

# 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 2022.

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 23 September 2022.

## Significant matters in the current reporting period

### Coronavirus (COVID-19) Impact

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 2021 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 impact of any future travel restrictions and border closures arising from the actions by government, airlines, businesses and consumers to contain the spread of the virus; and
- volatility surrounding key economic factors such as Consumer Price Inflation (CPI), GDP, and rates of unemployment.

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.

### Impact of COVID-19 on Airservices Financial Performance

To ensure continuity of critical air navigation and aviation rescue fire-fighting services, 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 FY2021 results. Payment up-front to Airservices provided 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. There were no government grants received during the current year, resulting in no difference between statutory profit after tax and underlying Net Loss after Tax (NLAT).

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

	2022 \$'000	2021 \$'000
<b>STATUTORY PROFIT/ (LOSS) AFTER INCOME TAX</b>	<b>(347,562)</b>	321,176
<i>Less: Government Grants- COVID assistance</i>		
Government Grant (Budget 2020-21)	-	(581,333)
Government Grant (Budget 2021-22 received 28 June 2021)	-	(550,000)
<i>Less: prima-facie tax impact at 30%</i>	-	339,550
Total items not included in underlying NLAT	-	(792,283)
<b>UNDERLYING NET LOSS AFTER TAX</b>	<b>(347,562)</b>	(471,107)

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% 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 loss of \$347.6m in the financial year ended 30 June 2022 compared to a net profit of \$321.2m in the previous financial year. Airservices also reported a net current liability position of \$496.1m at 30 June 2022 compared to a net current asset position of \$250.2m at 30 June 2021. This contraction was driven by the sustained effects of COVID-19 quarantine and lockdown measures on the aviation industry, creating lost revenues and tight supply chains, which in turn brought an increase in operating costs. This has been partially offset by government flight waivers during the current year and the receipt of government grants in the previous period.

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:

- 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 2022 were \$1,440m. Refer to Note 3.4 Standby Arrangements and Unused Credit Facilities for further details.
- Airservices is a legislated monopoly over air traffic control services in Australia.
- Relaxation of travel restrictions has resulted in a strong return of domestic traffic and revenue, with international travel also picking up significantly in the last quarter of the 2022 financial year. Forecasted cash flows are based on expert advice which indicate domestic travel recovering to pre-COVID levels around 2023, with international traffic recovering around 2025. If air travel does not return in line with expectations, Airservices will continue to adjust our cost base and investments to match the new levels of revenue.

## 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.

# Notes to and Forming Part of the Financial Statements

## 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
– Valuation of Other Financial Assets and Other Financial Liabilities	Notes 2.4 and 2.6
– Measurement of Lease Liabilities	Note 2.7
– Long Service Leave and Early Retirement Benefits	Note 4.1
– AvSuper Defined Benefits	Note 4.2

## New Accounting Standards

### Adoption of new Australian Accounting Standard requirements

There are no new standards that were issued prior to the sign-off date and applicable to the current reporting period that had a material effect, nor any that 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.