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

	2020 $'000	2019 $'000
Trade and other receivables		
Trade receivables, net of waivers (a)	**49,952**	124,854
Less impairment loss allowance (b)	**(22,298)**	(2,278)
	27,654	122,576
Accrued revenue and interest	**2,969**	3,908
Other receivables	**2,120**	178
Total current receivables	**32,743**	126,662
(A) AGEING ANALYSIS OF TRADE RECEIVABLES		
Current	**19,823**	95,781
Overdue by:		
1 to 30 days	**4,521**	25,688
31 to 60 days	**1,648**	1,524
61 to 90 days	**10,892**	881
90 + days	**13,068**	980
Total trade receivables	**49,952**	124,854
Trade and other receivables (net) expected to be recovered		
No more than 12 months	**49,952**	124,854
Total trade and other receivables (net)	**49,952**	124,854
(B) RECONCILIATION OF THE IMPAIRMENT LOSS ALLOWANCE		
Opening balance	**2,278**	3,416
Increase recognised in net profit/(loss)	**20,020**	(1,138)
Closing balance	**22,298**	2,278
The provision for impairment of receivables is aged as follows:		
Current	**1,260**	151
Overdue by:		
1 to 30 days	**1,118**	356
31 to 60 days	**666**	283
61 to 90 days	**8,184**	390
90 + days	**11,070**	1,098
Total provision for impairment of receivables	**22,298**	2,278

Credit terms for goods and services are 28 days.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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. The trade receivables balance as at 30 June 2020 is net of domestic flight waivers totalling $6.2m. Refer to Note 1.1 Revenue for further information.

Provisions for expected credit losses (ECL)

The COVID-19 pandemic has had a significant impact on global and domestic economies and as such, many of Airservices customers. The current and prospective rapid deterioration in the economy, particularly within the aviation industry due to the COVID-19 pandemic has resulted in a significant increase in the provision for Expected Credit Loss (ECL) to $22.3m (30 June 2019: $2.3m).

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 Standard & Poors average probability of default measurement for our key customers' receivables of 1.49 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".

The COVID-19 pandemic overlay

While 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 wide impacts will not reflect the specific impact on individual customers. As the full impact of the COVID-19 pandemic is yet to be felt at the balance to date, Airservices is still to see the anticipated increase in delinquencies, downgrades and defaults. As these likely future downgrades are not currently captured in the modelled outcome, Airservices has considered the likely industry impacts and raised a $1.4m overlay in addition to the modelled provision of $20.9m.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.2 ASSETS CLASSIFIED AS HELD FOR SALE

Five land assets have been identified as surplus to the requirements of Airservices and have been classified as assets held for sale. Disposal is expected to be completed within the 2020-21 financial year.
The carrying amount of the asset amounts is $0.4m (30 June 2019: $3.3m).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

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	-
Revaluations and impairments recognised in other comprehensive income for right-of-use assets	-	-	-
Impairments - recognised in profit and loss	-	-	-
Impairments - recognised in other comprehensive income	-	-	-
Impairments on right-of-use assets recognised in net cost of services	-	-	-
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	-	-	-
Disposals - other	(1,539)	(31)	(470)
Transferred to assets held for sale	(445)	-	-
Transfers - other	3	233	(233)
Net book value 30 June 2020	64,784	416,530	476,541
Net book value as of 30 June 2020 represented by:			
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

Notes:

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.

2. Total property, plant and equipment includes right-of-use assets leased to third-parties as an operating lease of $0.3m as at 30 June 2020.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Total property, plant and equipment[2] $'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 AND EQUIPMENT AND INTANGIBLES CONTINUED

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

	Land $'000	Buildings $'000	Plant and equipment $'000
As at 1 July 2018			
Gross book value	49,547	399,040	761,112
Accumulated depreciation and impairment	-	(25,516)	(215,059)
Net book value 1 July 2018	49,547	373,524	546,053
Additions - internally developed	-	9,700	65,590
Revaluations	(3,605)	3,027	10,967
Impairments - recognised in profit and loss	-	(66)	(247)
Impairments - recognised in other comprehensive income	-	-	(67)
Commissioned assets under construction	-	-	-
Depreciation/amortisation expense	-	(32,225)	(87,665)
Transfers	-	-	-
Disposals - other	(16,720)	(1,255)	(1,299)
Transfers to assets held for sale	(3,272)	-	-
Net book value 30 June 2019	25,950	352,705	533,332
Net book value as of 30 June 2019 represented by:			
Gross book value	25,950	410,144	731,775
Accumulated depreciation and impairment	-	(57,439)	(198,443)
	25,950	352,705	533,332

Total property, plant and equipment $'000	Internally developed software $'000	Other intangible assets $'000	Total intangibles $'000	Assets under construction $'000	Total $'000
1,209,699	321,254	86,594	407,848	219,061	1,836,608
(240,575)	(235,687)	(80,993)	(316,680)	-	(557,255)
969,124	85,567	5,601	91,168	219,061	1,279,353
75,290	28,266	52	28,318	145,677	249,285
10,389	-	-	-	-	10,389
(313)	(2,631)	(78)	(2,709)	(3,383)	(6,405)
(67)	-	-	-	-	(67)
-	-	-	-	(101,452)	(101,452)
(119,890)	(18,932)	(2,828)	(21,760)	-	(141,650)
-	-	-	-	-	-
(19,274)	(330)	(57)	(387)	-	(19,661)
(3,272)	-	-	-	-	(3,272)
911,987	91,940	2,690	94,630	259,903	1,266,520
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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(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 2020.

Property valuation uncertainty

Market uncertainty comes about when a market, as at the valuation date, is disrupted by current or very recent events such as a sudden economic or political crisis. The event(s) that cause market uncertainty may be macroeconomic, for example the current COVID-19 pandemic, or microeconomic such as a change to a law or regulation which resets or disrupts a market sector.

In the real estate market, macroeconomic event(s) may result in valuation uncertainties as the only evidence available to be considered by the valuer is most likely to have taken place before the event occurred, the impact of which will not be reflected in market evidence. The impact on sale prices and volumes will not be known until the market has stabilised and a new normal has been established.

Accordingly, the valuation undertaken for reporting purposes has attached less weight to previous market evidence for comparison purposes to inform opinions of value. The market the property/assets(s) are being transacted in or assessed in is impacted by the uncertainty that the COVID-19 pandemic has caused. Market conditions are changing daily, and the current response to the pandemic means that an unprecedented set of circumstances was faced on which to base a judgement. In the event impacts are more material or prolonged than anticipated, this may have a material impact on the fair value of Airservices property portfolio and the future prices achieved if any properties are sold.

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

Capital commitments for property, plant, equipment and intangibles was $923.9m (2019: $1.2bn) 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:

	2020 $'000	2019 $'000
Land		
At cost	**2,065**	2,271
	2,065	2,271
Buildings		
At cost	**583,413**	565,340
Accumulated depreciation	**(271,824)**	(249,283)
Net book amount	**311,589**	316,057
Plant and Equipment		
At cost	**1,350,581**	1,357,994
Accumulated depreciation	**(839,748)**	(786,567)
Net book amount	**510,833**	571,427

(E) BORROWING COSTS

The total borrowing costs capitalised as at 30 June 2020 is $18.2m (2019: $9.3m) of which $10.6m (2019: $5.1m) were capitalised during the year. As Airservices borrows money generally to fund both operating and capital expenditure, the weighted average cost of borrowings of 3.88 per cent (2019: 3.71 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 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 re-valued 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.

Lease 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 as at 30 June 2020.

The entity 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 reflects 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.

On initial adoption of AASB 16, Airservices has adjusted the ROU assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. 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. Lease ROU assets continue to be measured at cost after initial recognition in Airservices and Whole of Government 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 2020.

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.

	2020	2019[1]
Buildings (e.g. control towers, fire stations, commercial property)	10-45 years	10-45 years
Building equipment	1-40 years	2-40 years
Other Assets (e.g. airways technical equipment, vehicles)	2-40 years	2-40 years

1. Comparatives have been updated to reflect actual useful lives applied in depreciation rates. This was previously disclosed using standard useful lives.

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 below 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 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 2020.

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 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: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Fair value measurements

Fair value measurements as at 30 June 2020 by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period				
	2020 $'000	**2019 $'000**	**Category (Level 1, 2, or 3)**	**Valuation technique**	**Inputs used**
Financial assets					
Forward exchange contracts	**681**	709	2	ADCF	[1]
Foreign currency receivable	**-**	-	2	ADCF	[1]
Interest rate swaps	**16,688**	15,785	2	ADCF	[2]
Total financial assets at fair value	**17,369**	16,494			
Non-financial assets					
Land	**23,896**	25,950	2	DC	[3]
Buildings	**346,355**	352,705	3	DRC	[4]
Plant and equipment	**470,331**	533,332	3	DRC	[5]
Assets held for sale	**445**	3,272	2	DC	[3]
Total non-financial assets at fair value	**841,027**	915,259			
Total fair value measurements of assets	**858,396**	931,753			
Financial liabilities					
Forward exchange contracts	**3,169**	1,974	2	ADCF	[1]
Interest rate swaps	**17,675**	13,757	2	ADCF	[2]
Total financial liabilities at fair value	**20,844**	15,731			
Total fair value measurements of liabilities	**20,844**	15,731			
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION					
Medium Term Notes	**994,600**	712,458	1	DC	[6]
Commercial Paper	**134,905**	4,991	1	DC	[6]
Total financial liabilities not measured at fair value	**1,129,505**	717,449			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTES:

DC - Direct Comparison

DRC - Depreciated Replacement Cost (Cost Approach)

DCF - Discounted Cash Flows

ADCF - Adjusted Discounted Cash Flows

WA – Weighted Average

[1] Current foreign exchange market rates.

[2] Current market interest rates.

[3] Direct comparison with a wide range of land sales on a rate per square metre basis. Professional judgement has been utilised to determine fair value taking into account tenure, encumbrances, town planning, location, size and shape.

[4] Historical capitalised costs adjusted to current date by the application of specific indices (range used: +1.5 per cent - +3.75 per cent)

[5] Asset class subject to high level review only. Historical capitalised costs adjusted to current date by the application of specific indices considered appropriate to particular asset categories (range used: -4 per cent-+2 per cent). Indices adopted have no material movement compared to 2019.

[6] 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.

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.

Valuation techniques used to determine Level 2 and Level 3 fair values

Land

The fair value of freehold land assets has been derived using the direct comparison approach whereby the evidence derived from analysis of recent sales of similar properties is used to establish the value of the subject property (Level 2 Inputs). In this regard, sales evidence has been collected as close to the date of valuation as possible and compared to the subject property on the basis of area, contours, locations, access and alternate potential. The sales were then analysed on a sale price per square metre of land area and adjusted accordingly to reflect any character differences between the subject property and the comparable sales data.

Buildings

Non-specialised building assets where the asset can be identified as having the capability to be compared to open market conditions have been valued using the capitalised income approach whereby a yield is applied to the properties' income (actual or assumed) to assess the value.

Specialised buildings and site improvements have been valued on the basis of Depreciated Replacement Cost (Summation Method). This has been determined by first establishing the estimated cost to replace with an equivalent new asset less depreciation for their physical, functional and economic obsolescence.

Most building assets possess an alternate use potential, however, that potential can only be realised if the underlying conditions of the land permit an alternate use. In most instances the land lease agreements Airservices Australia has entered into preclude using the underlying land and the buildings upon the land in any other way than to provide the specialised services specifically related to Airservices. Where the land lease conditions preclude Airservices from partaking in otherwise normal market conditions, the building assets were valued as a specialised asset.

Plant and Equipment

These assets represent a specialised group of assets integrated to perform the control, monitoring and safety requirements' 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 are valued using the Cost Approach (depreciated replacement cost). For the current assessment year, cost indices were reviewed and indicated there has been 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

Financial assets and liabilities

The fair values of foreign currency Forward Exchange Contracts (FECs) and Interest Rate Swaps (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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets		
	Buildings 2020 $'000	Plant and equipment 2020 $'000	Total 2020 $'000
Opening balance	352,705	533,332	886,037
Total gains/(losses) recognised in Statement of Comprehensive Income [1]	-	485	485
Total gains/(losses) recognised in Other Comprehensive Income [2]	508	(485)	23
Purchases	233	2,302	2,535
Commissioned	18,310	20,485	38,795
Disposals	(31)	(470)	(501)
Depreciation	(31,267)	(85,318)	(116,585)
Closing balance	340,458	470,331	810,789

Notes:

1. These gains/(losses) are presented in the Statement of Comprehensive Income under Reversal of previous asset write-down.

2. These gains/(losses) are presented in the Statement of Comprehensive Income under Changes in asset revaluation reserve.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.5 OTHER PROVISIONS AND PAYABLES

	2020 $'000	2019 $'000
Current payables and other provisions		
Current trade and other payables		
Trade payables	**13,361**	14,927
Employees		
Salaries and wages	**15,385**	12,695
Superannuation	**1,648**	1,594
Tax payables		
Accrued payroll tax	**9,483**	2,847
Net goods and services tax payable	**-**	13,267
Group tax payable	**5,784**	6,149
Revenue received in advance	**678**	1,153
Interest payable	**3,775**	2,806
Other accrued expenses	**71,381**	51,328
Total current trade and other payables	**121,495**	106,766
Current other provisions		
Revenue to be returned to customers	**622**	607
ARFFS decontamination	**11,892**	15,743
Litigation and legal costs	**1,288**	1,825
Makegood on leasehold assets	**213**	614
Other	**1,893**	823
Total current other provisions	**15,908**	19,612
Total current provisions and payables	**137,403**	126,378
Non-current other provisions		
ARFFS decontamination	**47,417**	38,781
Makegood on leasehold assets	**27,559**	24,032
Total non-current provisions	**74,976**	62,813

Description of provisions

Aviation Rescue and Fire Fighting Services (ARFFS) decontamination

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

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 an 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 Aviation Rescue and Fire Fighting Services (ARFFS) training sites and the remediation and restoration of leased property sites.

	2020 $'000	2019 $'000
Movements in provisions		
(i) Revenue to be returned to customers (Current)		
Carrying amount at start of period	**607**	505
Additional provisions made	**15**	102
Carrying amount at end of period	**622**	607
(ii) ARFFS decontamination (Current/Non-current)		
Carrying amount at start of period	**54,524**	56,177
Additional provisions made	**14,441**	4,191
Payments	**(9,656)**	(5,844)
Carrying amount at end of period	**59,309**	54,524
(iii) Litigation and legal costs (Current)		
Carrying amount at start of period	**1,825**	844
Additional provisions made	**1,288**	1,825
Payments	**(1,825)**	(844)
Carrying amount at end of period	**1,288**	1,825
(iv) Makegood on leasehold assets (Current/Non-current)		
Carrying amount at start of period	**24,646**	22,629
Additional provisions made	**3,394**	2,161
Payments	**(268)**	(144)
Carrying amount at end of period	**27,772**	24,646
(v) Restructuring costs (Current)		
Carrying amount at start of period	**-**	7,260
Amounts reversed	**-**	(5,200)
Payments	**-**	(2,060)
Carrying amount at end of period	**-**	-
(vi) Other (Current)		
Carrying amount at start of period	**823**	1,413
Additional provisions made	**1,160**	-
Payments	**(90)**	(590)
Carrying amount at end of period	**1,893**	823

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.6 OTHER FINANCIAL ASSETS AND LIABILITIES

	2020 $'000	2019 $'000
Other current financial assets		
Interest rate swaps	**3,608**	-
Forward exchange contracts	**416**	338
Foreign currency receivable	**-**	-
Total other current financial assets	**4,024**	338
Other non-current financial assets		
Interest rate swaps	**13,080**	15,785
Forward exchange contracts	**265**	371
Total other non-current financial assets	**13,345**	16,156
Other current financial liabilities		
Interest rate swaps	**944**	506
Forward exchange contracts	**795**	335
Total other current financial liabilities	**1,739**	841
Other non-current financial liabilities		
Interest rate swaps	**16,731**	13,251
Forward exchange contracts	**2,374**	1,639
Total other non-current financial liabilities	**19,105**	14,890

Refer to Note 2.4 for basis of fair value measurement.

2.7 OTHER ASSETS AND OTHER LIABILITIES

	2020 $'000	2019 $'000
Other current liabilities		
Lease liability[1]		
Land	**2,733**	375
Buildings	**6,753**	-
Plant and equipment	**4,110**	-
Total other current liabilities	**13,596**	375
Other non-current liabilities		
Lease liability[1]		
Land	**35,169**	4,063
Buildings	**66,538**	-
Plant and equipment	**1,710**	-
Other[2]	**58,463**	85,062
Total other non-current liabilities	**161,880**	89,125

Notes:

1. The Entity has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. Total cash outflow for leases for the year ended 30 June 2020 was $14.8m.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

Lease liabilities

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 rates (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 incremental borrowing rate 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 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 as at 30 June 2020. 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 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.

After the commencement date, Airservices measures the lease liability by reducing the carrying amount to reflect any lease payments made, and increasing the carrying amount 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. Any remeasurement is generally adjusted against the ROU asset.

Refer to the Overview section for accounting policy on transition to AASB16 Leases and Note 2.3 Property, plant and equipment and Intangibles for the accounting policy for ROU assets.