

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 2022.

1.1 Revenue

	2022 \$'000	2021 \$'000
Airways revenue		
Gross Airways revenue	551,004	415,683
Fee waivers granted ¹	(45,541)	(159,245)
Recovery from government for fee waivers ²	45,328	70,514
	550,791	326,952

¹ Waivers provided for domestic aviation charges of \$45.5m (2021: \$159.2m) under the Government's COVID-19 relief package during FY2022 ceased by 31 December 2021.

² \$45.3m was received from the government representing an almost 100% 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 2022.

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 FY2021 and FY2022, during which time the scope of the program was reduced to target passenger carrying and aeromedical services. For FY2022, flight waivers provided under this program totalling \$45.5m (2021: \$159.2m) have been recognised and this program ceased on 31 December 2021.

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 40% (2021: 39%) related to the Qantas Group including the Jetstar Group and 16% (2021: 14%) related to Virgin. In lieu of revenue foregone from waiving domestic aviation charges for passenger and aeromedical services, the Government provided Airservices funding reimbursements of \$45.3m.

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)

This section analyses the financial performance of Airservices Australia for the year ended 2022.

	2022 \$'000	2021 \$'000
Government grant		
Revenue grant 1 ¹	-	150,000
Revenue grant 2 ²	-	431,833
Revenue grant 3 ³	-	550,000
	-	1,131,833

Government Grant

- 1 \$150m was received on 14 July 2020 and related to the balance of the first Grant established in FY2020 under the COVID-19 Response Package – Aviation Support established through the *Appropriation (Coronavirus Economic Response Package) Act (No. 1) 2019-2020 (No.25, 2020)*. This includes revenue substitution measures for recovery of the 100% fee waivers provided to domestic passenger and aeromedical operations for Airservices charges.
- 2 \$431.8m was received progressively throughout FY2021 under the second revenue Grant provided under the COVID-19 Response Package - Aviation Support established in Budget 2020-21. This included revenue substitution measures for recovery of the 100% 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 Advance to the Finance Minister (AFM) determination (No. 8 of 2020-2021) and represented 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.

Notes to and Forming Part of the Financial Statements

1.1 Revenue (continued)

	2022 \$'000	2021 \$'000
Finance income		
Deposits	807	920
Cash at bank	136	106
Other	20	-
Total finance income	963	1,026

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.

	2022 \$'000	2021 \$'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

	2022 \$'000	2021 \$'000
Reversal of previous asset write-down		
Reversal of doubtful debt provisions	17,143	-
Reversal of previous asset write-down	995	-
Total Reversal of previous asset write-down	18,138	-

Notes to and Forming Part of the Financial Statements

1.2 Expenses

	2022 \$'000	2021 \$'000
Employee benefits		
Wages and salaries	429,369	453,248
Superannuation (defined contribution funds)	51,593	52,528
Leave and other entitlements	129,796	95,833
Separation and redundancies - other	59,205	31,066
Employee benefits (excluding defined benefit superannuation expense)	669,963	632,675
Net defined benefit superannuation expense recognised in employee benefits		
Current service cost	23,641	23,804
Net interest expense	(5,504)	(4,001)
Defined benefit superannuation expense	18,137	19,803
Total employee benefits	688,100	652,478
Supplier expenses		
Goods and services supplied or rendered		
Contractor, consultancy and compliance costs	58,535	26,557
IT and telecommunication costs	63,111	62,131
Infrastructure costs	60,613	34,330
Restructuring costs	-	6,781
Other occupancy costs	28,823	29,599
Other	20,484	18,833
Total goods and services supplied or rendered	231,566	178,231
Other expenses		
Operating lease rentals ¹	372	2,440
Short-term leases	6	23
Low value leases	4,443	4,565
Variable lease payments	354	346
Loss on lease modifications	-	2,206
Total other supplier expenses	5,175	9,580
Total supplier expenses	236,741	187,811
Impairment loss on financial instruments		
Impairment on trade and other receivables	-	5,777
Bad debts written off	80	147
Total impairment loss on financial instruments	80	5,924
Write-down and impairment of other assets		
Impairment of property, plant and equipment	7,387	4,555
Revaluation decrements/(increments)	126	-
Total write-down and impairment of other assets	7,513	4,555

Notes to and Forming Part of the Financial Statements

1.2 Expenses (continued)

	2022 \$'000	2021 \$'000
Net loss on disposal of non-current assets		
Proceeds from disposal of non-current assets	(401)	-
Written-down value of disposed non-current assets	591	-
Proceeds from disposal of assets held for sale	(45)	-
Written-down value of disposed assets held for sale	45	-
Net loss on disposal of non-current assets	190	-

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

The above lease disclosures should be read in conjunction with the accompanying Notes 2.3 and 2.7.

Accounting Policy

Employee Benefits

Accounting policies for employee-related expenses are 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.

Notes to and Forming Part of the Financial Statements

1.3 Taxation

	2022 \$'000	2021 \$'000
Income tax (benefit)/expense		
Current tax (benefit)/expense ¹	(208)	155,497
Deferred tax (benefit)/expense	(148,834)	(17,822)
Income tax (benefit)/expense attributable to profit from continuing operations	(149,042)	137,675
Reconciliation of income tax (benefit)/expense to prima facie tax payable		
Loss/(Profit) from continuing operations before income tax expense	(496,604)	458,851
Prima facie income tax (benefit)/expense at 30%	(148,980)	137,656
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	8	1
Prior year over provision of tax	(160)	(446)
Other non-deductible/(assessable) expenditure	90	464
Income tax (benefit)/expense	(149,042)	137,675

¹ The movement in income tax (benefit)/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 prior reporting period.

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.

Notes to and Forming Part of the Financial Statements

1.3 Taxation (continued)

	2022 \$'000	2021 \$'000
Deferred tax asset/(liability)		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the statement of comprehensive income</i>		
Depreciation for accounting purposes	14,628	6,928
Provision for doubtful debts	3,280	8,422
Employee benefits	59,012	65,743
Provision for revenue to be returned to customers	187	187
Provision for legal costs	-	71
Other provisions	36,955	30,190
Accruals	1,062	1,178
Government grants	-	158
Tax losses	146,588	-
	261,712	112,877
<i>Amounts recognised directly in equity</i>		
Foreign exchange hedge reserve	419	1,221
Revaluation of land, buildings, plant and equipment	(56,174)	(51,868)
Defined benefit (asset)/liability	(72,369)	(43,774)
AASB 16 Leases	(2,662)	(2,662)
	(130,786)	(97,083)
Net deferred tax (liability)/assets	130,926	15,794
Movements:		
Opening balance at 1 July	15,794	15,743
Charged to the statement of comprehensive income	148,834	17,823
Credited to equity	(33,702)	(17,772)
Closing balance at 30 June	130,926	15,794

Tax losses

A deferred tax asset of \$146.6m has been recognised for income tax losses (2021: Nil). Based on management's forecast of future taxable profit and the reversal of taxable temporary differences, Airservices considers it probable the tax losses will be fully utilised.

Airservices has capital losses of \$4.8m (2021: \$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.

There were no other unrecognised deferred tax assets at 30 June 2022 (2021: nil).

Notes to and Forming Part of the Financial Statements

1.3 Taxation (continued)

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 and carry forward tax losses only if it is probable that future taxable temporary differences or profits will be available to utilise those deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 2022 was paid (2021: Nil). No interim dividends for the years ending 30 June 2022 and 30 June 2021 were paid.

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30% (2021: 30%) are \$356.6m (2021: \$340.3m).

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.