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 2021 $'000	Plant and equipment 2021 $'000	Total 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.