



Airlines

Financial reporting in uncertain times

May 2026



Be clear on uncertainties

External events, including geopolitical tensions, continue to cause significant uncertainty.

In times of heightened uncertainty, investors and regulators look for clarity in your annual report.

They want to know how your company is affected, how you address the challenges, what judgements, estimates and assumptions you make, and how you have reflected it all in the financial statements.

Therefore, you need to be clear in your financial reporting.

Use this guide along with other resources on our [Uncertain times hub](#) and follow these **three steps**.

Step 1

Identify the relevant risks and uncertainties

The uncertainties, risks and opportunities, and related response may vary by airline and geography.

Consider those that are **relevant** for your company.

Step 2

Determine the financial reporting impacts

Consider the **'big picture'** and specific impacts of relevant risks, uncertainties and potential opportunities.

Determine how your decisions in response **impact** your future cash flows in the short, medium and long term.

Step 3

Tell a clear and connected story

Provide clear, transparent and connected disclosures about risks and uncertainties faced by your company across financial reporting and other parts of your annual report.

Stand back and consider if you have disclosed all **material information**, even if there is no impact at the reporting date.

Navigating key risks and impacts for airlines

Ask yourself:

- Is there significant doubt over your ability to continue as a **going concern**?
- Are there indicators that your assets may not be **recoverable**?
- Will your jet fuel hedges become **ineffective** or fail the **hedge** accounting criteria?
- Will any of your contracts become **loss-making**?
- Will your decisions trigger a **provision** – e.g. for restructuring or termination of contracts?



Fleet grounding



Jet fuel and hedging



Flight changes and cancellations



Loan covenants



Changes to planned investments



Restructuring programmes



Government assistance



Code-share and similar arrangements



External events – such as geopolitical tensions – may impact a specific region that serves as a key business and leisure destination and a global transit hub for long-haul travel. The region may also be home to several major global carriers.

Airlines in the region may be most significantly affected, with capacity reductions and groundings. Some airlines may also need to relocate their fleet and/or consider sub-leasing.

Fleet groundings may impact both owned and leased aircraft.

Fleet grounding

Financial reporting impacts

Impairment

- Are there any indicators that an asset or cash-generating unit (CGU) may be impaired and testing is needed? Consider:
 - reductions in forecast revenues;
 - grounding costs;
 - the period of grounding – short-term vs long-term; and
 - significant changes in aircraft use.

Depreciation

- Is the useful life or residual value impacted?
- Is the depreciation charge impacted?

Maintenance

- Are there minimum flying commitments under power-by-the-hour arrangements?
- Are there additional maintenance costs from grounding?

Additional considerations for leased aircraft

- Are you reconsidering renewal or termination of a lease?
- Do lease payment schedules need to be renegotiated?
- Does grounding impact the provision for an obligation to return an aircraft in its original condition?
- Are you sub-leasing any aircraft?

Your next steps

- Assess the impact on future forecasts and consider if recoverable amount assumptions – e.g. discount rate – are up to date.
- Assess whether depreciation estimates change. If so, then apply prospectively.
- Identify minimum flying commitments and consider the impact on provisions for maintenance obligations.
- Determine whether lease terms need reassessing.
- Assess the ability to meet lease payments.

Further resources



Impairment of non-current assets – Assessing the impact



Lease assets – Assessing recoverability



Leases – Impact of renewal, termination or purchase options



Oil supply disruption drives a significant increase in the cost of jet fuel and uncertainty over future supplies.

Heightened volatility, particularly for refined fuel products, increases exposure to fuel price risk and could affect hedge effectiveness.

Jet fuel and hedging

Financial reporting impacts

Hedge accounting

- Will hedging relationships be discontinued because a forecast jet fuel purchase is no longer highly probable?
- Has the risk management objective changed significantly such that hedge accounting can no longer be applied?
- Are changes to hedging policies:
 - a continuation of existing hedging relationships;
 - a rebalancing of existing hedges; or
 - a designation of new hedging relationships?
- Have hedges of jet fuel prices become ineffective?

Your next steps

- Assess whether forecast jet fuel purchases remain highly probable – e.g. considering changes in routes, operational and supply disruption.
- Document any revisions to the risk management objective.
- Consider whether changes to hedging policies will be made – e.g. extending hedge maturities, modifying hedging strategies to address a widening crack spread.
- Assess whether:
 - there is hedge ineffectiveness to recognise in profit or loss – e.g. because of widening jet fuel crack spread; and
 - the hedging relationship continues to meet the effectiveness requirements.

Further resources



[Hedge accounting – Assessing the impact](#)



External events may significantly disrupt air passenger transport, including reductions in capacity and cancellations across affected routes.

In response, airlines may reroute their flights, cancel less profitable routes and offer greater flexibility through refunds, rebooking options and travel vouchers.

Flight changes and cancellations

Financial reporting impacts

Revenue

- Are you required to provide compensation for delayed or cancelled flights?
- Do expected changes in customer behaviour impact:
 - variable consideration;
 - breakage assumptions; or
 - deferred revenue?

Provisions

- Have contracts become loss-making?

Your next steps

- Consider whether expectations of customer behaviour reflect the current environment – e.g. rebooking, requesting refunds or vouchers under flexible ticket terms or following flight cancellations.
- Identify whether there have been changes in the terms and conditions of tickets.
- Assess whether the unavoidable costs of meeting an obligation exceed the benefits to be received under the contract. Review termination clauses.
- Perform impairment testing before recognising an onerous contract provision.

Further resources



Revenue – Reviewing estimates



Revenue – Assessing enforceability of customer contracts



Onerous contracts – Assessing the impact



Disruption and uncertainty may affect airlines' financial performance, liquidity and forecasts used to assess compliance with loan covenants.

Material adverse change and *force majeure* clauses may further affect financing arrangements and related financial reporting.

Loan covenants

Financial reporting impacts

Current vs non-current classification

- Have breaches in covenants triggered a loan to become repayable on demand and therefore classified as current on the balance sheet?
- Are there subjective covenant clauses – e.g. 'material adverse change' clauses – that require judgement to assess whether a breach has occurred?
- Have any refinancing, amendments or waivers been agreed:
 - before the reporting date that impact the assessment at the reporting date; or
 - after the reporting date that need to be disclosed?

Your next steps

- Review covenant clauses in loan agreements and assess whether a breach has occurred or is likely to occur at the reporting date.
- Consider the impact of any refinancing, amendments or waivers.

Further resources



Loans and borrowings – Current vs non-current classification



External events may increase uncertainty over future market conditions and demand, reducing visibility for capital planning.

Airlines may revisit capital allocation decisions, with planned investments deferred, rephased or cancelled.

Changes to planned investments

Financial reporting impacts

Impairment

- Are there any indicators that an asset or CGU may be impaired and testing is needed? Consider the impact of deferral, rephasing or cancellation of:
 - fleet upgrades and aircraft acquisitions; and
 - airport infrastructure or expansion projects.

Depreciation

- Is the useful life or residual value impacted?
- Is the depreciation charge impacted?

Borrowing costs

- Can borrowing costs continue to be capitalised?

Provisions

- Is there a present obligation for a penalty resulting from deferral or termination of committed expenditure requiring recognition as a liability?

Your next steps

- Assess the impact on future forecasts and consider if recoverable amount assumptions are up to date.
- Assess whether depreciation estimates change. If so, then apply prospectively.
- Assess whether development projects are suspended for an extended period impacting the capitalisation of borrowing costs.
- Identify any contractual penalties arising on deferral or termination of committed expenditure.

Further resources



Impairment of non-current assets – Assessing the impact



Lease assets – Assessing recoverability



Capitalised borrowing costs – Assessing the impact



In response to uncertainty over future market conditions and demand, airlines may change operations or reduce their presence in affected regions. They can also reduce their discretionary spending – e.g. on marketing or social activities.

Such actions may range from temporary adjustments to more permanent restructuring programmes.

Restructuring programmes

Financial reporting impacts

Restructuring provisions

- Are the recognition criteria met, including both:
 - a detailed plan for the restructuring; and
 - a valid expectation by those affected that it will be carried out?
- Does the provision reflect the direct costs arising from the restructuring?

Termination benefits

- Will a restructuring involve employee redundancies?

Impairment

- Are there any indicators that an asset or CGU may be impaired and testing is needed?
- Do you need to reflect a future restructuring in the recoverable amount?

Your next steps

- Ensure that both recognition criteria are met before recognising a restructuring provision.
- Ensure that restructuring provisions exclude costs of ongoing activities, unless they relate to an onerous contract.
- Recognise termination benefits at the earlier of when:
 - a restructuring provision is recognised; and
 - the offer of those benefits can no longer be withdrawn.
- Consider value in use and fair value less costs of disposal requirements when assessing whether to reflect a future restructuring in cash flow projections.

Further resources



[Restructuring provisions – Assessing the impact](#)



[Employee benefits – Assessing the impact](#)



Pressure on airline operations, liquidity and demand may prompt governments to introduce relief measures or targeted support.

Such support may take different forms, including grants, tax reliefs, fee waivers, loans, guarantees or other incentives.

Government assistance

Financial reporting impacts

Government grants

- Does the assistance meet the definition of a government grant?
- Is the grant:
 - in the form of non-monetary assets;
 - related to assets; or
 - related to income?

Tax reliefs

- Does the government provide a tax incentive to which the income tax accounting standard applies?

Government loans and guarantees

- Has a benefit of a below-market interest rate been accounted for as a government grant?
- Has the gross or net approach been consistently applied to government guarantees on loans from financial institutions?

Your next steps

- Determine the nature and type of the government assistance and the applicable accounting standards. Assistance that may impact taxable profit or the income tax liability are generally accounted for under the income tax accounting standard.
- Determine when to recognise a government grant. There needs to be reasonable assurance that:
 - the relevant conditions will be complied with; and
 - the grant will be received.
- Apply any accounting policy choices consistently – e.g. measurement and presentation.

Further resources



Government assistance – Evaluating nature and type



Government grants – Determining timing and amount to recognise



Disruption to routes and performance may impact the operability of joint arrangements between carriers.

For code-share arrangements, the disruption may trigger contractual clauses such as *force majeure*, service suspension, termination rights and minimum revenue guarantees.

Code-share and similar arrangements

Financial reporting impacts

Code-share arrangements

- Is there an obligation arising from code-share arrangements?
- Do significant changes in the volume of passengers transported trigger commercial clauses with accounting implications?

Joint ventures and associates

- Can losses from an equity-accounted investee continue to be recognised?

Impairment

- Is impairment testing necessary, considering the requirements in the relevant accounting standards?

Your next steps

- Consider the impact of clauses in code-share arrangements that may be triggered.
- Identify any loss-making equity-accounted investees. Once the investor's interest is reduced to zero, a liability is recognised only to the extent the investor has an obligation or made payments on behalf of the investee.
- Consider other relevant impacts – e.g. impairment.

Further resources



Relationships with investees – Assessing the impact

Keeping in touch



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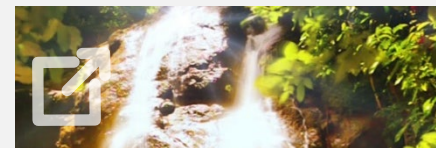
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