

1. Our financial performance

This section analyses the financial performance of Airservices Australia for the year ended 2023.

1.1 Revenue

	2023 \$'000	2022 \$'000
Airways revenue		
Gross Airways revenue	862,629	551,004
Fee waivers granted ¹	-	(45,541)
Recovery from government for fee waivers ²	-	45,328
	862,629	550,791

1 No waivers were provided in 2023. Waivers were provided for domestic aviation charges of \$45.5m in 2022 under the Government's COVID-19 relief package that ceased at 31 December 2021.

2 No recoveries from government were received in 2023. In 2022, \$45.3m was received from the government that represented an almost 100% recovery of the fee waivers provided to domestic passenger and aeromedical operations for Airservices charges.

Economic dependency

Airservices is dependent on airline activity in the Australian aviation industry, of which the Qantas and Virgin Groups are the dominant operators. Of the airways revenue earned during the year 40% (2022: 40%) related to the Qantas Group including the Jetstar Group and 17% (2022: 16%) 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. Underpinning this agreement are risk-sharing provisions which compensate parties where airways activity volumes exceed or do not achieve agreed levels, costs vary due to regulatory change, or capital expenditure levels vary substantially from agreed investment levels.

Notes to and forming part of the financial statements

	2023 \$'000	2022 \$'000
Finance income		
Deposits	17,178	807
Cash at bank	4,015	136
Interest rate swap fair value gain	4,069	-
Other	66	20
Total finance income	25,328	963

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.

	2023 \$'000	2022 \$'000
Reversal of previous asset write-down		
Reversal of doubtful debt provisions	1,861	17,143
Reversal of previous asset write-down	709	995
Total reversal of previous asset write-down	2,570	18,138

Notes to and forming part of the financial statements

1.2 Expenses

	2023 \$'000	2022 \$'000
Employee benefits		
Wages and salaries	433,703	429,369
Superannuation (defined contribution funds)	55,465	51,593
Leave and other entitlements	185,616	129,796
Separation and redundancies - other	5,099	59,205
Employee benefits (excluding defined benefit superannuation expense)	679,883	669,963
Net defined benefit superannuation expense recognised in employee benefits		
Current service cost	15,994	23,641
Net interest expense	(14,110)	(5,504)
Defined benefit superannuation expense	1,884	18,137
Total employee benefits	681,767	688,100
Supplier expenses		
Goods and services supplied or rendered		
Contractor, consultancy and compliance costs	103,846	58,535
IT services	52,179	48,474
Infrastructure costs	85,765	37,567
Operational service costs	13,121	12,931
Other occupancy costs	17,137	21,271
Repairs and maintenance	24,961	17,639
Telecommunications	18,599	14,637
Travel	18,084	8,226
Other	18,086	12,286
Total goods and services supplied or rendered	351,778	231,566
Other expenses		
Operating lease rentals ¹	10	372
Short-term leases	389	6
Low value leases	4,651	4,443
Variable lease payments	288	354
Total other supplier expenses	5,338	5,175
Total supplier expenses	357,116	236,741
Finance costs		
Borrowing costs	39,644	20,657
Interest rate swap fair value loss	-	5,299
Interest on lease liabilities	1,589	1,582
Total finance costs	41,233	27,538

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

Continued overleaf

Notes to and forming part of the financial statements

1.2 Expenses (continued)

	2023 \$'000	2022 \$'000
Impairment loss on financial instruments		
Bad debts written off	4,047	80
Total impairment loss on financial instruments	4,047	80
Write-down and impairment of other assets		
Impairment of property, plant and equipment	-	7,387
Revaluation decrements/(increments)	-	126
Total write-down and impairment of other assets	-	7,513
Net loss on disposal of non-current assets		
Proceeds from disposal of non-current assets	(14)	(401)
Written-down value of disposed non-current assets	512	591
Proceeds from disposal of assets held for sale	-	(45)
Written-down value of disposed assets held for sale	-	45
Net loss on disposal of non-current assets	498	190

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 the Our People section (refer to Section 4).

Short-term leases and leases of low-value assets

The Entity has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). The entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to and forming part of the financial statements

1.3 Taxation

	2023 \$'000	2022 \$'000
Income tax benefit		
Current tax benefit	-	208
Deferred tax benefit	87,324	148,834
Income tax benefit attributable to profit from continuing operations	87,324	149,042
Reconciliation of income tax (benefit)/expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(293,089)	(496,604)
Prima facie income tax benefit at 30%	87,927	148,980
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	7	8
Prior year over provision of tax	464	(160)
Other non-deductible/(assessable) expenditure	132	90
Income tax benefit	87,324	149,042

Accounting policy

Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate. It is then adjusted for any changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

Notes to and forming part of the financial statements

1.3 Taxation (continued)

	2023 \$'000	2022 \$'000
Deferred tax asset		
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Depreciation for accounting purposes	18,720	14,628
Provision for doubtful debts	2,721	3,280
Employee benefits	89,844	59,012
Provision for revenue to be returned to customers	-	187
Other provisions	51,490	36,955
Accruals	(315)	1,062
Tax losses	184,284	146,588
	346,744	261,712
Amounts recognised directly in equity		
Foreign exchange hedge reserve	(585)	419
Revaluation of land, buildings, plant and equipment	(60,527)	(56,174)
Defined benefit (asset)/liability	(51,295)	(72,369)
AASB 16 Leases	(2,662)	(2,662)
	(115,069)	(130,786)
Net deferred tax assets	231,675	130,926
Movements:		
Opening balance at 1 July	130,926	15,794
Charged to the statement of comprehensive income	87,324	148,834
Credited to equity	15,717	(33,702)
Movement in booked losses/tax offsets - transferred from tax payable	(2,292)	-
Closing balance at 30 June	231,675	130,926

Tax losses

A deferred tax asset of \$184.3m has been recognised for income tax losses (2022: \$146.6m). 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 (2022: \$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.

There were no other unrecognised deferred tax assets at 30 June 2023 (2022: nil).

Notes to and forming part of the financial statements

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 2023 was paid (2022: Nil). No interim dividends for the years ending 30 June 2023 and 30 June 2022 were paid.

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30% (2022: 30%) are \$496.0m (2022: \$356.6m).

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.