

# 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
<b>Airways revenue</b>		
Gross Airways revenue	415,683	838,232
Fee waivers granted <sup>1</sup>	(159,245)	(92,489)
Recovery from government for fee waivers <sup>2</sup>	70,514	-
	<b>326,952</b>	<b>745,743</b>

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

<sup>2</sup> 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
<b>Government grant</b>		
Revenue grant 1 <sup>1</sup>	150,000	250,000
Revenue grant 2 <sup>2</sup>	431,833	-
Revenue grant 3 <sup>3</sup>	550,000	-
	<b>1,131,833</b>	<b>250,000</b>

<sup>1</sup> \$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.

<sup>2</sup> \$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.

<sup>3</sup> 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
<b>Finance income</b>		
Deposits	920	2,154
Cash at bank	106	240
Other	-	86
<b>Total finance income</b>	<b>1,026</b>	<b>2,480</b>

### 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
<b>Net gain on disposal of non-current assets</b>		
Property, plant and equipment:		
Proceeds from sale	2,118	-
Written down value of scrapped assets	(1,459)	-
<b>Net gain on disposal of non-current assets</b>	<b>659</b>	<b>-</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1.2 EXPENSES

	2021 \$'000	2020 \$'000
<b>Employee benefits</b>		
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
<b>Employee benefits (excluding defined benefit superannuation expense)</b>	<b>632,675</b>	<b>622,721</b>
<b>Net defined benefit superannuation expense recognised in employee benefits</b>		
Current service cost	23,804	25,621
Net interest expense	(4,001)	(6,244)
<b>Defined benefit superannuation expense</b>	<b>19,803</b>	<b>19,377</b>
<b>Total employee benefits</b>	<b>652,478</b>	<b>642,098</b>
<b>Supplier expenses</b>		
<b>Goods and services supplied or rendered</b>		
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
<b>Total goods and services supplied or rendered</b>	<b>178,231</b>	<b>210,758</b>
<b>Other expenses</b>		
Operating lease rentals <sup>1</sup>	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	-
<b>Total other supplier expenses</b>	<b>9,580</b>	<b>7,774</b>
<b>Total supplier expenses</b>	<b>187,811</b>	<b>218,532</b>
<b>Finance Costs</b>		
Borrowing costs	23,256	15,760
Interest rate swap fair value loss	5,683	3,078
Interest on lease liabilities	2,075	2,361
<b>Total finance costs</b>	<b>31,014</b>	<b>21,199</b>
<b>Impairment loss on financial instruments</b>		
Impairment on trade and other receivables	5,777	20,020
Bad debts written off	147	270
<b>Total impairment loss on financial instruments</b>	<b>5,924</b>	<b>20,290</b>

<sup>1</sup> 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
<b>Write-down and impairment of other assets</b>		
Impairment of property, plant and equipment	4,555	2,994
Revaluation (increments)/decrements	-	(23)
<b>Total write-down and impairment of other assets</b>	<b>4,555</b>	<b>2,971</b>
<b>Net loss on disposal of non-current assets</b>		
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
<b>Net loss on disposal of non-current assets</b>	<b>-</b>	<b>497</b>

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
<b>Income tax expense</b>		
Current tax expense <sup>1</sup>	155,497	6,863
Deferred tax expense	(17,822)	(18,394)
<b>Income tax expense attributable to profit from continuing operations</b>	<b>137,675</b>	<b>(11,531)</b>
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
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
<b>Income tax expense</b>	<b>137,675</b>	<b>(11,531)</b>

<sup>1</sup> 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
<b>Deferred tax liability</b>		
<b>The balance comprises temporary differences attributable to:</b>		
<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	-
	<b>112,877</b>	<b>95,054</b>
<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)
	<b>(97,083)</b>	<b>(79,311)</b>
<b>Net deferred tax (liability) / assets</b>	<b>15,794</b>	<b>15,743</b>
<b>Movements:</b>		
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
<b>Closing balance at 30 June</b>	<b>15,794</b>	<b>15,743</b>

# 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.