

1. Our financial performance

This section analyses the financial performance of Airservices for the year ended 2024.

1.1 Revenue

	2024 \$'000	2023 \$'000
Airways revenue		
Gross Airways revenue	1,006,915	862,629
	1,006,915	862,629

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 44% (2023: 40%) related to the Qantas Group including the Jetstar Group and 17% (2023: 17%) related to Virgin.

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.

1.1 Revenue (continued)

	2024 \$'000	2023 \$'000
Finance income		
Deposits	7,919	17,178
Cash at bank	6,985	4,015
Interest rate swap fair value gain	-	4,069
Other	208	66
Total finance income	15,112	25,328

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.

	2024 \$'000	2023 \$'000
Reversal of previous asset write-down		
Reversal of doubtful debt provisions	-	1,861
Reversal of previous asset write-down	-	709
Total reversal of previous asset write-down	-	2,570

1.2 Expenses

	2024 \$'000	2023* \$'000
Employee benefits		
Wages and salaries*	471,576	435,838
Superannuation (defined contribution funds)	61,363	55,465
Leave and other entitlements*	141,145	111,765
Separation and redundancies - other	7,757	5,099
Other employee related expenses*	44,231	36,275
Employee benefits (excluding defined benefit superannuation expense)	726,072	644,442
Net defined benefit superannuation expense recognised in employee benefits		
Current service cost	14,053	15,994
Net interest expense	(6,725)	(14,110)
Defined benefit superannuation expense	7,328	1,884
Total employee benefits	733,400	646,326
Supplier expenses		
Goods and services supplied or rendered		
Contractors and consultants*	58,229	41,076
Compliance costs	24,422	96,283
IT services	65,974	52,179
Infrastructure costs	81,166	85,765
Operational service costs	13,888	13,121
Other occupancy costs	22,796	17,137
Repairs and maintenance	25,535	24,961
Telecommunications	21,195	18,599
Travel	22,437	18,084
Other*	22,463	20,014
Total goods and services supplied or rendered	358,105	387,219
Other expenses		
Operating lease rentals ¹	11	10
Short-term leases	13	389
Low value leases	3,178	4,651
Variable lease payments	294	288
Total other supplier expenses	3,496	5,338
Total supplier expenses	361,601	392,557
Finance Costs		
Borrowing costs	47,169	39,644
Interest rate swap fair value loss	2,185	-
Interest on lease liabilities	1,983	1,589
Total finance costs	51,337	41,233

Continued overleaf

Notes to and forming part of the financial statements

1.2 Expenses (continued)

	2024 \$'000	2023* \$'000
Impairment loss on financial instruments		
Impairment on trade and other receivables	1,417	-
Bad debts written off	2,590	4,047
Total impairment loss on financial instruments	4,007	4,047
Write-down and impairment of other assets		
Impairment of property, plant and equipment	8,850	-
Revaluation decrements/(increments)	5,839	-
Total write-down and impairment of other assets	14,689	-
Net loss on disposal of non-current assets		
Proceeds from disposal of non-current assets	(22)	(14)
Written-down value of disposed non-current assets	354	512
Proceeds from disposal of assets held for sale	(10)	-
Written-down value of disposed assets held for sale	5	-
Net loss on disposal of non-current assets	327	498

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

* The 2022-23 comparative has been revised from that published in the 2022-23 Annual Report. An amount of \$35.4m was reclassified to Suppliers expense in the comparative year along with a reclassification within this note between the identified line items above. The reclassification is to conform to the current year presentation of accounts that are more aligned to supplier expenses rather than an employee expense.

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 is contained in Note 4. Our people.

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.

1.3 Taxation

	2024 \$'000	2023 \$'000
Income tax benefit		
Deferred tax benefit	70,115	87,324
Income tax benefit attributable to profit from continuing operations	70,115	87,324
Reconciliation of income tax (benefit)/expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(232,154)	(293,089)
Prima facie income tax benefit at 30%	69,646	87,927
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	(6)	(7)
Prior year over provision of tax	489	(464)
Other non-deductible/(assessable) expenditure	(14)	(132)
Income tax benefit	70,115	87,324

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.

1.3 Taxation (continued)

	2024 \$'000	2023 \$'000
Deferred tax asset		
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in the statement of comprehensive income		
Depreciation for accounting purposes	4,794	18,720
Provision for doubtful debts	3,146	2,721
Employee benefits	99,461	89,844
Other provisions	43,176	51,490
Accruals	3,118	(315)
Tax losses	263,164	184,284
	416,859	346,744
Amounts recognised directly in equity		
Foreign exchange hedge reserve	(480)	(585)
Revaluation of land, buildings, plant and equipment	(64,572)	(60,527)
Defined benefit (asset)/liability	(63,095)	(51,295)
AASB 16 Leases	(2,662)	(2,662)
	(130,809)	(115,069)
Net deferred tax assets	286,050	231,675
Movements:		
Opening balance at 1 July	231,675	130,926
Charged to the statement of comprehensive income	70,115	87,324
Credited to equity	(15,740)	15,717
Movement in booked losses/tax offsets - transferred from tax payable	-	(2,292)
Closing balance at 30 June	286,050	231,675

Tax losses

A deferred tax asset of \$263.2m has been recognised for income tax losses (2023: \$184.3m). 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 (2023: \$4.8m) 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.

Consistent with 2023, there were no other unrecognised deferred tax assets at 30 June 2024.

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 carried 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 2024 was paid (2023: Nil). No interim dividend for the years ending 30 June 2024 and 30 June 2023 were paid.

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30% (2023: 30%) are \$496.0 (2023: \$496.0m).

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.