19.3%	31.2%	29.7%	16.7%	1.4%

TABLE 13: AVERAGE RETIREMENT AGE

Data at 30 June 2021	2016-17	2017-18	2018-19	2019-20	2020-21
Average Retirement Age	61.9	61.0	61.3	60.2	62.9

TABLE 14: PART-TIME EMPLOYEES BY AGE BRACKET

Flexibility	Under 25	25-34	35-44	45-54	55-64	65+	Total
Permanent part-time	0	13	56	57	41	9	176
Temporary part-time	0	1	1	0	0	1	3
Casual	6	0	0	0	1	1	8

TABLE 15: EMPLOYEE LOCATION

	Male			Total Male	Female			Total Female	Total
	Full-time	Part-time	Casual		Full-time	Part-time	Casual		
NSW	314	12	1	327	30	8	0	38	365
Qld	922	27	3	952	153	27	2	182	1,134
SA	94	2	0	96	9	2	0	11	107
Tas	67	0	0	67	3	0	0	3	70
Vic	742	27	0	769	136	37	0	173	942
WA	245	0	0	245	16	2	0	18	263
ACT	232	5	1	238	120	30	1	151	389
NT	82	0	0	82	1	0	0	1	83
Total	2,698	73	5	2,776	468	106	3	577	3,353



ENVIRONMENTAL MANAGEMENT AND PERFORMANCE

This section of the report meets the requirements of section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) (EPBC Act) and describes our environmental performance and how we contribute to ecologically sustainable development (ESD).

ENVIRONMENT MANAGEMENT APPROACH

Environmental Management System

We operate an Environment Management System (EMS) to manage our organisational environmental performance and achieve the ESD principles under the EPBC Act.

Our EMS is aligned to ISO 14001:2015, an internationally recognised framework for effective organisational environmental management. In alignment with ISO 14001, we certify 2 airport sites annually against the requirements of the standard. We also take a continuous improvement approach over the governance of the EMS, as required by ISO 14001.

Our EMS, supported by the environmental policy, embeds a framework of hierarchical standards, procedures and controls that clearly govern how we:

- manage our environmental impacts
- comply with regulatory obligations
- achieve positive environmental outcomes.

Environmental Sustainability Strategy

Over 2020-21, we developed our Environmental Sustainability Strategy, which outlines how we will contribute to the wider international aviation sustainability agenda over 2021-26. It outlines key goals and outcomes for:

- Aircraft Noise
- Aircraft Emissions
- Ecological Sustainability
- Sustainable Resource Management

ENVIRONMENTAL PERFORMANCE

Our activities and services may have a number of impacts on our environment, including on ecosystems, communities, natural and physical resources, and heritage. The EMS prescribes the necessary requirements for the organisation to manage and mitigate potential environmental impacts arising from our activities. Our conformance with the framework ensures compliance with our environmental obligations, demonstrates the effectiveness of controls implemented and provides insights for future continuous improvement.

Effectiveness of managing environmental impacts

Table 16 presents key environmental impacts, specific control measures and methods to ensure impacts are minimised. Table 17 details aspects of our performance which are specifically measured to provide insight into the effectiveness of our management.

TABLE 16: KEY POTENTIAL ENVIRONMENTAL IMPACTS AND ASSOCIATED EMS CONTROL MEASURES AND ASSURANCE MECHANISMS

Theme	Activity Impact	Measures taken to minimise environmental impacts	Ongoing Assurance
Community, and Social amenity	Aircraft noise and emissions impacts from flight path changes	<p>Aircraft noise</p> <ul style="list-style-type: none"> – Application of <i>Environmental Management of Changes to Aircraft Operations</i> standard, which requires: <ul style="list-style-type: none"> • targeted environmental impact and risk assessment of proposed changes • seeking the Commonwealth Environment Minister's advice under the EPBC Act for changes deemed to trigger potential 'significant impact' • iterative flight path design principles, used to help minimise environmental impacts. – Social impact analysis and community engagement for proposed changes. – Provision of a Noise Complaint Information Service, which: <ul style="list-style-type: none"> • receives and responds to complaints through a dedicated call centre • investigates and actions complaints • reports complaints statistics to senior management. – Environmental awareness training. – Investigation of externally derived noise improvements. <p>Aircraft emissions</p> <ul style="list-style-type: none"> – In supporting increased capacity delivered by new runways, we have implemented new flight path designs. Whilst emissions have increased slightly by 4 per cent, this has been balanced with noise impacts and safety outcomes, resulting in slightly longer flight paths, but also ensures the safety of our operations. 	<p>Internal assurance reviews and audits undertaken across 3 lines of defence.</p> <p>External reviews/audits undertaken by:</p> <ul style="list-style-type: none"> – ISO 14001 auditors – external stakeholders as required (including the Aircraft Noise Ombudsman and the Civil Aviation Safety Authority) <p>A number of improvement opportunities were identified in some of the key assurances undertaken for aircraft noise, including:</p> <ul style="list-style-type: none"> – A review of third party Social Impact Analysis completed for Western Sydney Airport and Melbourne Airport – A Post Implementation Review (PIR) undertaken for Gold Coast Air Traffic Management (ATM) changes.
Ecosystems, Biodiversity and Heritage	Impacts from on-ground changes - including construction projects	<ul style="list-style-type: none"> – Application of <i>Environmental Management of Changes to On-Ground Activities</i> standard, which requires: <ul style="list-style-type: none"> • targeted environmental impact and risk assessment of proposed changes • investigation and acquittal of all approval and permitting requirements • documentation and implementation of specific project controls, including construction environmental management plans. – Application of other subsidiary EMS standards and procedures, including our infrastructure management standard, incident management standards, environmental occurrence response procedures and chemical management procedures. – Environmental awareness training. 	<p>Internal assurance reviews and audits undertaken across 3 lines of defence.</p> <p>External reviews/audits undertaken by:</p> <ul style="list-style-type: none"> – ISO 14001 auditors – stakeholders as required (e.g. Airport Environment Officers).
Ecosystems, Biodiversity and Heritage	Legacy contamination from the historic use of fire fighting foams containing PFAS	<ul style="list-style-type: none"> – Implementation of the Per- and poly-fluoroalkyl substances (PFAS) Program Management Plan, including: <ul style="list-style-type: none"> • detailed and targeted site assessments to better understand the extent and level of historic PFAS residues • undertaking research and development activities to better understand PFAS and associated issues • trialling new technologies in the field aimed at containing PFAS migration • working with relevant government authorities to develop regulatory guidance required to better address these issues. – Application of environmental management procedures and instructions. – Development and implementation of PFAS management plans at specific airport locations. – Application of other subsidiary EMS standards and procedures (including Incident Management, environmental occurrence response procedures and Chemical Management procedures). – Environmental awareness training. 	<ul style="list-style-type: none"> – Internal assurance reviews and audits undertaken across 3 lines of defence – External reviews/audits undertaken by: <ul style="list-style-type: none"> • ISO 14001 auditors • stakeholders as required (e.g. Airport Environment Officers). – Wastewater monitoring.

Theme	Activity Impact	Measures taken to minimise environmental impacts	Ongoing Assurance
Ecosystems, Biodiversity and Heritage	Impacts from on-ground operational activities	<ul style="list-style-type: none"> Implementation of Operational Environment Management Plans (OEMPS) at 36 airports across Australia. Application of the <i>Environmental Performance Requirements and Controls for Airservices Infrastructure</i> standard, which prescribes objectives and key controls for managing each lifecycle stage of infrastructure development (including the operational phase). Application of Aviation Rescue Fire Fighting (ARFF) and Air Traffic Management (ATM) Environmental Management Instructions and other subsidiary Environmental Management System (EMS) standards and procedures (including Fuel and Hazardous Materials Storage Procedures, Environmental Occurrence Response Procedures, Chemical Management Procedures and Weed and Pest Control Guidelines). 	<p>Internal assurance reviews and audits undertaken across 3 lines of defence.</p> <p>External reviews/audits undertaken by:</p> <ul style="list-style-type: none"> ISO 14001 auditors stakeholders as required (e.g. Airport Environment Officers) a triennial Heritage Report is being prepared on the performance of the Heritage Strategy.
Natural Resources	Use of natural resources result in an increase in resource usage, such as water or fuel, or waste generation (including energy, and wastewater)	<ul style="list-style-type: none"> Application of Environmental performance requirements and controls for Airservices Infrastructure standard requires incorporation of resource efficient and sustainable technologies in the development and refurbishment of infrastructure. A revised Environmental Sustainability Strategy, which outlines our key goals and outcomes, including Sustainable Resource Management. 	<p>Internal assurance reviews and audits undertaken across 3 lines of defence.</p> <p>Monitoring and metering of emissions, energy and fuel usage through the ENVIZI service (to enable reporting in accordance with <i>National Greenhouse and Energy Reporting Act 2007</i>).</p>

TABLE 17: ENVIRONMENTAL PERFORMANCE INDICATORS FOR 2020-21

Theme	Performance Measure	Indicator	Result
Community and Social amenity	Complainants	Number of residents who have contacted the NCIS for the 10 major airports	5,232 (increase of 51 per cent complainants against 2019/20 complainants)
	Emissions	Total reduction of aircraft emissions from flight path changes (cubic tonnes)	8.4 tonnes ¹
Ecosystems, Biodiversity and Heritage	Occurrences	Number of major environmental occurrences	No major environmental occurrences were reported in 2020-21
Natural Resources	Energy	Amount of electricity consumed (kWh) Amount of greenhouse gases produced (tonnes) ²	37,103,084 kWh 30,983 tCO ₂ e
	Waste	Amount of waste going to landfills (tonnes) Amount of waste going to recycling facilities (tonnes)	Waste to landfill – 2,363.72 tonnes ³ Waste for recycling – 1,874.01 tonnes
	Water	Amount of rainwater captured (L) Amount of recycled water used (L)	Total water consumption – 19,788 kL ⁴ Total recycled water – 4,292 kL ⁵

¹ The design of new airspace is undertaken in such a way that emissions have only increased 4 per cent. This consequently led to an overall reduction in aircraft emissions.

² These are the estimates for 2020-21.

³ Data source: Cleanaway 2020-21 report. This report does not cover all Airservices waste disposal activities.

⁴ At three major airports (Melbourne, Perth and Brisbane).

⁵ Estimate (based on 6 month extrapolation of data) for the Learning Academy Hot Fire Training Ground.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT

We are aligned to the National Strategy for Ecologically Sustainable Development through our ecological protection measures encompassed within our EMS. The ESD principles are embedded into our operational activities to ensure these are undertaken in an environmentally sustainable way through meeting the requirements of the EMS, which is underpinned by our environmental policy and corporate plan.

ESD alignment and contribution

Key improvements for 2020-21, which accord with ESD principles under the EPBC Act, are described in Table 18.

TABLE 18: KEY ESD ALIGNED ACTIVITIES IN 2020-21

Ecologically Sustainable Development Principles	Activities in accordance with ESD Principles
<p>Integration principle: decision-making processes should effectively integrate both long and short-term economic, environmental, social and equitable considerations.</p>	<p>Airspace change requires a careful balance of ensuring safety, operational efficiency, protecting the environment and minimising the effects of aviation noise on the community, wherever practicable.</p> <p>Following significant community, industry and government consultation, we have formalised Flight Path Design Principles (FPDP), which consider environmental and social impacts. The principles apply to all flight path changes since October 2020, and consider community impacts together with safety and operational requirements. We also adopted a new Community Engagement Framework (CEF) that confirms our commitment to the community and engagement approach.</p> <p>An Aircraft Noise Monitoring Strategy was launched in 2020-21 and aims to improve our ability to respond to community aircraft noise complaints and associated monitoring requests. It aims to reduce uncertainty around aviation noise impacts on the community while ensuring we provide safe and efficient air traffic management.</p> <p>A review of our environmental screening process and criteria has been completed to identify areas for improvement to ensure all proposed changes that will be noticeable to the community, or have an environmental impact are appropriately identified and assessed.</p>
<p>Precautionary principle: if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation.</p>	<p>We continued to progress implementation of the Per- and poly-fluoroalkyl substances (PFAS) Program Management Plan. This includes:</p> <ul style="list-style-type: none"> – significantly expanding the number of site assessments to better understand the extent and level of PFAS residues – implementing action to manage PFAS residues, including drain cleaning – undertaking research and development activities to better understand the issues – trialling new technologies in the field aimed at containing PFAS migration – working with relevant government authorities to develop the regulatory guidance required to better address these issues.
<p>Intergenerational principle: the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations.</p>	<p>We revised our Environmental Sustainability Strategy, placing greater emphasis on the environmental sustainability of our organisation, and how we intend to assist airspace users reduce their emissions and noise profile within the Australian Flight Information Regions.</p> <p>The Strategy also establishes goals, objectives and targets for improvement in environmental performance to meet government and industry policy and community expectations, including addressing obligations under the <i>Climate and Disaster Risk Direction Statement</i>.</p> <p>We continue to evolve and develop the EMS with the:</p> <ul style="list-style-type: none"> – publication of a Contamination Management procedure that provides key controls for preventing contamination, – delivery of the 36 Operational Environment Management Plans (OEMPs), and – improved organisational incident management processes and procedures. <p>We continue to promote environmental awareness and train key staff on environmental issues while undertaking a targeted audit and assurance program to check and improve our performance.</p> <p>We worked with the Civil Aviation Historical Society and other stakeholders to preserve Australia's aviation history. We continued our support for the 'Connecting the Nation' portal, sponsorship of the Airways Museum based at Essendon Airport, and industry partnership with the Australian Research Council for the Heritage of the Air Project (a research project investigating how aviation has transformed Australian society over the last 100 years).</p> <p>We reviewed and updated our Heritage Strategy for the period 2021-2023, in accordance with Section 341ZA of the EPBC Act. We continue to work towards improving the monitoring of greenhouse gas emissions, energy consumption and production. We reported in accordance with <i>National Greenhouse and Energy Reporting Act 2007</i> requirements for 2019-20.</p>
<p>Biodiversity principle: the conservation of biological diversity and ecological integrity should be a fundamental consideration in decision making.</p>	<p>The protection of biodiversity values is a key requirement of the EMS, with associated controls built into the management of all our activities (from flight path changes to on-ground operations).</p> <p>Our revised requirements for flight path change management includes additional quantitative and qualitative measures for assessing biodiversity impacts. Our internal standards for infrastructure development includes targeted controls to protect flora and fauna values throughout projects and operational activities.</p>
<p>Valuation principle: improved valuation, pricing and incentive mechanisms should be promoted.</p>	<p>We developed and released our Environmental Sustainability Strategy, which outlines how we will contribute to the wider international aviation sustainability agenda over 2021-26.</p>

NOISE COMPLAINTS AND INFORMATION SERVICE

The number of residents contacting the Noise Complaints and Information Service (NCIS) in 2020-21 was 5,232. This was 1,768 more than the recorded 3,464 in 2019-20.

The impact of the COVID-19 pandemic on the aviation industry continues to result in reduced predictability of scheduled flight operations. This has seen complainant numbers remain steady, or decrease at most major airports. Despite reduced traffic levels nationwide, the opening of new runways at Brisbane Airport and Sunshine Coast Airport is the contributing factor to an overall increase in complainant numbers, as both runways have impacted new communities.

At major airports, the most frequently raised issue continued to be the use of standard flight path corridors. Concerns included the frequency of movements, a perception that something had changed the location of the flight path, and questions about the altitudes of aircraft on arrival and departure. While we investigate concerns about standard flight paths, few opportunities exist to mitigate noise for residential areas in close proximity to the major airports.

Table 19 shows that during 2020-21, 4 major airports had an increase in the number of residents making complaints, with a significant increase at Brisbane Airport. The number of residents concerned about activities at the 10 major airports was 72 per cent higher than 2019-20. The number of residents concerned about activities at 9 of the 10 major airports was 28 per cent lower than 2019-20. The exception was Brisbane Airport, with a 485 per cent increase.

While not listed in the 10 major airports, Sunshine Coast Airport complainant numbers further increased in 2020-21. There were 596 noise complainants, compared to 151 in 2019-20. We attribute this to increased community interest in aircraft operations with the new Sunshine Coast runway project and associated flight path changes. The new runway commenced operations on 14 June 2020.

TABLE 19: NUMBER OF RESIDENTS WHO CONTACTED THE NCIS FOR THE 10 MAJOR AIRPORTS

Airport	2017-18	2018-19	2019-20	2020-21
Adelaide	102	89	76	89
Brisbane	197	252	292	1,709
Cairns	30	30	22	12
Canberra	21	30	10	14
Darwin	4	5	6	8
Gold Coast	153	231	138	128
Hobart	384	293	67	15
Melbourne	177	160	220	88
Perth	388	716	282	178
Sydney	714	713	388	331
Total	2,170	2,519	1,501	2,572



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APPENDIX A: MINISTERIAL EXPECTATIONS

The portfolio Minister regularly issues a Statement of Expectations (SOE) as a notice of strategic direction to the Airservices Board according to section 17 of the *Air Services Act 1995*. In addition to the SOE, the Minister can issue directions which inform the performance of our functions. These, together with the Board's Statement of Intent, are provided within this section.

MINISTERIAL DIRECTIONS

Four ministerial directions remain current:

Year	Date of issue	Subject
1996	29 May	Handling of aircraft noise complaints at Sydney and other federal airports
1997	30 July	Progressive implementation of Sydney Long Term Operating Plan
1999	3 May	Responsibilities in relation to the environmental effects of aircraft
2004	31 August	Provision of approach radar services at specific airports

OUR STATEMENT OF INTENT 2019-2021

Statement of Expectations

Overview

This instrument is the Statement of Expectations for Airservices Australia for the period 15 July 2019 to 30 June 2021. This instrument commences on 15 July 2019 and expires at the end of 30 June 2021 as if it had been repealed by another instrument. This instrument puts in place a new Statement of Expectations (SOE) which serves as a notice to Airservices Australia (Airservices) under section 17 of the *Air Services Act 1995* (the Act). The new SOE formalises the Government's expectations concerning the operations and performance of Airservices.

Airservices should perform its functions in accordance with the Act, which requires that Airservices must regard the safety of air navigation as the most important consideration. Airservices should also perform its functions in accordance with the Public Governance, *Performance and Accountability Act 2013* (PGPA Act) as well as other relevant legislation.

Governance

I expect that the Board and the Chief Executive Officer (CEO) will continue to work to enable Airservices to operate as a world-best practice Air Traffic Control (ATC) and Aviation Rescue and Fire Fighting (ARFF) service provider. I expect the Board to ensure Airservices has the necessary resources and capabilities in place to effectively manage Airservices' strategic direction, risks and corporate planning. I expect the CEO to be responsible for managing the operations of Airservices, its organisational capacity and the exercise of its functions. I expect the Board to keep the Secretary of my Department and me fully informed of Airservices' actions in relation to the requirements stated in this SOE, and promptly advise of any events or issues that may impact on the operations of Airservices, including through quarterly progress reports from the Board against the Corporate Plan and this SOE.

Statement of Intent

The Airservices Board's Statement of Intent responds to each element of the Statement of Expectations and states Airservices' commitment to meeting the Minister's expectations.

Airservices provides safe, secure, efficient and environmentally responsible services that are valued by the aviation industry and community on behalf of our owner, the Australian Government. When performing our functions, we adhere to all relevant legislation including, the *Air Services Act* and the PGPA Act. The Board and the Chief Executive Officer make decisions consistent with their legislated responsibilities and the responsibilities resulting from our industry funding arrangements, relating to the objectives, strategies and policies to be followed by Airservices to ensure that we perform our functions in a proper, efficient and effective manner. In accordance with the Act, the safety of air navigation is Airservices most important consideration.

Airservices will ensure its annual Corporate Plan positions the organisation to continue to provide safe, secure, efficient and environmentally responsible services that are valued by the aviation industry and community. Airservices will monitor, focus and report on the effective delivery of Corporate Plan initiatives to ensure we deliver the benefits to our customers. Airservices will innovate to maintain its position as a leading air navigation service provider, with initiatives including the Network Management Program (including Airport Collaborative Decision Making and Long Range Air Traffic Flow Management), and the Digital Aerodrome Services Program. Our People Strategy will ensure we continue to invest in our workforce capability to provide an appropriately skilled workforce to deliver on our service objectives. The Board and the Chief Executive Officer will ensure the Department and Minister are fully informed of all actions relating to these expectations through regular reporting including quarterly progress reports and annual reporting.

Statement of Expectations

Statement of Intent

Key Aviation Initiatives

I expect Airservices, in conducting its responsibilities as the air navigation and aviation rescue and fire fighting services provider, will focus on the following key aviation initiatives:

- (a) progress the timely, on-budget and effective implementation of the civil-military air traffic management programme, known as OneSKY, including harmonisation initiatives with the Department of Defence (Defence) and advise me on the progress and achievement of programme milestones
- (b) work closely with my Department and the Civil Aviation Safety Authority (CASA) to ensure the safe integration of Unmanned Aircraft Systems (UAS) into Australian airspace, including the development and implementation of a UAS traffic management system that complements the Government's broader approach to this sector
- (c) work with my Department and CASA on modernising airspace management, including:
- progressing Australia's airspace protection policy.
 - enhancing the safety and efficiency of Australian controlled airspace including at major regional airports.
 - continuing to apply adequate resources to manage airspace planning and design including for Western Sydney Airport
 - continuing the implementation of Performance Based Navigation in Australia following consultation with other Government agencies, community and industry stakeholders.
- (d) assist in implementing the Government's environmental initiatives, including:
- minimising the impact of aircraft operations on communities where practicable
 - supporting the ongoing role of the independent Aircraft Noise Ombudsman (ANO) and implementation of agreed recommendations made by the ANO
 - appropriate resourcing of the Noise Complaints and Information Service to continue to improve the flow and quality of information to noise affected communities
 - ongoing commitment to the Sydney Airport Long Term Operating Plan as required by the Ministerial direction dated 30 July 1997 (F2009B00158)
 - providing and reporting against an annual environment work programme which outlines Airservices ongoing and new initiatives in managing, monitoring and alleviating, where safe and practicable, environmental effects of aircraft operations
 - working with the Department and industry on issues related to environmental contamination, including taking action on perand poly-fluoroalkyl substances (PFAS) in line with Government expectations on this issue.
- (e) continue to work with the Department and CASA on implementing the Government's ARFF policy.

The OneSKY Program remains the cornerstone of our commitment to deliver world-class air traffic management services into the future. Airservices will continue to work closely with the Department of Defence to deliver a harmonised civil-military air traffic management system for Australia. Airservices will update the Minister quarterly on the progress of OneSKY and achievement of programme milestones. We have also established the Air Navigation Services Readiness Program, which will prepare our air traffic operations for the future transition to OneSKY.

Airservices will continue to work with the Department and CASA to ensure the safe integration of Unmanned Aircraft Systems (UAS) into Australian airspace. As part of our Unmanned Aerial Vehicle Integration and Management Services Program, we will deliver a pilot programme to assess Unmanned Traffic Management (UTM) systems and identify options for integration of UAS with conventional airspace users, while maintaining a safe and secure environment for all. We will engage with government agencies through established forums and working groups to ensure the implementation of UAS traffic management aligns with the Government's policies and approach to this sector.

We will support Australia's airspace protection policy by working cooperatively with the Department and CASA, and providing timely information to assist with policy and regulatory initiatives. Airservices Airspace Modernisation Program will enhance the safety and efficiency of Australian airspace and increase access to airspace for the aviation industry, through national standardisation and leveraging increased surveillance to enhance service provision. Airservices Airport Development Support Program will deliver essential supporting infrastructure and services in support of aviation industry expansion, including airspace planning and design at Western Sydney Airport. Airservices will continue the transition to Performance-Based Navigation (PBN) as the primary means of navigation in line with the global aviation industry in consultation with government agencies, the community and other stakeholders.

In designing airspace and flight paths, Airservices seeks to minimise the impact of aircraft noise on communities as far as practicable. We engage with communities when we make changes that will impact them. Airservices will continue to support the role of the Australian Noise Ombudsman (ANO) and implement all agreed recommendations. Airservices Noise Complaints and Information Service will continue to be resourced to provide quality information and manage noise complaints to a high standard. The 1997 Ministerial Direction relating to the Sydney Long Term Operating Plan will continue to guide the operation of Sydney Airport. Airservices initiatives to manage and monitor the environmental effects of aircraft operations are outlined in an annual environmental work plan, with quarterly progress reports provided to the Minister. Airservices will continue to implement a risk-based national PFAS management programme, including site investigations, containment and monitoring as appropriate. Airservices will work closely with Government agencies and industry on issues related to PFAS in line with Government expectations, including participating in the Commonwealth inter-departmental committee.

Airservices will continue to work with the Department and CASA to implement the Government's Aviation Rescue Fire Fighting (ARFF) policy. We support the planned shift from the current prescriptive regulatory framework to a more outcomes-based approach. Airservices ARFF Modernisation Program will ensure ARFF is 'fit for the future' and positioned to leverage new technology to enhance service delivery, with a programme of work focused around our people, facilities, vehicles, equipment and training.

Statement of Expectations

- (f) maintain international and regional aviation safety engagement through effective engagement in the International Civil Aviation Organization (ICAO) and safety and capability building initiatives in the Asia-Pacific region.

Statement of Intent

Airservices will continue to support the Australian Government's safety initiatives in the Asia-Pacific region. Our international capability development programme enhances the safety of air transport in our region by helping our neighbouring air navigation service providers in Indonesia and Papua New Guinea to build their capability and improve their operations. Airservices is an active participant in ICAO forums and works closely with the Department and CASA to ensure that Australia's ICAO responsibilities are met.

Stakeholder Engagement

I expect Airservices will continue to:

- (a) undertake effective and productive engagement with the community and industry, based on mutual understanding and respect.
- (b) communicate clearly and regularly with my Department and CASA, the industry and the community on the development and implementation of significant changes to air navigation and ARFF.
- (c) proactively provide information, assistance and advice to Government agencies for policy formulation, implementation activities and regulation purposes.
- (d) contribute in the coordinated approach to airport planning, including appropriate participation in planning coordination forums, community aviation consultation groups, and the National Airports Safeguarding Advisory Group.
- (e) work closely with my Department and other Government agencies, including the Australian Transport Safety Bureau, CASA and Defence to deliver integrated and comprehensive advice to the Government, the aviation industry and the community.

Airservices engages with industry on its service delivery, strategic planning, pricing and other key initiatives via direct engagement with customers and stakeholders, engagement with industry bodies and participation in established industry forums such as the Australian Strategic Air Traffic Management Group (ASTRA). Airservices engages with the community when we make changes that will impact them. Airservices has established mechanisms to share information with CASA about the performance of its regulatory functions. Airservices keeps the Department, and Minister informed through regular reporting, including quarterly progress reports and annual reporting and responds to requests for assistance and advice from government agencies. Airservices is committed to ongoing participation in the National Aviation Safeguarding Advisory Group and engaging via airport-led planning coordination and consultation forums and technical noise working groups. We will work closely with the Department and other agencies to deliver integrated and comprehensive advice to the Government and other stakeholders on emerging issues affecting aviation regulation and policy including airspace management and protection, Unmanned Aircraft Systems (UAS), Unmanned Traffic Management (UTM), Aviation Rescue Fire Fighting (ARFF) and aviation infrastructure planning and implementation.

APPENDIX B: AIRSERVICES REMUNERATION REPORT 2020-21

2020-21 REMUNERATION REPORT

The purpose of this section is to summarise the:

- remuneration for Board Members
- performance outcomes and remuneration of the Executive
- remuneration for leadership roles (other than the Executive) and other staff remunerated \$230,000 and over.

The Airservices Board uses a remuneration strategy and industry-based remuneration model for the Chief Executive Officer (CEO) and Executives that directly aligns to Airservices performance and the achievement of organisational strategic objectives and customer value.

This year's report has changed from previous disclosures to align with the amended reporting requirements released by the Department of Finance.

BOARD MEMBERS AND EXECUTIVE

Board Members

We are governed by a Board that consists of a Chairman, Deputy Chair, 6 non-executive Members and the CEO. The Board, other than the CEO, is appointed by the Minister. The CEO is appointed by the Board.

The Board is responsible for determining the corporate objectives, strategies and policies, and ensuring that we perform our functions in a proper, efficient and effective manner.

TABLE 1: BOARD MEMBERS

Name	Position	Term
Mr John Weber	Chairman	Full Year
Air Chief Marshall Mark Binskin AC (Ret'd) ¹	Deputy Chair	Full Year
Ms Fiona Balfour	Board Member	Part-Year – Finished 2 September 2020
Ms Anne Brown	Board Member	Full Year
Ms Sue-Ellen Bussell AM	Board Member	Full Year
Dr Eileen Doyle	Board Member	Part Year – Appointed 21 April 2021
Dr Marlene Kanga AM	Board Member	Full Year
Mr David Marchant AM	Board Member	Full Year
Mr Tim Rothwell	Board Member	Part-Year – Finished 20 April 2021
Mr Lawrence Turner	Board Member	Part-Year – Appointed 3 March 2021
Mr Jason Harfield	Chief Executive Officer	Full Year

¹ Absent on extended leave from 20 February 2020 to 16 September 2020 to Chair the Royal Commission into National Natural Disaster Arrangements

Executives

The Executive is accountable for leading, planning and managing Airservices operations, activities and performance in pursuit of our mission.

TABLE 2: EXECUTIVES

Name	Position	Term
Ms Michelle Bennetts	Chief Service Delivery Officer	Full Year
Mr Peter Curran	Chief Customer Experience & Strategy Officer	Full Year
Ms Nicole Devlin¹	Chief Communications Officer	Part-Year – Appointed 29 March 2021
Ms Lucinda Gemmell	Chief People and Culture Officer	Full Year
Mr Mark Hind²	Chief Technology Enablement Officer	Full Year
Mr Paul Logan	Chief Financial Officer	Full Year
Ms Claire Marrison	Chief Safety and Risk Officer	Full Year
Mr Robert Porter	Executive General Manager Aviation Rescue Fire Fighting Service	Part Year – Finished 31 August 2021

¹ The Chief Communication Officer was a newly created position during the year with a single occupant of this role.

² Acting in role until appointment on 18 February 2021.

REMUNERATION STRATEGY AND SETTINGS

Executive Remuneration

The responsibility of our Executive and other leaders is to create value for customers while maintaining and enhancing aviation safety, and build a workforce that is customer-oriented with an accountable performance culture.

Within this setting, the industry-based remuneration strategy ensures our Executive individually and collectively contribute to and drive sustained organisational performance for the long term. The remuneration model consists of 2 elements: Total Fixed Remuneration (TFR) and Short Term Incentive (STI) payment.

Total Fixed Remuneration

Each Executive role is independently evaluated to determine internal and external relativities of the position's level of work value, size and complexity, accountability, and expertise and judgement required to be successful.

The position is benchmarked against a comparator group for Airservices comprising a blend of industry and sector relevant private and public sector organisations. The remuneration is subsequently set within the 50th percentile of the Mercer National General Market (MNGM). The MNGM comprises comprehensive data from over 750 organisations with over 330,000 data points across multiple industries, sectors and job families to provide an overall representation of the market.

The TFR includes cash salary, employer contributions and any salary sacrifice component. It is reviewed annually against the remuneration benchmarking data and corporate performance, with a focus on maintaining a commercially responsible position.

These key inputs are provided through external independent advice from Mercer, the world's largest human resources consulting firm.

Short Term Incentive Payments

STI payments are designed to reward and align collective Executive performance with the organisation's performance, based on key outcomes that are linked to Airservices Corporate Plan.

Based on benchmarking research conducted by Mercer, a conservative approach to STI payments has been implemented with the potential for a maximum of 10 per cent of TFR for the EGMs and for a maximum of 20 per cent of TFR for the CEO. The awarding of STI payments is solely at the Board's discretion and is based on performance and outcomes against the corporate scorecard set by the Board.

Sixty per cent of the STI is payable in the year after it was awarded with the remaining 40 per cent held back for a further 12 months. This approach drives sustained performance and success.

REMUNERATION GOVERNANCE

A key objective of the Board People, Culture and Remuneration Committee is to review matters relating to the remuneration and performance of the CEO and Executive.

The Committee comprises at least 3 non-executive Board Members, with one appointed as the Chair. In addition, the Board Chairman and CEO are ex-officio members of the Committee.

In 2020-21, the Committee Chair was Sue Bussell. The non-executive Board Members were Marlene Kanga (ceased 16 September 2020), Mark Binskin (resumed 16 September 2020), David Marchant (ceased 31 March 2021), Tim Rothwell (ceased 31 March 2021), Anne Brown (commenced 31 March 2021), and John Weber.

REMUNERATION GOVERNANCE FRAMEWORK

CHIEF EXECUTIVE OFFICER

Determine package principles for Executives

Determine performance metrics and performance outcomes for Executives

BOARD PEOPLE, CULTURE AND REMUNERATION COMMITTEE

Propose CEO package, performance metrics and performance outcomes

Review CEO recommendations on Executive remuneration, performance metrics and performance outcomes

BOARD

Review and approve CEO package, performance metrics and performance outcomes (noting Board People, Culture and Remuneration Committee recommendations)

Review and approve CEO decisions on Executive remuneration, performance metrics and performance outcomes (noting Board People, Culture and Remuneration Committee recommendations)

ANNUAL FEES AND ALLOWANCES FOR BOARD MEMBERS

Annual fees and allowances for our part-time Chairman, Deputy Chair and Board Members are determined by the Commonwealth Remuneration Tribunal. In setting remuneration, the Tribunal considers a range of matters, including workload and value of the office, fees in the private sector, and wage and other economic indices.

There were no changes to non-Executive Board members remuneration during 2020-21.

CORPORATE PERFORMANCE OUTCOMES 2020-21

The scorecard comprised key corporate performance metrics/indicators, initiatives under the pillars of our Corporate Plan and OneSKY Program milestones.

TABLE 3: CORPORATE PERFORMANCE SCORECARD

Corporate Metrics	Weighting 60%			
Outcomes	Key Performance Indicators	2020-21 Target	2020-21 Actual	Assessment
Safety	Significant attributable safety incidents - ATM and ARFF	0	0	Met
	Total lost time injury frequency rate	≤ 3.0	1.0	Met
Financial	Total operating cost per instrument flight rules flight hour (\$/hr)	890	578	Met
	Return on assets	-12.3%	-2.1%	Met
Industry outcomes	Arrival airborne delay - median (high volume operations)	0	0	Met
	Arrival airborne delay - 75th percentile (high volume operations)	≤ 3.1 mins	1.2 mins	Met
	Customer satisfaction	≥ 70%	71%	Met
People	People engagement	≥ 47	60	Met ¹
	Diversity and inclusion index	≥ 38	55	Met ¹

1. Launch of new Continuous Feedback platform (Glint) in October 2020 and scores are based on slightly different questions compared to previous annual surveys.

Corporate Initiatives	Assessment
Deliverables under One Airservices Plan	Substantially Met
Deliverables under OneSKY Program	Substantially Met
Deliverables under Airport Development Support Program	Met
Deliverables under Enterprise Network Modernisation Program (ENMP)	Met
Deliverables under Cyber Resilience	Met
Deliverables under Enabling future Services	Met
Deliverables under Environment	Met
Deliverables under Productivity	Substantially Met

In July 2021, the Board determined that, due to the impact of the COVID-19 pandemic and the prevailing business and economic climate, no STI payments for 2020-21 would be paid to Airservices leaders.

BOARD MEMBER REMUNERATION

The following table outlines the remuneration earned and accrued by Board Members throughout 2020-21.

TABLE 4: BOARD REMUNERATION

Name	Position Title	Short-term benefits			Post-employment benefits	Other long term benefits			Total Remuneration \$
		Base salary \$	Bonuses \$	Other benefits / allowances ¹ \$	Superannuation contributions \$	Long service leave \$	Other long-term benefits \$	Termination benefits \$	
Mr John Weber	Chairman	169,420	-	7,343	16,095	-	-	-	192,858
Air Chief Marshal Mark Binskin AC (Ret'd)	Deputy Chair	83,268	-	-	7,910	-	-	-	91,179
Ms Fiona Balfour	Board member	19,765	-	-	2,453	-	-	-	22,218
Ms Anne Brown	Board member	84,715	-	1,507	8,048	-	-	-	94,270
Ms Sue Bussell AM	Board member	84,715	-	1,039	8,048	-	-	-	93,802
Dr Eileen Doyle	Board member	15,985	-	353	1,609	-	-	-	17,947
Mr David Marchant AM	Board member	84,715	-	3,212	8,048	-	-	-	95,975
Dr Marlene Kanga AM	Board member	84,715	-	654	8,048	-	-	-	93,417
Mr Tim Rothwell	Board member	68,730	-	1,805	6,741	-	-	-	77,277
Mr Lawrence Turner	Board member	27,142	-	758	2,821	-	-	-	30,721
TOTAL		723,171	-	16,671	69,822	-	-	-	809,664

¹ Includes travel allowances.

EXECUTIVE REMUNERATION

The following table outlines the remuneration earned and accrued by the Executive in 2020-21.

TABLE 5: EXECUTIVE REMUNERATION²

Name	Position Title	Short-term benefits			Post-employment benefits	Other long term benefits			Total Remuneration \$
		Base salary ³ \$	Bonuses \$	Other benefits / allowances ⁴ \$	Superannuation contributions \$	Long service leave \$	Other long-term benefits \$	Termination benefits \$	
Mr Jason Harfield	CEO	818,922	-	8,000	73,738 ⁵	24,859	-	-	925,520
Ms Michelle Bennetts	CSDO	399,482	-	7,824	39,066	12,206	-	-	458,579
Mr Peter Curran	CCESO	463,526	-	144,224	42,788	10,026	-	-	660,564
Ms Nicole Devlin	CCO	101,949	-	-	8,962	1,810	-	-	112,721
Ms Lucinda Gemmell	CPCO	478,185	-	-	43,209	9,553	-	-	530,947
Mr Mark Hind	CTEO	293,997	-	5,908	25,882	9,233	-	-	335,019
Mr Paul Logan	CFO	409,915	-	8,022	38,179 ⁵	12,312	-	-	468,428
Ms Claire Marrison	CSRO	322,209	-	-	28,643 ⁵	9,656	-	-	360,508
Mr Robert Porter	EGM ARFF	99,830	-	-	9,320	(11,020)	-	-	98,130
TOTAL		3,388,016	-	173,978	309,787	78,635	-	-	3,950,416

² There was no change to executive remuneration between 2019-20 and 2020-21. Any change to base salary in this table reflects the adjustment for change in accrued recreation leave in accordance with RMG 138 Commonwealth entities' executive remuneration reporting guide for annual reports. In particular, there was an extraordinary reduction in accrued recreation leave balances in 2019-20 as part of an organisation-wide commitment to reduce leave balances in response to the COVID-19 pandemic.

³ Base Salary includes annual leave paid and the net movement in annual leave balance.

⁴ Includes motor vehicle and relocation allowances and associated Fringe Benefits Tax.

⁵ Member of AvSuper defined benefit superannuation scheme.

LEADERSHIP ROLES (OTHER THAN EXECUTIVE) REMUNERATION¹

The following table outlines the *average* remuneration earned and accrued by non-Executive leaders in 2020-21.

TABLE 6: OTHER LEADERS' REMUNERATION¹

Total Remuneration Bands	Number of other leaders	Short-term benefits			Post-employment benefits	Other long term benefits		Termination benefits	Total remuneration
		Average Base salary \$	Average Bonuses \$	Average Other benefits / allowances ² \$	Average Superannuation contributions \$	Average Long service leave \$	Average Other long-term benefits \$	Average Termination benefits \$	Average Total Remuneration \$
\$0 - \$230,000	146	124,214	-	177	13,266	254	-	24,801	162,712
\$230,001 - \$255,000	24	174,653	-	302	18,967	(1,652)	-	46,012	238,283
\$255,001 - \$280,000	21	187,239	-	377	18,972	25	-	61,369	267,982
\$280,001 - \$305,000	13	198,688	-	4,549	21,025	5,511	-	63,829	293,601
\$305,001 - \$330,000	8	181,762	-	4,402	18,185	2,606	-	105,310	312,265
\$330,001 - \$355,000	2	145,890	-	-	17,781	4,560	-	173,133	341,364
\$355,001 - \$380,000	3	232,461	-	-	22,137	3,339	-	109,861	367,798
\$405,001 - \$430,000	1	188,496	-	440	22,043	6,657	-	200,129	417,765
	218								

¹ Incorporates Leadership roles in new organisational structure in addition to 79 leaders in previous structure who departed during the year. Organisational restructure resulted in higher than normal numbers of departing leavers and external leader hires.

² Includes early retirement benefit payments and fly in fly out, living away from home and home purchase/sale allowances to eligible employees

OTHER HIGHLY PAID STAFF REMUNERATION

The following table outlines the *average* remuneration earned and accrued by other highly paid staff in 2020-21.

TABLE 7: OTHER HIGHLY PAID STAFF REMUNERATION

Total Remuneration Bands	Number of OHPS ³	Short-term benefits			Post-employment benefits	Other long term benefits		Termination benefits	Total remuneration
		Average Base salary \$	Average Bonuses \$	Average Other benefits / allowances ⁴ \$	Average Superannuation contributions \$	Average Long service leave \$	Average Other long-term benefits \$	Average Termination benefits \$	Average Total Remuneration \$
\$230,001 - \$255,000	421	203,241	-	1,516	27,059	5,729	-	4,889	242,435
\$255,001 - \$280,000	135	218,289	-	1,605	29,295	6,240	-	9,643	265,073
\$280,001 - \$305,000	38	208,838	-	8,024	30,276	7,394	-	34,817	289,349
\$305,001 - \$330,000	23	175,205	-	35,625	25,195	5,110	-	76,411	317,546
\$330,001 - \$355,000	11	162,087	-	47,435	24,795	6,312	-	99,076	339,705
\$355,001 - \$380,000	12	166,164	-	40,166	23,594	9,379	-	130,493	369,796
\$380,001 - \$405,000	9	157,417	-	36,154	21,602	4,553	-	173,552	393,277
\$405,001 - \$430,000	4	165,388	-	25,513	22,941	17,486	-	188,506	419,834
\$430,001 - \$455,000	2	192,230	-	-	15,966	4,105	-	235,619	447,920
\$455,001 - \$480,000	1	149,604	-	-	22,398	4,279	-	284,426	460,707
\$555,001 - \$580,000	1	359,133	-	181,922	20,956	5,578	-	-	567,589
\$630,001 - \$655,000	1	405,800	-	199,326	26,204	5,578	-	-	636,909
\$705,001 - \$730,000	1	439,634	-	240,737	25,229	5,578	-	-	711,179
\$730,001 - \$755,000	1	454,156	-	213,885	74,566	5,578	-	-	748,185
	660								

³ Includes 566 staff employed under the Air Traffic Control and Supporting Air Traffic Services Enterprise Agreement, 17 staff employed under the Air Traffic Control Line Manager Enterprise Agreement and 5 staff employed under the Aviation Rescue Fire Fighting Enterprise Agreement.

⁴ Includes early retirement benefit payments and fly in fly out, living away from home and home purchase/sale allowances to eligible employees.

APPENDIX C: COMPLIANCE INDEX

The annual report has been prepared in accordance with section 46 of the *Public, Governance, Performance and Accountability Act 2013* (PGPA) the *Public, Governance, Performance and Accountability Rule 2014* and subsequent amendments, including the *Public, Governance, Performance and Accountability Amendment (Annual Reporting) Rule 2019*. These requirements were approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit on 4 April 2019.

PGPA Rule Reference	Part of report	Description	Requirement
17BE	Contents of annual report		
17BE(a)	Our Role	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	Our Role	A summary of the objects and functions of the entity as set out in legislation	Mandatory
17BE(b)(ii)	About Us	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	Letter of Transmittal	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
17BE(d)	Ministerial Expectations	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory
17BE(e)	Ministerial Expectations	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	Not applicable	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under an Act or instrument during the reporting period, or (b) a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act.	If applicable, mandatory
17BE(g)	Annual Performance Statement	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	Not applicable	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non compliance	If applicable, mandatory
17BE(j)	Our Board	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	Our Business Organisational Structure	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory
17BE(ka)	Our Equity and Diversity Approach	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees (b) statistics on part-time employees (c) statistics on gender (d) statistics on staff location.	Mandatory
17BE(l)	About Us	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	Governance and Accountability	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory
17BE(n), 17BE(o)	Transactions with Related Parties	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST): (a) the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate value of the transactions.	If applicable, mandatory

PGPA Rule Reference	Part of report	Description	Requirement
17BE(p)	COVID impacts reported throughout	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory
17BE(q)	Not applicable	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity	If applicable, mandatory
17BE(r)	Transparency Performance	Particulars of any reports on the entity given by: (a) the Auditor General (other than a report under section 43 of the Act), or (b) a Parliamentary Committee, or (c) the Commonwealth Ombudsman, or (d) the Office of the Australian Information Commissioner.	If applicable, mandatory
17BE(s)	Not applicable	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory
17BE(t)	Directors' and Officers' Indemnities and Insurance	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(taa)	Board Committees	The following information about the audit committee for the entity: (a) a direct electronic address of the charter determining the functions of the audit committee (b) the name of each member of the audit committee (c) the qualifications, knowledge, skills or experience of each member of the audit committee (d) information about each member's attendance at meetings of the audit committee (e) the remuneration of each member of the audit committee.	Mandatory
17BE(ta)	Remuneration Report 2020-21	Information about executive remuneration	Mandatory

Additional statutory requirements

Statutory reference	Part of report	Description
<i>Environment Protection and Biodiversity Conservation Act 1999 (section 516A)</i>	Environmental Management and Performance	Ecologically sustainable development and environmental performance
<i>Work Health and Safety Act 2011 (Schedule 2, Part 4)</i>	Our Work Health and Safety Performance	Work Health and Safety
<i>Equal Employment Opportunity Act (Commonwealth Authorities) Act 1987 (section 9)</i>	Our Equity and Diversity Approach	Equity and Diversity progress report
<i>Air Services Act 1995 (section 51)</i>	Not applicable	Adverse effect of non-commercial commitments

