

2. Our asset base

This section analyses Airservices' 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

	2024 \$'000	2023 \$'000
Trade and other receivables		
Trade receivables, net of waivers (a)	118,334	136,755
Less impairment loss allowance (b)	(10,488)	(9,071)
	<u>107,846</u>	<u>127,684</u>
Accrued revenue and interest	3,924	8,984
Other receivables	1,220	18,556
Total receivables	<u>112,990</u>	<u>155,224</u>
a. Ageing analysis of trade receivables		
Current	101,695	89,503
Overdue by:		
1 to 30 days	7,730	39,663
31 to 60 days	2,651	831
61 to 90 days	1,620	377
90 + days	4,638	6,381
Total trade receivables	<u>118,334</u>	<u>136,755</u>
Trade and other receivables (net) expected to be recovered		
No more than 12 months	112,990	155,224
More than 12 months	-	-
Total trade and other receivables (net)	<u>112,990</u>	<u>155,224</u>
b. Reconciliation of the impairment loss allowance		
Opening balance	9,071	10,932
Movement recognised in statement of comprehensive income	1,417	(1,861)
Closing balance	<u>10,488</u>	<u>9,071</u>
The provision for impairment of receivables is aged as follows:		
Current	3,232	678
Overdue by:		
1 to 30 days	435	2,158
31 to 60 days	587	182
61 to 90 days	555	139
90 + days	5,679	5,914
Total provision for impairment of receivables	<u>10,488</u>	<u>9,071</u>

Credit terms for goods and services are 28 days (2023: 28 days).

Provisions for expected credit losses (ECL)

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 average probability of default measurement for our key customer's receivables of 0.54% 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'.

2.2 Assets classified as held for sale

There are no assets held for sale in 2024. In 2023, one parcel of land was identified as surplus to requirements of Airservices and was classified as held for sale. Disposal was completed during 2023-24. The carrying amount of the asset held for sale was \$5,000 and was sold for \$10,000.

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 2023			
Gross book value	69,667	548,294	807,619
Accumulated depreciation and impairment	(14,178)	(140,098)	(495,698)
Net book value 1 July 2023	55,489	408,196	311,921
Additions			
Purchased	-	-	-
Commissioned assets under construction	-	119,494	26,586
Right-of-use (ROU) assets additions	2,348	15,317	1,320
Revaluations and impairments recognised in other comprehensive income	(194)	13,696	-
Revaluations recognised in profit and loss	(12)	(5,827)	-
Impairments - recognised in profit and loss	-	-	-
Depreciation/amortisation expense	-	(33,209)	(60,562)
Depreciation on right-of-use assets	(3,638)	(10,384)	(2,111)
Other movements	-	-	479
Other movements of right of use assets	521	1,196	27
Disposals - other	(20)	(7)	(332)
Transfers - other	-	(335)	335
Net book value 30 June 2024	54,494	508,137	277,663

Net book value as of 30 June 2024 represented by:

Gross book value	72,310	675,393	834,263
Accumulated depreciation and impairment	(17,816)	(167,256)	(556,600)
	54,494	508,137	277,663
Carrying amount of right-of-use assets	29,460	97,218	4,302

1 Total property, plant and equipment includes right-of-use assets leased to third-parties as an operating lease \$0.12m at 30 June 2024.

2 Total Assets under Construction is broken down as follows:

AUC component	FY2023-24	Major assets/projects
Buildings	\$96.9m	Perth and Brisbane ATSC extension, Sydney KSA Tower and CMATS building support facilities
Plant and equipment	\$249.8m	CMATS solution, ENMP, ARFF radio communication replacement and digital twin
Intangibles	\$804.0m	CMATS solution, OneSKY CMATS, ENMP
Total	\$1,150.7m	

Notes to and forming part of the financial statements

Total property, plant and equipment ¹ \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangibles \$'000	Assets under construction ² \$'000	Total \$'000
1,425,580	346,302	79,238	425,540	968,157	2,819,277
(649,974)	(295,208)	(78,239)	(373,447)	-	(1,023,421)
775,606	51,094	999	52,093	968,157	1,795,856
-	-	-	-	338,232	338,232
146,080	32	723	755	(146,835)	-
18,985	-	-	-	-	18,985
13,502	-	-	-	-	13,502
(5,839)	-	-	-	-	(5,839)
-	-	-	-	(8,850)	(8,850)
(93,771)	(10,430)	(294)	(10,724)	-	(104,495)
(16,133)	-	-	-	-	(16,133)
479	-	-	-	-	479
1,744	-	-	-	-	1,744
(359)	-	-	-	-	(359)
-	-	-	-	-	-
840,294	40,696	1,428	42,124	1,150,704	2,033,122
1,581,966	333,988	76,019	410,007	1,150,704	3,142,677
(741,672)	(293,292)	(74,591)	(367,883)	-	(1,109,555)
840,294	40,696	1,428	42,124	1,150,704	2,033,122
130,980	-	-	-	-	130,980

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 2022			
Gross book value	57,841	529,239	786,270
Accumulated depreciation and impairment	(10,532)	(117,943)	(429,972)
Net book value 1 July 2022	47,309	411,296	356,298
Recognition of right of use asset on initial application of AASB 16	-	-	-
Adjusted total as at 1 July 2022	47,309	411,296	356,298
Additions			
Purchased	-	-	-
Internally developed	-	-	-
Commissioned assets under construction – Gross Value	-	13,726	19,430
Right-of-use (ROU) assets additions	8,478	1,175	5,059
Revaluations and impairments recognised in other comprehensive income	321	14,201	-
Revaluations recognised in profit and loss	21	688	-
Depreciation/amortisation expense	-	(30,289)	(65,960)
Depreciation on right-of-use assets	(3,646)	(10,428)	(3,760)
Other movements	6	-	1,173
Other movements of ROU assets	3,016	7,870	139
Disposals – other	(11)	(43)	(458)
Transfers to assets held for sale	(5)	-	-
Net book value 30 June 2023	55,489	408,196	311,921
Gross book value	69,667	548,294	807,619
Accumulated depreciation and impairment	(14,178)	(140,098)	(495,698)
	55,489	408,196	311,921
Carrying amount of right-of-use assets	30,229	91,089	5,066

1 Total property, plant and equipment includes right-of-use assets leased to third-parties as an operating lease is \$0.09m at 30 June 2023.

2 Total Assets under Construction is broken down as follows:

AUC component	FY2022-23	Major assets/projects
Buildings	\$190.0m	Melbourne, Brisbane and Perth ATSC extension and Canberra fire station upgrade
Plant and equipment	\$135.0m	Civil Military Air Traffic Management System (CMATS) solution and OneSKY CMATS
Intangibles	\$643.2m	CMATS solution and OneSKY CMATS
Total	\$968.2m	

Notes to and forming part of the financial statements

Total property, plant and equipment ¹ \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangibles \$'000	Assets under construction ² \$'000	Total \$'000
1,373,350	349,656	80,737	430,393	787,324	2,591,067
(558,447)	(286,410)	(79,336)	(365,746)	-	(924,193)
814,903	63,246	1,401	64,647	787,324	1,666,874
-	-	-	-	-	-
814,903	63,246	1,401	64,647	787,324	1,666,874
-	-	-	-	214,648	214,648
-	583	-	583	(583)	-
33,156	-	76	76	(33,232)	-
14,712	-	-	-	-	14,712
14,522	-	-	-	-	14,522
709	-	-	-	-	709
(96,249)	(12,735)	(478)	(13,213)	-	(109,462)
(17,834)	-	-	-	-	(17,834)
1,179	-	-	-	-	1,179
11,025	-	-	-	-	11,025
(512)	-	-	-	-	(512)
(5)	-	-	-	-	(5)
775,606	51,094	999	52,093	968,157	1,795,856
1,425,580	346,302	79,238	425,540	968,157	2,819,277
(649,974)	(295,208)	(78,239)	(373,447)	-	(1,023,421)
775,606	51,094	999	52,093	968,157	1,795,856
126,384	-	-	-	-	126,384

2.3 Property, plant and equipment, and intangibles (continued)

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, buildings and plant and equipment. The effective date of the revaluation was 30 June 2024.

b. Contractual commitments for the acquisition of property, plant, equipment and intangible assets

Capital commitments for property, plant, equipment and intangibles was \$903.5 (2023: \$747.9m) 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:

	2024 \$'000	2023 \$'000
Land		
At cost	1,823	1,823
	1,823	1,823
Buildings		
At cost	737,567	614,975
Accumulated depreciation	(365,978)	(340,594)
Net book amount	371,589	274,381
Plant and equipment		
At cost	1,403,319	1,390,391
Accumulated depreciation	(1,106,728)	(1,056,159)
Net book amount	296,591	334,232

e. Borrowing costs

The total borrowing costs capitalised at 30 June 2024 is \$42.3m (2023: \$31.5m) of which \$14.8m (2023: \$7.6m) were capitalised during the year and \$3.7m (2023: \$0.9m) were transferred to fixed assets. As Airservices borrows money generally to fund both operating and capital expenditure, the weighted average cost of borrowings of 4.15% (2023: 3.41%) was used as the capitalisation rate.

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 that 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.

Leased 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 at 30 June 2024.

Airservices 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.

Notes to and forming part of the financial statements

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.

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. Leased ROU assets continue to be measured at cost after initial recognition in Airservices financial statements.

Derecognition 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 derecognition, 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 2024.

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.

	2024	2023
Buildings (e.g. control towers, fire stations, commercial property)	10-45 years	10-45 years
Building equipment	2-40 years	2-40 years
Other assets (e.g. airways technical equipment, vehicles)	2-40 years	2-40 years

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.

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 is 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 to 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 2024.

Gains or losses arising from derecognition 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 derecognition 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 that is 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.

01

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

02

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

03

Unobservable inputs for the asset or liability.

Fair value measurements

Fair value measurements at 30 June 2024 by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period		Category (Level 1, 2, or 3)	Valuation technique	Inputs used
	2024 \$'000	2023 \$'000			
Financial assets					
Forward exchange contracts	2,337	2,390	2	ADCF	[1]
Interest rate swaps	9,100	12,555	2	ADCF	[2]
Total financial assets at fair value	11,437	14,945			
Non-financial assets					
Land	25,034	25,260	2	DC	[3]
Buildings	410,919	317,107	3	DRC	[4]
Plant and equipment	273,361	306,855	3	DRC	[5]
Assets held for sale	-	5	2	DC	[3]
Total non-financial assets at fair value	709,314	649,227			
Total fair value measurements of assets	720,751	664,172			
Financial liabilities					
Forward exchange contracts	736	438	2	ADCF	[1]
Interest rate swaps	19,223	20,493	2	ADCF	[2]
Total financial liabilities at fair value	19,959	20,931			
Total fair value measurements of liabilities	19,959	20,931			
Financial liabilities not measured at fair value in the statement of financial position					
Medium Term Notes	1,489,266	1,049,654	2	DC	[6]
Commercial Paper	82,816	34,338	2	DC	[6]
Standby Cash Advances	-	250,000	2	DC	[6]
Total financial liabilities not measured at fair value	1,572,082	1,333,992			

Notes

DC	Direct comparison
DRC	Depreciated replacement cost (cost approach)
ADCF	Adjusted discounted cash flows

1. Current foreign exchange market rates.
2. Current market interest rates.
3. Land assets were individually assessed and valued in 2024 and were not subject to indexation. Consideration was given to general and local market conditions, in conjunction with recent sales data, limitations, interests, encumbrances, and notifications to determine fair value movement.
4. Buildings asset class were individually assessed and valued in 2024 and were not subject to indexation. Building assets were trended via indexation in previous years.
5. Plant and equipment asset class were subject to the indexation approach of valuation. The index range used was 1% to 1.07%.
6. Medium term notes, standby cash advances 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. In 2024, all land and buildings were comprehensively valued with approximately 90% of assets being physically inspected. All plant and equipment assets were valued on a desktop assessment basis informed by physical inspections undertaken in 2023 and previous years.

Land

The majority of land assets have restrictive zoning constraints which were considered when assessing location. Furthermore, many parcels of land are in remote locations, are landlocked or have other features which negatively impact the marketability. Some land parcels have been assigned a nominal value given the impact of these factors.

For the remaining land assets, the fair value has been determined through assessment of general and local market conditions, in conjunction with recent sales data, and analysed to determine fair value movement. The assessment includes the confirmation of legal descriptions including limitations, interests, encumbrances, and notifications. Additional information utilised in the assessment includes resources management whereby land assets were analysed in line with their zoning and development control constraints.

Buildings

Building assets are typically unique in nature and situated on larger parcels of restricted use land (which can be owned by other parties). For those assets, it means there is no active or liquid market to base a valuation on and have been valued using the Cost Approach (depreciated replacement cost). Where possible, recent examples of construction costs for similar assets were obtained to benchmark other assets. However, where there was scant evidence available for consideration, costs for comparable assets in other locations (non-airside) have been used an inflation factor applied using the valuer's professional judgement to allow for the challenges of airside construction.

The valuation assessment of building assets included adjustment of remaining useful life periods to derive fair value. Buildings which had a current value of less than \$50,000 were not inspected or individually assessed, however have been included at their current net book value.

Plant and equipment (P&E)

These assets represent a specialised group of assets integrated to perform the control, monitoring and safety requirement 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.

P&E assets have been valued using the indexation method where all assets were previously comprehensively valued by the independent valuer, have had the costs increased by an appropriate market metric, and a single year of remaining life reduced to appropriately adjust for the depreciation.

2.4 Fair value disclosure (continued)

Recurring Level 3 fair value measurements – reconciliation for assets

	Non-financial assets		
	Buildings	Plant and equipment	Total
	2024 \$'000	2024 \$'000	2024 \$'000
Opening balance	317,108	306,855	623,963
Total (losses) recognised in Statement of Comprehensive Income ¹	(5,827)	-	(5,827)
Total gains recognised in Other Comprehensive Income ²	13,696	-	13,696
Commissioned	119,494	26,586	146,080
Disposals	(7)	(332)	(339)
Depreciation	(33,209)	(60,562)	(93,771)
Transfers	(335)	335	-
Other movements	(1)	479	478
Closing balance	410,919	273,361	684,280

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.

2.5 Other provisions and payables

	2024 \$'000	2023 \$'000
Current payables and other provisions		
Current trade and other payables		
Trade payables	29,930	29,927
Employees		
Salaries and wages	21,537	19,115
Superannuation	27	2,218
Tax payables		
Accrued payroll tax	4,449	3,046
Net goods and services tax payable	10,802	10,228
Group tax payable	6,998	-
Revenue received in advance	-	34
Interest payable	8,984	6,230
Other accrued expenses	65,106	110,155
Total current trade and other payables	147,833	180,953
Current other provisions		
ARFF decontamination ¹	60,566	75,133
Makegood on leasehold assets	5,748	3,871
Other ²	14,204	12,470
Total current other provisions	80,518	91,474
Total current provisions and payables	228,351	272,427
Non-current other provisions		
ARFF decontamination ¹	27,730	53,837
Makegood on leasehold assets	38,298	27,354
Other ²	1,663	1,740
Total non-current provisions	67,691	82,931

Description of provisions

1 Aviation rescue & fire fighting (ARFF) decontamination

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

2 Other provision

The other provision includes on-costs associated with recreation leave and long service leave, such as workers compensation and payroll tax. This is classified as separate provisions to employee benefits in accordance with section 24 of the FRR and the total amount for 30 June 2024 is \$14.4m (2023: \$13.1m). The remaining balance relates to asbestos remediation.

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 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 ARFF service training sites and the remediation and restoration of leased property sites. The calculation of provisions is subject to the volatility of economic assumptions, in particular, discount rates, inflation and payment pattern assumptions. Cost estimates, including their respective ranges and contingencies are based on experience and advice provided by qualified specialists allowing for current state of uncertainty and unknown factors.

Notes to and forming part of the financial statements

	2024 \$'000	2023 \$'000
Movements in provisions		
i. Revenue to be returned to customers (Current)		
Carrying amount at start of period	-	622
Provisions reversed during the year	-	(622)
Carrying amount at end of period	-	-
ii. ARFF decontamination (Current/Non-current)		
Carrying amount at start of period	128,970	77,753
Additional provisions made	1,485	70,080
Payments	(42,159)	(18,863)
Carrying amount at end of period	88,296	128,970
iii. Makegood on leasehold assets (Current/Non-current)		
Carrying amount at start of period	31,225	30,210
Additional provisions made	13,472	1,114
Payments	(651)	(99)
Carrying amount at end of period	44,046	31,225
iv. Other (Current/Non-current)		
Carrying amount at start of period	14,210	11,913
Additional provisions made	2,372	2,642
Payments	(715)	(345)
Carrying amount at end of period	15,867	14,210

2.6 Other financial assets and liabilities

	2024 \$'000	2023 \$'000
Other current financial assets		
Interest rate swaps	185	427
Forward exchange contracts	943	1,087
Total other current financial assets	1,128	1,514
Other non-current financial assets		
Interest rate swaps	8,915	12,128
Forward exchange contracts	1,394	1,303
Total other non-current financial assets	10,309	13,431
Other current financial liabilities		
Forward exchange contracts	540	192
Total other current financial liabilities	540	192
Other non-current financial liabilities		
Interest rate swaps	19,223	20,493
Forward exchange contracts	196	246
Total other non-current financial liabilities	19,419	20,739

Refer to Note 2.4 for basis of fair value measurement.

2.7 Other assets and other liabilities

	2024 \$'000	2023 \$'000
Other current liabilities		
Lease liability		
Land	1,211	3,174
Buildings	26,204	8,549
Plant and equipment	1,623	1,444
Total other current liabilities	29,038	13,167
Other non-current liabilities		
Lease liability		
Land	28,535	27,120
Buildings	60,491	85,996
Plant and equipment	2,747	3,631
Other ¹	30,216	-
Total other non-current liabilities	121,989	116,747
Maturity analysis – contractual undiscounted cash flows		
Within 1 year	17,529	16,416
Between 1 to 5 years	49,757	45,596
More than 5 years	147,899	138,506
Total leases	215,185	200,518

¹ This represents the excess of amounts received from the Department of Defence under the On-Supply Agreement, from 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 and 2.3.

2.7 Other assets and other liabilities (continued)

Accounting Policy

Lease liabilities

For all new contracts entered into, Airservices considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or Airservices incremental borrowing rate.

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 Rate (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 IBR is used, Airservices will reference a 30-year Australian Medium-Term Note (MTN) corporate bond yield curve which has been built to reflect the 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 of 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 2% (2023: 2%) of Airservices entire lease payments at 30 June 2024. 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.

Subsequent to initial measurement, the lease liability will be reduced to reflect lease payments made and increased 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. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset or profit and loss depending on the nature of the reassessment or modification.