Qantas
Annual Report
2021

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Cover image: Qantas employees who operated flights to repatriate Australians and to carry essential freight during the pandemic.

Financial Snapshot[1]

($1.83) billion
UNDERLYING LOSS BEFORE TAX

($2.35) billion
STATUTORY LOSS BEFORE TAX

$410 million
UNDERLYING EBITDA

$267 million
NET FREE CASH FLOW 2H21

$650 million
ANNUALISED STRUCTURAL COST BENEFITS DELIVERED

$3.8 billion
TOTAL LIQUIDITY

Other Highlights

95%
OF DOMESTIC FLYING CASH POSITIVE

30%
INCREASE IN FREQUENT FLYER DOMESTIC FLIGHT REDEMPTIONS IN 2H21 COMPARED WITH PRE-COVID LEVELS

46
NEW DOMESTIC ROUTES ANNOUNCED SINCE THE PANDEMIC BEGAN

1 Refer to the Review of Operations section in the Qantas Annual Report 2021 for definitions and explanations of non-statutory measures. Unless otherwise stated, amounts are reported on an underlying basis.

Five-year History

FINANCIAL PERFORMANCE[1]

		2021	2020	2019[2]	2018[2]	2017[2]
Revenue and Other Income	$M	5,934	14,257	17,966	17,128	16,057
Statutory (Loss)/Profit Before Tax	$M	(2,351)	(2,708)	1,192	1,352	1,181
Statutory (Loss)/Profit After Tax	$M	(1,728)	(1,964)	840	953	853
Underlying (Loss)/Profit Before Tax	$M	(1,826)	124	1,326	1,565	1,401
Underlying Earnings Before Interest and Tax (EBIT)	$M	(1,525)	395	1,608	1,747	1,590
Operating Margin	%	(25.7)	2.8	9.0	10.2	9.9
Underlying Earnings per Share	cents per share	(71.3)	5.9	57.3	63.0	54.6
Statutory Earnings per Share	cents per share	(91.8)	(129.6)	51.5	54.4	46.0
Return on Invested Capital (ROIC)	%	(23.3)	5.8	19.2	21.4	20.1
Share Price at 30 June	$	4.66	3.78	5.40	6.16	5.72
Dividend per Share[3]	cents per share	–	–	25	17	14
Cash flow from operations	$M	(386)	1,083	3,164	3,413	2,704
Net Free Cash Flow	$M	(1,108)	(488)	1,601	1,442	1,309
Net on balance sheet debt	$M	4,609	3,173	2,980	3,054	3,062
Net Debt	$M	5,890	4,734	4,710	4,903	5,212
Net capital expenditure	$M	693	1,571	1,563	1,971	1,534
Unit Revenue (RASK)	c/ASK	9.72	8.99	8.85	8.40	8.00
Total unit cost[4]	c/ASK	(15.94)	(8.87)	(7.97)	(7.37)	(7.07)
Ex-fuel unit cost[4]	c/ASK	(12.67)	(4.41)	(4.23)	(5.37)	(5.03)

STATISTICS

		2021	2020	2019	2018	2017
Available Seat Kilometres (ASK)	M	29,374	111,870	151,430	152,428	150,323
Revenue Passenger Kilometres (RPK)	M	18,557	92,027	127,492	126,814	121,178
Passengers carried	'000	15,866	40,475	55,813	55,273	53,659
Revenue Seat Factor	%	63.2	82.3	84.2	83.2	80.6
Aircraft at end of period		311	314	314	313	309

1 Refer to the Review of Operations section in the Qantas Annual Report 2021 for definitions and explanations of non-statutory measures. Unless otherwise stated, amounts are reported on an underlying basis.
2 2019 has been restated for the impact of the adoption of AASB 16 *Leases* and the IFRIC agenda decision in relation to fair value hedges. 2018 has been restated for the impact of AASB 15 *Revenue from Contracts with Customers*, however 2017 continues to be reported under previous accounting standards.
3 Dividend per share is calculated as the interim and final dividend in relation to the relevant financial year.
4 The comparative period has been adjusted for foreign exchange movements to make it comparable to the current year. 2020 and 2021 reflect the foreign exchange rates as presented in the 2021 Annual Report. The same applies for 2019, 2018, 2017 which have been adjusted for foreign exchange in line with the 2020, 2019 and 2018 Annual Reports respectively. 2020 and 2019 have also been adjusted for the impact of the sale of domestic terminal leases and depreciation and amortisation.

Keeping the Spirit of Australia flying

The Qantas Group has a proud history of supporting Australia in times of crisis. From Cyclone Tracy and the Egyptian revolution to the Bali Bombings, the national carrier has been there to help. Throughout the COVID pandemic this legacy has continued, working closely with the Federal Government to bring Australians home, support our export industries and share medical aid with our neighbours.

400
FLIGHTS TO REPATRIATE AUSTRALIANS AND MAINTAIN VITAL LINKS WITH PACIFIC ISLAND NATIONS AND TIMOR-LESTE

30,000
AUSTRALIANS WHO HAVE RETURNED HOME ON QANTAS REPATRIATION FLIGHTS

>2000
FREIGHT FLIGHTS OPERATED, HELPING SUPPORT MORE THAN 130,000 JOBS IN EXPORT INDUSTRIES

18 million
KILOGRAMS OF AUSTRALIAN EXPORTS, INCLUDING FRESH MILK AND ABALONE TO CHINA, BEEF AND CHEESE TO JAPAN, FRUIT AND VEGGIES TO THAILAND, AND LOBSTERS AND FLOWERS TO THE USA

Customer Service Supervisor (CSS) Adrienne Innes and Customer Service Manager (CSM) Paul Wason on a repatriation flight from Delhi to Darwin.

A delivery of over 50,000 AstraZeneca vaccines to Dili, Timor-Leste in partnership with the Australian Government.

Qantas employees assisting with passenger coordination farewelling a repatriation flight.

Vaccines being loaded onto aircraft bound for Delhi, India.

Crew about to depart London on a repatriation flight to Sydney.

Chairman's Message

"Amidst all the COVID-related uncertainty, the Group has done an amazing job of delivering safe and reliable essential services."

This past year has been one of ongoing challenge for the Qantas Group, as Australia and the world continued to battle against the COVID-19 pandemic.

The impact on aviation — and on the national carrier — has been stark.

Our international flights remained at a virtual standstill and there were only about 30 days across the year when we didn't face some form of domestic travel restriction. Thousands of people lost months of work and, in many cases, their jobs.

Unsurprisingly, the Group's revenue fell by two-thirds compared with pre-COVID. To date, the pandemic has cost us more than $16 billion in lost revenue to the end of FY21. That number will keep growing as we wait for travel demand to materially recover.

These are the worst trading conditions we've ever faced and they resulted in a $2.35 billion statutory loss before tax in FY21. But these headline figures don't properly reflect the progress the Group made nor the essential services it kept delivering during the year.

Relatively early in the crisis, when the scale of its impact became clear, we announced a three-year recovery plan to make sure the company would first endure, then quickly recover and repair. I'm pleased to say that plan — which included a lot of hard decisions — is working.

In the first year of the plan we delivered $650 million of annual cost benefits, which will ultimately grow to $1 billion from FY23 onwards. The efficiency improvements that sit behind these numbers helped drive positive cash flow in the second half of FY21, which enabled us to start paying back our COVID-related debt. That gives us a lot of confidence that when we move beyond lockdowns and border closures, the Qantas Group will perform strongly.

Amidst all the COVID-related uncertainty, the Group has done an amazing job of delivering safe and reliable essential services. That has ranged from moving domestic and international freight, to bringing thousands of Australians home on special repatriation flights and keeping regional towns connected.

Those services were strongly supported by the Australian Government, who effectively chartered Qantas, Jetstar and other airlines to provide flights that were necessary but otherwise commercially unviable. As well as delivering services to the community, this also provided work to many across the industry and helped retain critical skills.

I want to recognise the incredible efforts of people across the Group, who have shown tremendous professionalism and resilience in the face of much uncertainty and conditions that were challenging to say the least. That includes the considerable efforts of the Executive Team led by Alan Joyce, who have steered this company through unchartered territory and are setting it up for recovery. You need only look at many airlines around the world to see things could have gone very differently.

I'd also like to thank my fellow Directors for their ongoing dedication to a company that spent much of the year in acute crisis mode. In particular, I'd like to recognise the service of Barbara Ward and Paul Rayner, who are both retiring at this year's AGM. Barbara and Paul both joined the Qantas Board in 2008 and have provided excellent guidance through some of the biggest challenges the national carrier has faced since privatisation. They leave with our profound gratitude. These retirements take the number of Directors from 10 to eight for the foreseeable future.

The COVID crisis has thrown up many unexpected challenges, but with vaccines rolling out globally, we have confidence that the worst of the pandemic is behind us. The Qantas Group has a big role to play in helping Australia recover and reunite, which in turn, is the source of our own recovery.

Richard Goyder

Richard Goyder AO

CEO's Message

"Qantas has always shown leadership on issues important to Australia. The public health issues around the pandemic have been no different."

Many times over the past year, when asked how the Qantas Group was coping with COVID, I've explained that airlines normally have a new flight schedule every six months — a summer schedule and a winter schedule. But with sudden border changes and restrictions, we've had a new schedule almost every week.

In many ways, that example sums up our response to this crisis. We've had to meet it with a level of flexibility that was unthinkable beforehand. We did that when we had to move quickly to take costs out of the business given the sudden drop in revenue. And we've done it by making the most of the windows of opportunity when we could fly, such as by introducing 46 new domestic routes to tap into changing demand patterns.

This more agile way of working is also how we managed to pull together complex repatriation and freight missions, often at short notice, including to 19 overseas cities that weren't normally part of our network.

While the circumstances have been terrible, they led us to build new capabilities. That's something we'll carry out of the pandemic and will help us recover faster.

Even under the diabolical trading conditions we faced in FY21, there were some standout performances from different segments.

Domestically, 95 per cent of the flying by Qantas and Jetstar was cash positive. Rather than keep aircraft on the ground, we wanted to get our people back to work and encourage our customers to fly again — and the fact we managed to generate positive cash flow virtually every time we did this was remarkable when you consider the uncertainty we faced.

Qantas Loyalty grew its member base, satisfaction levels and its second half profit, despite the limited opportunities for people to use their points for flights during lockdowns. Frequent Flyers were kept engaged through new retail partners, offers to retain their status and a 50 per cent increase in redemption seats when we could fly.

The huge growth in online shopping domestically, plus the loss of cargo space on cancelled international passenger flights, created an opportunity for Qantas Freight. Yields and volumes grew, which drove a record performance and helped to significantly offset the costs of carrying our own grounded international passenger operations.

Qantas has always shown leadership on issues important to Australia. The public health issues around the pandemic have been no different. In 2021, we were the first major company to announce a reward scheme to customers who were fully vaccinated. And we were the first ASX-listed company to make the vaccine a requirement for all employees. Both initiatives are based on our absolute commitment to safety.

Sustainability is another key issue. In response to climate change we've set some tough goals, including capping our emissions at 2019 levels, helping to create a local industry for sustainable aviation fuel and reaching net zero emissions by 2050. The pandemic has slowed our progress but to help accelerate it we've created the position of Chief Sustainability Officer, reporting to me, to give this fundamental challenge the focus it needs.

Throughout the pandemic the support of customers, industry partners, shareholders and a wide range of stakeholders — both in Australia and overseas — has been remarkable. It reflects the important place this company has, and the critical services it delivers.

Delivering those services relies on our 22,000 people. They are critical to our success and have been through so much in the past 18 months. We look forward to welcoming them back to work as Australia, and the world, reopen.

Alan Joyce AC

Board of Directors

RICHARD GOYDER AO

BCom, FAICD

Chairman and Independent Non-Executive Director

Richard Goyder was appointed to the Qantas Board in November 2017 and as Chairman in October 2018.

He is Chairman of the Nominations Committee.

Mr Goyder is Chairman of Woodside Petroleum Limited, the Australian Football League Commission, JDRF Australia, the West Australian Symphony Orchestra, and the Channel 7 Telethon Trust. He is an honorary Member of the Business Council of Australia and a Fellow of the AICD.

Mr Goyder was the Managing Director and CEO of Wesfarmers Limited from July 2005 to November 2017. He also previously held the roles of Finance Director between 2002 and 2004, and Deputy Managing Director and CFO between 2004 and 2005.

Mr Goyder was also formerly Chairman of the Australian B20 (the key business advisory body to the World Economic Forum that includes business leaders from all G20 economies).

Age: 61

ALAN JOYCE AC

BSc, MSc, MA, FRAeS, FTSE

Chief Executive Officer

Alan Joyce was appointed Chief Executive Officer and Managing Director of Qantas in November 2008.

He is a Member of the Safety, Health, Environment and Security Committee.

Mr Joyce is a Director of the Business Council of Australia, a Member of the International Air Transport Association's Board of Governors, having served as Chairman from 2012 to 2013 and a Director of the Museum of Contemporary Art Australia. He is also a Director of a number of controlled entities of the Qantas Group.

Mr Joyce was the Chief Executive Officer of Jetstar from 2003 to 2008. Before that, he spent over 15 years in leadership positions with Qantas, Ansett and Aer Lingus.

At both Qantas and Ansett, he led the network planning, schedules planning and network strategy functions. Prior to that, Mr Joyce spent eight years at Aer Lingus, where he held roles in sales, marketing, IT, network planning, operations research, revenue management and fleet planning.

Age: 55

Board of Directors continued

MAXINE BRENNER

BA, LLB

Independent Non-Executive Director

Maxine Brenner was appointed to the Qantas Board in August 2013.

She is a Member of the Remuneration Committee and the Audit Committee.

Ms Brenner is a Director of Origin Energy Limited, Orica Limited and Woolworths Group Limited. She is a Member of the Council of the University of New South Wales.

Ms Brenner was formerly a Managing Director of Investment Banking at Investec Bank (Australia) Limited. She has extensive experience in corporate advisory work, particularly in relation to mergers and acquisitions, corporate restructures and general corporate activity. She also practised as a lawyer with Freehill Hollingdale & Page (now Herbert Smith Freehills), where she specialised in corporate work, and spent several years as a lecturer in the Faculty of Law at both the University of NSW and the University of Sydney.

Ms Brenner was the Deputy Chairman of the Federal Airports Corporation and a Director of Neverfail Springwater Limited, Bulmer Australia Limited, Treasury Corporation of NSW and Growthpoint Properties Australia Limited. She also served as a Member of the Australian Government's Takeovers Panel.

Age: 59

JACQUELINE HEY

BCom, Grad Cert (Mgmt), GAICD

Independent Non-Executive Director

Jacqueline Hey was appointed to the Qantas Board in August 2013.

She is a Member of the Audit Committee.

Ms Hey is Chair of Bendigo and Adelaide Bank Limited, a Director of AGL Energy Limited and Chairman of its Safety, Customer and Corporate Responsibility Committee.

Ms Hey was also formerly a Director of Cricket Australia from 2012 to 2020, the Australian Foundation Investment Company Limited from 2013 to 2019, Melbourne Business School from 2013 to 2018, the Special Broadcasting Service from 2011 to 2016 and a Member of the ASIC Directory Advisory Panel from 2013 to 2016.

Between 2004 and 2010, Ms Hey was Managing Director of various Ericsson entities in Australia and New Zealand, the United Kingdom and Ireland, and the Middle East. Her executive career with Ericsson spanned more than 20 years in which she held finance, marketing, sales and leadership roles.

Age: 55

BELINDA HUTCHINSON AC

BEc, FCA, FAICD

Independent Non-Executive Director

Belinda Hutchinson was appointed to the Qantas Board in April 2018.

She is a Member of the Audit Committee and the Safety, Health, Environment and Security Committee.

Ms Hutchinson is currently Chancellor of the University of Sydney and Chairman of Thales Australia.

Ms Hutchinson was also Chairman of the Future Generation Global Investment Company between May 2015 and June 2021.

She has over 30 years' experience in the financial services sector, working in senior roles at Citibank and Macquarie Group. Ms Hutchinson also has extensive board experience. She was formerly Chairman of QBE Insurance Limited, a Director of Telstra Corporation Limited, Coles Group Limited, Crane Group Limited, Energy Australia Limited, TAB Limited, Snowy Hydro Trading Limited, Sydney Water and AGL Energy.

Ms Hutchinson was awarded a Companion of the Order of Australia (AC) in 2020 in recognition of her service to business, tertiary education and scientific research, and for her philanthropic endeavours to address social disadvantage.

Age: 68

Board of Directors continued

MICHAEL L'ESTRANGE AO

BA (Syd), MA (Oxon)

Independent Non-Executive Director

Michael L'Estrange was appointed to the Qantas Board in April 2016.

He is a Member of the Remuneration Committee and the Safety, Health, Environment and Security Committee.

Mr L'Estrange was Head of the National Security College at the Australian National University from 2009 to 2015. Prior to this, he was the Secretary of the Department of Foreign Affairs and Trade for almost five years and the Australian High Commissioner to the UK between 2000 and 2005. He served as Secretary to Cabinet and was Head of the Cabinet Policy Unit from 1996 for more than four years and, prior to that, as Executive Director of the Menzies Research Centre.

Mr L'Estrange was also a Non-Executive Director of Rio Tinto plc and Rio Tinto Limited between September 2014 and May 2021.

He has been a Director of the University of Notre Dame, Australia since 2014 and was appointed Deputy Chancellor of the University of Notre Dame, Australia in 2017.

Mr L'Estrange studied at the University of Sydney and later as a Rhodes Scholar at Oxford University, where he graduated with a Master of Arts with First Class Honours.

Age: 68

PAUL RAYNER

BEc, MAdmin, FAICD

Independent Non-Executive Director

Paul Rayner was appointed to the Qantas Board in July 2008.

He is Chairman of the Remuneration Committee and a Member of the Nominations Committee.

Mr Rayner is Chairman of Treasury Wine Estates Limited, a Director of Boral Limited and Chairman of its Audit and Risk Committee, and a Director of the Murdoch Children's Research Institute.

Mr Rayner was formerly a Director of Centrica plc from 2004 to 2014 and Chairman of its Audit Committee from 2004 to 2013. From 2002 to 2008,

Mr Rayner was Finance Director of British American Tobacco plc based in London. Mr Rayner joined Rothmans Holdings Limited in 1991 as its Chief Financial Officer and held other senior executive positions within the Group, including Chief Operating Officer of British American Tobacco Australasia Limited from 1999 to 2001.

Previously, Mr Rayner worked for 17 years in various finance and project roles with General Electric, Rank Industries and the Elders IXL Group.

Age: 67

TODD SAMPSON

MBA, BA(Hons)

Independent Non-Executive Director

Todd Sampson was appointed to the Qantas Board in February 2015.

He is a Member of the Remuneration Committee.

Mr Sampson was Executive Chairman of the Leo Burnett Group from September 2015 to January 2017, and National Chief Executive Officer from 2008 to 2015. He was also a Director of Fairfax Media Limited from 2014 to 2018.

Mr Sampson has over 20 years' experience across marketing, communication, new media and digital transformation. He has held senior leadership and strategy roles for a number of leading communication companies in Australia and overseas, including as Managing Partner for D'Arcy, Strategy Director for The Campaign Palace and Head of Strategy for DDB Needham Worldwide.

Age: 51

Board of Directors continued

ANTONY TYLER

BA (Jurisprudence)

Independent Non-Executive Director

Antony Tyler was appointed to the Qantas Board in October 2018.

He is Chairman of the Safety, Health, Environment and Security Committee and a Member of the Nominations Committee.

Mr Tyler was Director General and Chief Executive of the International Air Transport Association from 2011 to 2016. Prior to this, Mr Tyler spent over 30 years with Cathay Pacific Airways Limited. His career includes several management and executive roles in Hong Kong, the UK, Italy, Japan, Canada, the Philippines and Australia before serving in the role of Chief Executive Officer from 2007 to 2011.

He is a Non-Executive Director of Bombardier Inc, BOC Aviation Limited and Trans Maldivian Airways Limited and a Fellow of the Royal Aeronautical Society.

Age: 66

BARBARA WARD AM

BEc, MPolEc

Independent Non-Executive Director

Barbara Ward was appointed to the Qantas Board in June 2008.

She is Chairman of the Audit Committee, a Member of the Safety, Health, Environment and Security Committee and a Member of the Nominations Committee. She is also a Director of Crestone Holdings Limited.

She was formerly a Director of Ampol Limited (previously Caltex Australia Limited), Brookfield Capital Management Limited, the Commonwealth Bank of Australia, Lion Nathan Limited, Multiplex Limited, Data Advantage Limited, O'Connell Street Associates Pty Ltd, Allco Finance Group Limited, Rail Infrastructure Corporation, Delta Electricity, Ausgrid, Endeavour Energy and Essential Energy.

She was also Chairman of Country Energy, NorthPower and HWW Limited, a Board Member of Allens Arthur Robinson, the Sydney Opera House Trust and the Sydney Children's Hospital Foundation, and on the Advisory Board of LEK Consulting.

Ms Ward was Chief Executive Officer of Ansett Worldwide Aviation Services from 1993 to 1998. Before that, Ms Ward held various positions at TNT Limited, including General Manager Finance, and also served as a Senior Ministerial Advisor to The Hon PJ Keating.

Age: 67

Review of Operations

For the year ended 30 June 2021

RESULTS HIGHLIGHTS

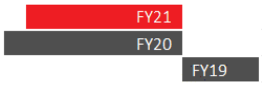
Underlying (Loss)/Profit Before Tax

(1,826) $M

FY21	**(1,826)**
FY20	124
FY19	1,326

Statutory (Loss)/Profit After Tax

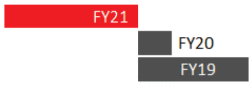
(1,728) $M



FY21	**(1,728)**
FY20	(1,964)
FY19	840

Return on Invested Capital

(23.3) %



FY21	**(23.3%)**
FY20	5.8%
FY19	19.2%

The performance of the Group and individual segments will be compared to the corresponding prior period (financial year 2019/20) and the financial year 2018/19, which represents a proxy for 'pre-COVID' operations. It indicates the degree to which the Group's performance is recovering to pre-COVID levels as the 2018/19 financial year represents the most recent complete financial period not affected by the pandemic.

In the financial year 2020/21, the operations of the Qantas Group continued to be severely impacted by the actions taken by governments to address the health impacts of the COVID-19 global pandemic. This included ongoing travel restrictions and international and domestic border closures which have significantly disrupted air travel. This has led to the Qantas Group losing approximately $16 billion in revenue cumulatively since the start of the pandemic.

The first half of financial year 2020/21 was heavily impacted by the second wave in Victoria, which resulted in a protracted lockdown and nationwide domestic border closures. As the situation in Victoria improved, travel and border restrictions progressively eased, which led to a surge in domestic travel. Towards the end of the first half, a third wave struck Sydney's Northern Beaches and Brisbane, initiating another round of border closures. Once these outbreaks were contained and borders were once again reopened, the Group saw a significant increase in domestic travel which peaked in the early months of quarter four of financial year 2020/21. During the second half, domestic capacity reached a high of 92 per cent of pre-COVID levels, generating Net Free Cash Flow to commence balance sheet repair. This period demonstrated the speed at which balance sheet repair can take place when domestic borders are open. Unfortunately, since June 2021, Australia has been impacted by a series of further COVID-19 outbreaks across the country, which again has seen the majority of domestic borders closed. The Group's focus on preserving liquidity, restructuring its cost base and protecting its balance sheet has positioned it well to weather ongoing disruptions to travel demand during the recovery period.

The Qantas Group reported an Underlying Loss Before Tax [1] (Underlying LBT) of ($1,826) million for the 12 months ended 30 June 2021, a decrease of $3,152 million compared to 2018/19 pre-COVID (down $1,950 million compared to 2019/20). The Group's Statutory Loss Before Tax of ($2,351) million was adverse $3,543 million from 2018/19 pre-COVID (improved $357 million compared to 2019/20). The Statutory Loss Before Tax for 2020/21 financial year included a net $525 million of costs, mostly non-cash impairments and redundancy expenses, which were not included in the Underlying result. Items outside of Underlying LBT included redundancies and restructuring costs associated with the Recovery Plan, asset impairments including to the A380 fleet, partially offset by the gain on sale of assets and net de-designation of fuel and foreign exchange hedges.

Group total revenue was $5,934 million, down $12.0 billion or 67 per cent compared with 2018/19 pre-COVID (down $8.3 billion or 58 per cent compared to 2019/20). Swift action was taken to reduce the Group's costs to respond to the significant decline in revenue. Net operating expenses, [2] a good proxy for the Group's operating cash costs, reduced by 62 per cent compared with 2018/19 pre-COVID. As activity declined, there was a commensurate reduction in fuel consumption, aircraft operating variable expenses and manpower costs as a significant number of employees were stood down. Recovery Plan restructuring benefits of $650 million were delivered during financial year 2020/21 and also contributed to the reduction in the Group's cost base. The total savings from activity-based reductions, rightsizing and restructuring totalled $8.9 billion compared to 2018/19 pre-COVID. Depreciation, amortisation and underlying impairment non-cash charges continued to impact the Group's profitability resulting in an Underlying EBIT loss of ($1,525) million for the financial year 2020/21. Despite a disrupted recovery, the Group's focus on reducing and variabilising its cost base has delivered a profit at an Underlying EBITDA [3] level of $410 million, a decrease of $3,134 million compared to 2018/19 pre-COVID and $2,027 million to the prior year.

During the period, the Group's Domestic airlines flew approximately 51 per cent of their pre-COVID network but remained profitable, contributing $304 million Underlying EBITDA. The Group's International operations fell into losses, contributing an Underlying EBITDA loss of ($157) million, as the Group's International passenger operations were largely grounded. Qantas Freight delivered a record Underlying EBITDA, providing a natural hedge to the impact of the grounding of the passenger business and thereby limiting the losses from Group International. The resilience of the Qantas Loyalty business was again demonstrated as it generated a significant positive cash flow contribution for the Group and Underlying EBITDA of $333 million (Underlying EBIT of $272 million). This reinforces the benefit of the diversification of earnings it provides.

1. Underlying Loss/Profit Before Tax (Underlying LBT/PBT) is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas Domestic, Qantas International, Jetstar Group and Qantas Loyalty operating segments is Underlying Earnings Before Net Finance Costs and Income Tax Expense (Underlying EBIT). The primary reporting measure of the Corporate segment is Underlying PBT as net finance costs are managed centrally. Refer to the reconciliation of Underlying LBT/ PBT to Statutory (Loss)/Profit Before Tax on page 25.
2. Group gross expenditure excluding depreciation and amortisation, impairment/(reversal of impairment) of assets and related costs, share of net loss/(profit) of investments accounted for under the equity method and discount rate changes impact on provisions.
3. Earnings before interest, tax, depreciation, amortisation and impairments (EBITDA).

Review of Operations continued

For the year ended 30 June 2021

RESULTS HIGHLIGHTS (CONTINUED)

The financial metrics for 2020/21 financial year are:

- Statutory Earnings Per Share was a loss of 91.8 cents per share, reflecting the statutory loss and the increase in average shares on issue from the Institutional Placement in late June 2020 and the associated retail Share Purchase Plan completed in August 2020
- Operating cash outflow of ($386) million including one-off outflows for restructuring, redundancies, refunds and deferred payables. The underlying operations generated positive cash flow, which was offset by these significant one-off cash outflows on a full year basis
- Net capital expenditure [4] of $0.7 billion was invested in the business
- The Group delivered positive Statutory Net Free Cash Flow [5] in the second half of 2020/21 financial year, enabling debt reduction to commence.

The Australian Government implemented various programs to support businesses and employees severely affected by the pandemic. Programs which provided direct support to employees or offset costs of the Group included:

- The JobKeeper Payment (JobKeeper)
- International Aviation Support (IAS) Package, including the International Readiness Payment (IRP) provided as support to employees
- The Australian Aviation Financial Relief Package (AAFRP).

Details on these Australian Government programs can be found in Note 24 of the Financial Report.

In addition, the Australian Government commissioned Qantas Airways to conduct various charter repatriation flights in order to return Australians home. Along with other Australian domestic airlines, the Group performed several domestic and regional flights as part of the Regional Airline Network Support (RANS) and Domestic Aviation Network Support (DANS) programs intended to maintain vital air transport links as well as participated in the Tourism Aviation Network Support (TANS) scheme, which offers discounted fares to 15 key tourist regions in Australia to support domestic tourism. Qantas Freight was contracted to conduct freight services under the International Freight Assistance Mechanism (IFAM) to ensure import and export freight routes remained open.

The Group's conservative approach to securing additional liquidity was a prudent measure given the extended border closures in response to localised outbreaks. During the year, $937 million new debt funding was raised, $759 million of debt was repaid and $58 million in net proceeds was recognised from the retail Share Purchase Plan. The Group also secured a further $0.6 billion in committed undrawn funding, increasing the undrawn facility to $1.6 billion.

At 30 June 2021, cash and cash equivalents totalled $2.2 billion with total liquidity at $3.8 billion including $1.6 billion in committed undrawn facilities. The Group also maintains an unencumbered asset base of more than $2.5 billion. This ensures that the Group has significant financial flexibility to manage through the recovery phase.

At the end of financial year 2020/21, Net Debt [6] was $5.9 billion, above the Net Debt target range of $4.5 billion to $5.6 billion, however, it was lower than the closing Net Debt at 31 December 2020 of $6.05 billion. The reduction in the second half of 2020/21 was a product of increased domestic operations generating positive Net Free Cash Flow and the prioritisation of debt reduction. Importantly, the Group maintained its investment grade credit rating of Baa2 from Moody's Investor Services.

Giving consideration to the requirement to protect the strength of the balance sheet, maintain a minimum level of liquidity and the uncertainty of the near-term outlook for the business, the Board has decided not to make further shareholder distributions until the Group's earnings and balance sheet have fully recovered in accordance with the Financial Framework.

4. Net capital expenditure is equal to net investing cash flows in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of leased aircraft.
5. Net cash from operating activities less net cash used in investing activities.
6. Net Debt under the Group's Financial Framework includes net on balance sheet debt and capitalised aircraft lease liabilities.

Review of Operations continued

For the year ended 30 June 2021

THREE-YEAR RECOVERY PLAN

The Recovery Plan delivered $650 million in savings in financial year 2020/21 ahead of its $600 million target. The program is on track to deliver $850 million by the end of financial year 2021/22 and greater than $1 billion in ongoing savings by the end of financial year 2022/23. Initiatives to achieve the 2022/23 targets are greater than 90 per cent complete or initiated.

	Target		
Key Area of Focus	**Metrics**	**Timeframe**	**As at end of June 2021**
Cost savings	Restructuring cost benefits of $0.6b in FY21, $0.8b by FY22, $1.0b by FY23	FY23	Achieved $650m of cost benefits in FY21; Targeting $850m by FY22
	Increased target to at least 8,500 exits	FY21	~9,400 exits completed
	Group Unit Cost (ex-fuel and depreciation) 10% less than FY20	FY23	Restructuring in progress
Deleverage the balance sheet	Gross debt reduction of $1.75b	FY23	Debt reduction commenced in 4Q21
	Net Debt/EBITDA <2.5 times	FY22	Debt reduction commenced in 4Q21; Restructuring in progress; Net Debt/EBITDA <2.5 times now expected by end of CY22
Cash flow	Sustainable positive Net Free Cash Flow	FY22 onwards	Statutory Net Free Cash Flow positive achieved in 2H21
	Flying activity is contribution positive (RASK-Variable cost/ASK >0)	From FY21	95% of Domestic flights cash flow positive Domestic airlines generated positive underlying operating cash flow in FY21
	Capex [7] for FY21 ~$0.75b	FY21	FY21 spend of $693m
Fleet management	Defer deliveries of A321neos and 787-9 aircraft	June 2020	Complete
	Retire 6 x 747s; 12 x A380s in long-term storage	December 2020	Complete
Customer and brand	Maintain Customer Advocacy (NPS) premium to domestic competitor	Ongoing	On track, NPS at historical highs across Qantas, Jetstar and Loyalty
	Maintain brand and reputation	Ongoing	On track, Qantas remains most trusted airline in region
Qantas Loyalty	Return to double digit growth	FY22	Returned to growth in 2H21 Double digit growth now expected by end of CY22
Employee engagement	Employee sentiment	Ongoing	Impacted by stand downs and restructuring but expected to continue to improve, aligned to Group recovery and international borders reopening

7. Equal to net investing cash flows included in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of leased aircraft.

Review of Operations continued

For the year ended 30 June 2021

FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES

Qantas' Financial Framework aligns our objectives with those of our shareholders. With the aim of generating maintainable Earnings Per Share (EPS) growth over the cycle, which in turn should generate Total Shareholder Returns (TSR) in the top quartile of the ASX100 and a basket of global airlines, [8] the Financial Framework has three clear priorities and associated long-term targets:

1. Maintaining an Optimal Capital Structure	2. ROIC > WACC [10] Through the Cycle	3. Disciplined Allocation of Capital
Minimise cost of capital by targeting a Net Debt range of $4.5 billion to $5.6 billion [9]	Deliver ROIC > 10 per cent [11] through the cycle	Grow Invested Capital with disciplined investment, return surplus capital

MAINTAINABLE EPS [12] GROWTH OVER THE CYCLE

TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE

Maintaining an Optimal Capital Structure

- The Group's Financial Framework targets an optimal capital structure to achieve the lowest cost of capital. This results in a Net Debt target range of $4.5 billion to $5.6 billion, based conservatively on the Invested Capital as at 30 June 2020 of approximately $6 billion. It is defined as Net Debt/ROIC EBITDA range of 2.0-2.5 times where ROIC is fixed at 10 per cent. This capital structure optimises the Group's cost of capital and preserves financial strength with the objective of enhancing long-term shareholder value. The Group's optimal capital structure is consistent with investment grade credit metrics. The Group is rated Baa2 with Moody's Investor Services.
- At 30 June 2021, Net Debt was $5.9 billion, which is above the Net Debt target range, with debt reduction a priority as recovery progresses. Net Debt of $5.9 billion is however, lower than 31 December 2020 of $6.05 billion due to the positive Net Free Cash Flow generated in the second half of 2020/21 financial year.

ROIC > WACC Through the Cycle

Return on Invested Capital (ROIC) for the 12 months to 30 June 2021 was less than zero, below the Group's target for value creation of 10 per cent. This was due primarily to the impact of government-imposed travel restrictions and border closures on earnings.

Disciplined Allocation of Capital

The Qantas Group takes a disciplined approach to allocating capital with the aim to grow Invested Capital and return surplus capital to shareholders where earnings permit. Giving consideration to the requirement to protect the strength of the balance sheet, maintain a minimum level of liquidity and the uncertainty of the near-term outlook for the business, the Board has decided not to make further shareholder distributions until the Group's earnings and balance sheet have fully recovered in accordance with the Financial Framework.

Maintainable EPS Growth Over the Cycle

Statutory Earnings Per Share was a loss of (91.8) cents per share due to the significant Statutory Loss After Tax and increase in average shares from the Institutional Placement in late June 2020 and the associated retail Share Purchase Plan completed in August 2020.

8. Target Total Shareholder Returns within the top quartile of the ASX100 and the global listed airline peer group as stated in the 2020 Annual Report, with reference to the 2020-2022 Long Term Incentive Plan (LTIP).
9. Based on the Invested Capital of approximately $6 billion as at 30 June 2020.
10. Weighted Average Cost of Capital, calculated on a pre-tax basis.
11. Target of greater than 10 per cent ROIC allows ROIC to be greater than pre-tax WACC through the cycle.
12. Earnings Per Share.

Review of Operations continued

For the year ended 30 June 2021

GROUP PERFORMANCE

The Underlying Profit Before Tax for 2020/21 financial year was a loss of ($1,826) million, including the impact of government-imposed travel restrictions and border closures due to the COVID-19 pandemic. This compares with Underlying Profit Before Tax of $1,326 million for 2018/19 pre-COVID and $124 million in 2019/20. Net passenger revenue declined by 76 per cent compared to 2018/19 pre-COVID levels as the domestic airlines operated only 51 per cent of pre-COVID flying and the international scheduled passenger businesses remained largely grounded. Net freight revenue increased due to a surge in e-commerce and a significant reduction in available passenger aircraft belly space. Other revenue declined primarily due to the decrease in third-party service revenues and the reduced revenue earned by Qantas Loyalty. Actions taken to reduce and variabilise costs decreased total underlying expenditure by $8.9 billion compared to 2018/19 pre-COVID, which helped to partially offset the steep decline in revenue.

Group Underlying Income Statement Summary [13]	June 2021 $M	June 2020 $M	June 2019 $M
Net passenger revenue	3,766	12,183	15,696
Net freight revenue	1,316	1,045	971
Other revenue	852	1,029	1,299
Revenue and other income	**5,934**	**14,257**	**17,966**
Operating expenses (excluding fuel)[13]	(4,560)	(8,872)	(10,599)
Fuel	(835)	(2,895)	(3,846)
Impairment[13]	(13)	(21)	–
Depreciation and amortisation[13]	(1,922)	(2,021)	(1,936)
Share of net (loss)/profit of investments accounted for under the equity method	(129)	(53)	23
Total underlying expenditure	**(7,459)**	**(13,862)**	**(16,358)**
Underlying EBIT	**(1,525)**	**395**	**1,608**
Net finance costs	(301)	(271)	(282)
Underlying PBT	**(1,826)**	**124**	**1,326**

Operating Statistics		**June 2021**	**June 2020**	**June 2019**
Available Seat Kilometres (ASK)[14]	M	29,374	111,870	151,430
Revenue Passenger Kilometres (RPK)[15]	M	18,557	92,027	127,492
Passengers carried	000	15,866	40,475	55,813
Revenue Seat Factor[16]	%	63.2	82.3	84.2
Operating Margin[17]	%	(25.7)	2.8	9.0
Unit Revenue (RASK)[18]	c/ASK	9.72	8.99	8.85
Total Unit Cost[19]	c/ASK	(15.94)	(8.87)	(7.97)

Group capacity (ASK) decreased by 81 per cent compared to 2018/19 pre-COVID, mainly due to the international passenger businesses being largely grounded and the slow recovery of domestic capacity to 51 per cent of pre-COVID levels for the financial year. Revenue Passenger Kilometres decreased by 85 per cent compared to 2018/19 pre-COVID as the Group's Revenue Seat Factor fell to 63 per cent. Group Unit Revenue increased to 9.72 c/ASK, due to the increased mix of domestic revenue to international revenue compared to pre-COVID. The Group's Total Unit Cost increased to 15.94 c/ASK as a result of the significant decline in ASKs and the Group's fixed cost base including depreciation and amortisation charges.

13. Underlying expenses differ from equivalent statutory expenses due to items excluded from Underlying PBT such as those items identified by Management as not representing the underlying performance of the business. Refer to the reconciliation on page 25.
14. ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
15. RPK – total number of passengers carried, multiplied by the number of kilometres flown.
16. Revenue Seat Factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.
17. Operating Margin is Group Underlying EBIT divided by Group total revenue.
18. Unit Revenue (RASK) is calculated as ticketed passenger revenue divided by Available Seat Kilometres (ASK).
19. Total Unit Cost is Underlying PBT less ticketed passenger revenue per ASK.

Review of Operations continued

For the year ended 30 June 2021

CASH GENERATION

Cash Flow Summary	June 2021 $M	June 2020 $M	Change $M	Change %
Operating cash flows	(386)	1,083	(1,469)	(136)
Investing cash flows	(722)	(1,571)	849	54
Net Free Cash Flow	**(1,108)**	**(488)**	**(620)**	**(127)**
Financing cash flows	(181)	1,853	(2,034)	(110)
Cash at beginning of year	3,520	2,157	1,363	63
Effect of foreign exchange on cash	(10)	(2)	(8)	(>100)
Cash at end of year	**2,221**	**3,520**	**(1,299)**	**(37)**

Debt Analysis		June 2021 $M	June 2020 $M	Change $M	Change %
Net on balance sheet debt [20]	$M	(4,609)	(3,173)	(1,436)	(45)
Capitalised aircraft lease liabilities [21]	$M	(1,281)	(1,561)	280	18
Net Debt [22]		**(5,890)**	**(4,734)**	**(1,156)**	**(24)**

Operating cash outflows for 2020/21 were $386 million, with positive cash flow generated impacted by one-off outflows for restructuring, redundancies, refunds and deferred payables.

Investing cash outflows for 2020/21 of $722 million. Net capital expenditure [23] was $693 million including the impact of lease returns on capitalised aircraft leases. Capital expenditure was primarily directed to capitalised maintenance and the delivery of an A321P2F freighter.

Net financing cash outflows of ($181) million included a $937 million draw down of debt and $58 million in net proceeds from the retail Share Purchase Plan, offset by scheduled debt repayments of $759 million and $417 million in net aircraft and non-aircraft lease repayments.

At 30 June 2021, the Group's unencumbered asset base was greater than $2.5 billion, [24] including 41 per cent of the Group's fleet, [25] land, spare engines and other assets.

Qantas continues to retain significant flexibility in its financial position, funding strategies and fleet plan to ensure that it can respond to changes in market conditions and earnings scenarios.

20. Net on balance sheet debt includes interest-bearing liabilities reduced by cash and cash equivalents.
21. Capitalised aircraft lease liabilities are a non-statutory measure. It is measured at fair value at the lease commencement date and remeasured over the lease term on a principal and interest basis. Residual value of capitalised aircraft lease liability denominated in foreign currency is translated at a long-term exchange rate.
22. Net Debt is a non-statutory measure. It includes on balance sheet debt and capitalised aircraft lease liabilities under the Group's Financial Framework.
23. Net capital expenditure is equal to net investing cash flows in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of leased aircraft.
24. Aircraft valuations based on the average of AVAC and AVITAS market values as at 30 June 2021.
25. Based on number of aircraft as at 30 June 2021. The Group's fleet totalled 311 aircraft including Jetstar Asia (Singapore) owned fleet and excludes Pacific Airlines (formerly Jetstar Pacific) and Jetstar Japan.

Review of Operations continued

For the year ended 30 June 2021

FLEET

The determination of the optimal fleet age for the Qantas Group balances a number of factors and varies by fleet type, including the availability of any new technology, the level of capacity growth required in the markets that it serves, the competitive landscape and whether the investment is earnings accretive.

At all times, the Group retains significant flexibility to respond to changes in market conditions and the competitive landscape by deploying several strategies including fleet redeployment, refurbishment, renewal and retirement. Reduced flying due to COVID-19 enables deferral of the Group's fleet replacement program.

In financial year 2020/21, four 747-400ERs were disposed (completing the retirement of the 747 fleet), six A320-200s were transferred from Jetstar to QantasLink, one A320-200 has exited Jetstar for lease return to Pacific Airlines and the Group took delivery of an A321-200P2F for Qantas Freight as well as a F100 for Network Aviation. Two Jetstar A321-200s are currently undergoing conversion to freighters with expected completion in the first half of 2021/22 financial year. In addition, the Group made the decision that two A380s that were in storage would not be returned to operations.

At 30 June 2021, the Qantas Group fleet [26] totalled 311 aircraft.

Fleet Summary (Number of Aircraft)	June 2021	June 2020
A380 [27]	12	12
747-400/400ER	–	4
A330-200/300	28	28
737-800	75	75
787-9	11	11
717-200	20	20
Q200/300/400	50	50
F100	18	17
A320-200	10	4
Total Qantas (including QantasLink and Network Aviation)	**224**	**221**
A320/A321-200	67	76
787-8	11	11
Total Jetstar Group	**78**	**87**
737-300/400F	5	5
767-300F	1	1
A321-200P2F	1	–
A321-200	2	–
Total Freight	**9**	**6**
Total Group	**311**	**314**

Through the 2020/21 financial year, the Group's fleet strategy adjusted to the new demand environment. The Group completed the disposal of the 747-400ERs after accelerating retirement as part of the Recovery Plan. The A380 fleet remained in storage with 10 of the 12 aircraft expected to return to service progressively from financial year 2022/23. Jetstar Asia's fleet reduced from 18 to 13 through a mixture of lease returns and aircraft redeployment to Australia. Jetstar Group A320ceos/A321ceos continued to be transferred to QantasLink for redeployment into the growing resources sector market in Western Australia as well as being converted to freighter aircraft to be utilised in Qantas Freight. To ensure operational readiness, grounded passenger A330-300s were redeployed as freighters to support IFAM. Qantas' 787-9s were flown for repatriation flights and Jetstar's 787-8 fleet was being utilised by the domestic network.

26. Includes Qantas Airways, Jetstar Australia and New Zealand, Jetstar Asia (Singapore), Qantas Freight and Network Aviation and excludes aircraft operated by Jetstar Japan and Pacific Airlines (formerly Jetstar Pacific).
27. Total fleet of 12 A380s. At 30 June 2021, all aircraft were in storage. 10 aircraft are expected to be returned to service.

Review of Operations continued

For the year ended 30 June 2021

SEGMENT PERFORMANCE

Segment Performance Summary (EBIT)	June 2021 $M	June 2020 $M	June 2019 $M
Qantas Domestic	(590)	173	778
Qantas International	(575)	56	323
Jetstar Group	(550)	(26)	400
Qantas Loyalty	272	341	376
Corporate	(99)	(134)	(171)
Unallocated/Eliminations	17	(15)	(98)
Underlying EBIT	**(1,525)**	**395**	**1,608**
Net finance costs	(301)	(271)	(282)
Underlying PBT	**(1,826)**	**124**	**1,326**

QANTAS DOMESTIC

Revenue

2,745 $M

FY21	**2,745**
FY20	4,672
FY19	6,098

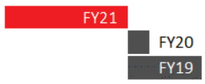
Underlying EBITDA

159 $M

FY21	**159**
FY20	907
FY19	1,503

Operating Margin

(21.5) %



FY21	**(21.5%)**
FY20	3.7%
FY19	12.8%

Metrics		June 2021	June 2020	June 2019
ASKs	M	16,951	25,773	33,866
Seat factor	%	58.3	75.9	77.8

Qantas Domestic remained profitable, reporting Underlying EBITDA of $159 million for financial year 2020/21 despite material impacts from border closures. This was achieved through agile network management and the delivery of substantial recovery program benefits as variabilisation of costs aided its ability to respond to border closures.

With the objective of generating cash and returning people back to work, Qantas Domestic launched 27 new routes in the financial year, growing capacity to 86 per cent of pre-COVID flying in May 2021. Flying included a mixture of commercial routes (including those supported by TANS) and routes where demand was insufficient to fly without the government-sponsored RANS and DANS. This combined network provided vital links to regional Australia and between capital cities with a significant amount of intra-state travel while borders were closed. Over the year, 95 per cent of flights were cash flow positive.

The corporate and SME markets recovered ahead of expectations, with 34 new accounts won over the financial year.

In response to the changing demand, Qantas Domestic has:

- Consolidated the 717 and Turboprop base on the East Coast
- Deployed 11 A320s into Western Australia to meet strong resource market demand
- Expanded the Alliance Aviation deal to up to 18 aircraft to capture emerging Central Australia and Northern Territory demand
- Maintained support of vital transport links and domestic tourism through government sponsored RANS, DANS and TANS
- Extended the 'Fly Flexible' program to February 2022, giving customers confidence to book and fly by providing more flexible booking terms and conditions
- Maintained high levels of customer Net Promoter Scores.

Through its multi-gauge fleet, the benefit of significant cost restructuring driving a margin advantage, and clear leadership in the corporate market, Qantas Domestic continues to extend its leading premium position in the market.

Review of Operations continued

For the year ended 30 June 2021

QANTAS INTERNATIONAL

Revenue

1,598 $M

FY21	**1,598**
FY20	6,077
FY19	7,420

Underlying EBITDA

117 $M

FY21	**117**
FY20	846
FY19	1,045

Operating Margin

(36.0) %

FY21	**(36.0%)**
FY20	0.9%
FY19	4.4%

Metrics		June 2021	June 2020	June 2019
ASKs	M	**640**	50,484	69,571
Seat factor	%	**42.8**	84.1	86.0

Qantas International's passenger business was largely grounded, except for the travel bubble with New Zealand and Australian Government-sponsored repatriation charter flights, bringing home thousands of Australians who were stranded overseas.

The restart of Trans-Tasman flying was impacted by directional demand and border closures resulted in an average of 40 per cent of pre-COVID flying in the fourth quarter of 2020/21.

The current freight and repatriation activities and utilisation of the traditionally international fleet in the domestic network are maintaining most of the fleet in operational readiness and a base level of technical and cabin crew recency. The A330 and 787 fleets operated 8 per cent of pre-COVID block hours for freight and repatriation activity in financial year 2020/21. This will assist with a low-cost restart of the commercial passenger network when international borders reopen.

The Freight business provided a valuable natural hedge to the performance of the Qantas International passenger business, helping to offset the cash holding costs. This resulted in an Underlying EBITDA profit of $117 million for the combined operations including the delivery of substantial recovery program benefits in financial year 2020/21.

As airlines globally responded to the pandemic by grounding and retiring aircraft, a shortage of international belly space emerged. This combined with surging e-commerce trends drove record profits for Qantas Freight. The Group supplemented lost belly space and helped to ensure international restart readiness by redeploying A330-300 passenger aircraft to freight activities, transporting vital medical supplies and other high priority freight. Qantas Freight also continued to support IFAM, assisting Australian businesses to reach their export markets and ensure import supply lines remained open.

Domestically, Qantas Freight maintained its leadership position in the market, gaining key new customers from its competitors. The Group also took delivery of the first of three A321-200P2F freighters and wet leased additional dedicated freighter capacity.

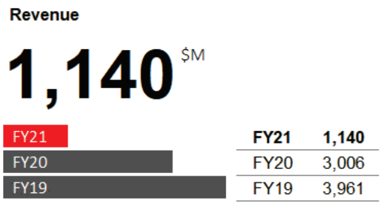
The fleet plan for Qantas International has been realigned to the recovery profile:

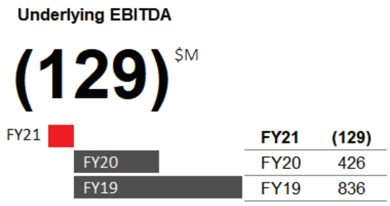
- Retirement of the remaining 747-400ER fleet in the 2020/21 financial year
- Deferred delivery of three 787-9 Dreamliners in line with the Group's requirements
- Took delivery of the first A321-200P2F freighter in October 2020 to meet demand for increased dedicated freighter capacity and wet leased additional capacity as required
- Two A380s are not expected to return to service, with the remaining 10 aircraft expected to return from financial year 2022/23.

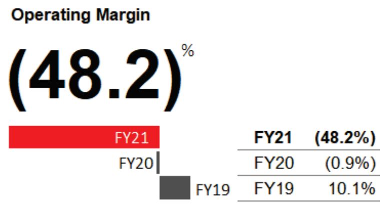
Review of Operations continued

For the year ended 30 June 2021

JETSTAR GROUP







Metrics		June 2021	June 2020	June 2019
ASKs	M	11,783	35,613	47,993
Seat factor	%	71.3	84.3	86.1

The Jetstar Group reported an Underlying EBITDA loss of ($129) million. When adjusted to exclude the share of losses of associates, the Jetstar Group reported an Underlying EBITDA profit of $2 million.

Jetstar's Australian Domestic business delivered an Underlying EBITDA profit of $145 million of which $102 million was delivered in the second half of 2020/21 financial year. The result was driven through an increase in flying activity compared to the first half of the 2020/21 financial year as well as its highly variable cost base and restructuring program benefits. Jetstar's Australian Domestic low fares leadership, high customer satisfaction and flexible response drove leisure demand when borders opened. The business extended its domestic network advantage with seven new routes announced in the financial year, resulting in second half capacity growing to 102 per cent of pre-COVID levels in May 2021. Seat factor of 74 per cent was achieved in the domestic business and ancillary revenue per passenger grew 33 per cent compared to the 2018/19 financial year pre-COVID.

The Jetstar Australia, New Zealand and Jetstar Asia (Singapore) international operations have effectively been grounded and fell into losses due to costs for maintenance on stored aircraft, overheads and non-cash employee provisions. Together they added $143 million to Jetstar Group's EBITDA losses.

Jetstar Asia has been undergoing a restructuring program to respond to the impacts of the pandemic. Given its fully international operation, Jetstar Asia's fleet has reduced from 18 to 13 by transferring aircraft to Australia and through a lease return. Jetstar Asia has also announced the transfer of a further three aircraft temporarily to Australia and another expected lease return, reducing its fleet to nine aircraft.

Jetstar Japan is implementing its own restructuring program in response to the impacts of the pandemic but due to higher fixed costs, a fully leased fleet and multiple states of emergency in Japan, incurred losses in the 2020/21 financial year. Jetstar Group's result includes $131 million attributable to the share of statutory losses for Jetstar Japan. Jetstar Japan is temporarily transferring six aircraft to Australia to support domestic growth and reduce Jetstar Japan's fixed costs.

Through its highly variable cost base, the benefit of further cost restructuring through the recovery program and its clear leadership in the price sensitive leisure market, the Jetstar Group is uniquely positioned to capture and scale up for the leisure-led recovery in travel demand.

Review of Operations continued

For the year ended 30 June 2021

QANTAS LOYALTY

Revenue

984 $M

FY21	**984**
FY20	1,224
FY19	1,654

Underlying EBITDA

333 $M

FY21	**333**
FY20	390
FY19	414

Operating Margin

27.6 %

FY21	**27.6%**
FY20	27.9%
FY19	22.7%

Metrics		June 2021	June 2020	June 2019
QFF members	M	**13.6**	13.4	12.9

Qantas Loyalty provided an important source of diversified earnings and positive cash flow as the Group's international passenger airlines were largely grounded and domestic airlines were operating at significantly reduced capacity. Cash contribution to the Group was greater than $1 billion from gross sales to external parties. Earnings were $333 million at an Underlying EBITDA level and Underlying EBIT was $272 million as the strategy to diversify earnings lessened the impact of the significant decline in air travel.

Qantas Loyalty continued its leadership position in the total share of the credit card market with spend on Qantas Points-earning credit cards returning to pre-COVID levels in the fourth quarter of 2020/21 financial year. Retail partnerships continued to be strong with over 500,000 members earning Qantas Points with bp Australia since the partnership launched in April 2020.

Retail businesses such as Qantas Wine and Qantas Rewards Store saw redemptions at peak levels as members turned to online shopping and sought ways to burn points on the ground. The Qantas Insurance portfolio continues to perform well with continued growth in the financial year.

Travel-related products remain sensitive to border announcements. The underlying demand for the program and travel was evident in the second half of 2020/21 with record domestic flight redemptions in March 2021, as border restrictions eased.

Despite the significantly reduced flying of the Group's airlines, the program maintained its relevance with continued strength in member engagement supported by ongoing program generosity resulting in record Net Promoter Score. This included the status accelerator offer for Gold members of other loyalty programs, status tier extensions, new ways to earn on the ground (including status credits) and increased Classic Reward seat availability across popular Australian destinations.

Qantas Loyalty's earnings are expected to accelerate on resumption of consistent travel activity and Qantas Loyalty remains committed to achieving the target of $500-600 million Underlying EBIT by financial year 2023/24.

Review of Operations continued

For the year ended 30 June 2021

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX

The Statutory Loss Before Tax of ($2,351) million for 2020/21 compares to a Statutory Loss Before Tax of ($2,708) million for 2019/20 and a Statutory Profit Before Tax of $1,192 million for 2018/19.

Underlying PBT

Underlying PBT is a non-statutory measure and is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies (CODM) for the purpose of assessing the performance of the Group. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of each operating segment and the Qantas Group.

Underlying PBT includes the impact of COVID-19 on the operating performance of the Group. Group revenue for the year ended 30 June 2021, as recognised within Underlying PBT, is down $12.0 billion compared to the 2018/19 financial year pre-COVID (down $8.3 billion compared to the 2019/20 financial year), which is consistent with the reduction of revenue within the Group's Statutory Loss.

Likewise, the impact of the decisive actions taken by the Group to mitigate the impact of COVID-19, including a reduction in flight capacity domestically and internationally (including a reduction in costs from fuel and variable cost reductions), workforce stand downs and operational cost-out measures, have also been recognised in Underlying PBT. Government support to mitigate the impact of COVID-19 from travel restrictions and border closures including the AAFRP, JobKeeper, IAS, RANS, DANS, TANS, government repatriation flights and IFAM payments, together with costs to operate or payments to employees, are also recorded in Underlying PBT.

Items which are identified by Management and reported to the CODM bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period-to-period.

Items not included in Underlying PBT primarily result from revenues or expenses relating to business activities in other reporting periods, restructuring/transformational initiatives, transactions involving investments, impairments of assets and other transactions outside the ordinary course of business.

The impact of COVID-19 and the Group's Recovery Plan have resulted in items not included in Underlying PBT, including asset impairments, Recovery Plan restructuring costs (including redundancies) and de-designated hedging due to a significant decrease in flying activity.

Reconciliation of Underlying PBT to statutory (loss)/profit before tax	**June 2021 $M**	**June 2020 $M**	**June 2019 $M**
Underlying PBT	**(1,826)**	**124**	**1,326**
Items not included in Underlying PBT			
– Transformation costs and discretionary bonuses for non-executive employees [28]	–	(191)	(260)
– Recovery Plan restructuring costs [29]	(319)	(642)	–
– (Impairment)/reversal of impairment of assets and related costs	(257)	(1,428)	39
– De-designation of fuel and foreign exchange hedges	33	(571)	–
– Net gain on disposal of assets	18	–	192
– Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair value hedging agenda decision	–	–	(105)
Total items not included in Underlying PBT	**(525)**	**(2,832)**	**(134)**
Statutory (Loss)/Profit Before Income Tax Expense	**(2,351)**	**(2,708)**	**1,192**

28. Costs incurred under the Transformation Program in previous years are reported under Transformation costs.
29. Costs incurred in relation to the Group's Recovery Plan are reported under Recovery Plan restructuring costs.

Review of Operations continued

For the year ended 30 June 2021

Underlying PBT (continued)

In the 2020/21 financial year, the items outside of Underlying PBT included:

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$319 million included people restructuring costs of $297 million and other restructuring costs of $22 million. People restructuring costs include redundancy costs related to announced restructuring initiatives. Other restructuring costs primarily resulted from changes to fleet strategy as a result of the Recovery Plan. Included in other restructuring costs is $7 million of non-cash accelerated depreciation.
Impairment of assets and related costs	Impairments of assets and related costs of $257 million includes: – $155 million impairment of the Group's A380 fleet resulting from changes in the recoverable amount or net realisable value of the assets including from changes in the market value of the aircraft, changes in the onerous contractual commitments and movement in foreign exchange rates since 30 June 2020 – $73 million impairment of property, plant and equipment and right of use assets relating to aircraft in the Jetstar Asia cash generating unit – $3 million impairment relating to the early retirement of the Group's 747 fleet driven by movement in foreign exchange rates since 30 June 2020 – $27 million impairment of property, plant and equipment, intangible assets and other assets from the implementation of restructuring initiatives in the Recovery Plan – ($1) million of net impairment reversal of assets in relation to the Group's associates. Refer to Note 25 for details on impairment of assets and related costs.
De-designation of fuel and foreign exchange hedges	The Group hedges fuel price risk in accordance with the Treasury Risk Management Policy. Hedge accounting is applied when the requirements of AASB 9 *Financial Instruments* are met. Where the forecast fuel purchase transaction is no longer expected to occur, then hedge accounting is discontinued prospectively and the amount accumulated in equity is reclassified to the Consolidated Income Statement. The significant decrease in flying activity compared to expectations at 30 June 2020 has resulted in hedge accounting being discontinued where forecast fuel purchases are no longer expected to occur. Where the underlying derivatives, while de-designated for hedge accounting purposes, had remained unrealised or unsettled, foreign exchange and mark-to-market movements have occurred. These movements have also been recognised as ineffectiveness in the Consolidated Income Statement. De-designation and ineffectiveness of fuel and foreign exchange hedges of $33 million has been recognised immediately in the Consolidated Income Statement. Refer to Note 27 for further details.
Net gain on disposal of assets	$18 million net gain on disposal primarily relates to a $15 million gain on sale of Qantas' interest in the Joint User Hydrant Installation.

Refer to Note 2(B) of the Financial Report for details of items not included in Underlying PBT.

Review of Operations continued

For the year ended 30 June 2021

MATERIAL BUSINESS RISKS

The aviation industry is subject to numerous inherent risks that can impact operations if left untreated. In rare circumstances 'black swan' risk events can materialise, resulting in unexpected consequences such as those that the aviation industry is experiencing due to COVID-19. The COVID-19 pandemic has impacted Qantas' operations significantly, including its strategic and financial objectives.

Material business risks arising from COVID-19, notably liquidity risks, are being critically managed to ensure the ongoing sustainability of the Group. The Recovery Plan delivered $650 million of cost restructuring benefits in financial year 2020/21 and is on track to deliver the targeted $1 billion of ongoing structural cost benefits by financial year 2022/23. As the impact of COVID-19 evolves, the Group continues to plan for a wide range of scenarios and risks to ensure the Group is well-positioned to achieve the required level of transformation to support target outcomes.

Other inherent risks that can impact the Group's operations include exposure to changes in economic conditions, changes in government regulations, fuel and foreign exchange volatility and other exogenous events such as aviation incidents, natural disasters or international conflicts.

COVID-19 outbreak management: Although Australia has recorded low levels of community transmission of COVID-19 when compared with other jurisdictions, outbreaks have occurred in most states, with the risk of future outbreaks ever present given the new virus variants and the status of the vaccine roll out in Australia. Through its 'Fly Well' and 'Work Well' programs, Qantas has introduced initiatives aimed at preventing the introduction and spread of COVID-19 in workplaces and aircraft for the protection of our people and our customers. COVID-19 community transmission case numbers are closely monitored by the Group with a layered response framework in place to ensure controls are rapidly deployed in line with the level of risk posed. These controls not only seek to protect health but also support business continuity.

General economic conditions post-crisis: As air travel is closely linked with economic growth, the Qantas Group's operating and financial performance is influenced by a variety of general economic and business conditions in Australia and overseas. A sustained decline in consumer and business demand as part of a broader deterioration of economic conditions is likely to have a materially adverse effect on the financial condition and business of the Qantas Group.

COVID-19 has created considerable uncertainty and volatility surrounding these macroeconomic factors, and any further deterioration may have a materially adverse impact on the business, financial condition and prospects of the Qantas Group.

Employee relations: The Qantas Group operates in a highly regulated employment market and a portion of the Qantas Group's employees are represented by unions and are party to collective bargaining arrangements. Any significant enterprise bargaining dispute between the Qantas Group and its employees, including in relation to the Recovery Plan, could lead employees to take industrial action, including work stoppages. This could disrupt the Qantas Group's day-to-day operations and adversely affect business performance, potentially leading to reputational damage.

The slower rate of vaccine roll out and the prolonged closure of the Australian border due to the COVID-19 crisis has necessitated the extended stand down of the majority of the Qantas and Jetstar International workforce. In addition, the domestic lockdowns and the knock-on impact of border closures by states and territories due to the Delta variant has resulted in the stand down of certain Domestic work groups. The Group recognises that this situation requires increased efforts to ensure that our people remain connected to the organisation, and their health and wellbeing is supported. Relevant information continues to be communicated to our people through a series of channels, including regular Town Hall meetings hosted by the Group Executive Committee, with several thousand employees remotely joining these sessions. Employee mental health continues to be a key area of focus, with enhanced services provided through our Employee Assistance Program as well as manager toolkits to assist with increasing awareness, identification, support and monitoring of employee mental health.

The Qantas Group also has certain key management personnel whose institutional knowledge, expertise, relationships and experience are considered important to the continued success of the business. The loss of key personnel could adversely impact the Qantas Group's business and future performance.

Customer risk: The ongoing success of the Qantas Group depends to a large degree on customer satisfaction and loyalty, particularly in light of the significant competition for passengers that characterises the aviation industry.

The significant financial and operational challenges posed by COVID-19, the impact of the pandemic on the travel industry, the opening and closing of domestic and international borders and the response of the Qantas Group to these challenges could also impact customer satisfaction and loyalty. In particular, a diminution of customer satisfaction due to the cancellation and refund policies of the Qantas Group in the context of COVID-19 may impact the Qantas Group's reputation and its ability to attract customers in the future, exacerbated by a potential decline in customer confidence in travelling due to border restrictions and health risks.

In addition, the Qantas Group is vulnerable to longer-term changes in consumer preferences in relation to its service offerings, the markets in which it operates, and consumer and business sentiment towards travel, including environmental considerations. Any failure by the Qantas Group to predict or respond to such changes in a timely and cost-effective manner may adversely impact the Qantas Group's future operating and financial performance.

Climate change: The Qantas Group is subject to short-term and long-term climate-related physical and transition risks (including both increasing customer and investor climate change expectations and government climate change policy risks). These risks are an inherent part of the operations of an airline and are managed by undertaking scenario analysis, strengthening governance, technology, operational and market-based controls, including proactive consideration of how changing factors (including global climate policies) impact the proximity of climate-related risks. The Qantas Group has also set ambitious but achievable targets to reduce our emissions by capping emissions at 2019 levels and achieving net-zero emissions by 2050, while also investing in the development of sustainable aviation fuels. The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning our corporate disclosures with the Taskforce on Climate-Related Financial Disclosures (TCFD).

These disclosures are available at https://www.qantas.com/au/en/qantas-group/acting-responsibly/our-planet.html.

Review of Operations continued

For the year ended 30 June 2021

MATERIAL BUSINESS RISKS (CONTINUED)

Competitive intensity: Ordinarily, the international and domestic aviation markets in which the Qantas Group operates are highly competitive, and growth in market capacity ahead of underlying demand impacts profitability on an industry-wide basis. Its competitors include many major foreign airlines (including government-owned or controlled airlines), some with more financial resources or lower cost structures than Qantas. This competition may increase with the expansion of existing airlines, the consolidation of existing airlines and/or the creation of alliances between airlines, or new airlines entering the market.

Australia's aviation policies favour the creation of a more competitive environment, including more liberal rights of entry into Australian domestic and international markets. These policies have attracted offshore competitors (predominantly state-sponsored airlines) to the Australian international aviation market, which has further increased competition for passengers on international routes. Additionally, the Qantas Group ordinarily faces high levels of price competition in the markets in which it operates, which places significant pressure on the Qantas Group to price match by offering heavily discounted fares. Aggressive pricing by competitors seeking to gain market share can adversely affect the Qantas Group's revenues and yield performance. The financial impact of any discounting of fares as a result of competitive pressures is exacerbated by the high fixed costs and low profit margins that characterise the aviation industry. The combined effect of these factors may have a materially adverse effect on the revenue and financial condition of the Group.

Brand reputation: The Qantas brand carries significant commercial value, and the continued success of the Qantas Group relies on the maintenance of a positive reputation and brand recognition among customers, suppliers, strategic partners and governments. Any negative publicity (for example, due to a safety incident, labour dispute, regulatory investigation or public customer complaint) may damage Qantas' reputation and have a negative impact on its business operations and financial performance. The Customer Insights team constantly monitors customer satisfaction through post-flight surveys and regularly monitors trust in the Qantas Group brands alongside ongoing research and development of Qantas Group products to mitigate this risk.

Fuel and foreign exchange volatility: The Qantas Group is subject to fuel and foreign exchange risks. These risks are an inherent part of the operations of an airline. The continued focus on forecasting and the operational agility of our aviation operations are supporting the Group to manage the residual uncertainty. Accordingly, the size of the Group's fuel and foreign exchange risk will vary in line with operational changes. The Qantas Group manages fuel and foreign exchange risks through a comprehensive hedging program. Qantas will continue to hedge its fuel and foreign exchange risk in line with this program. The Group has a mix of collars and outright options in place to cover fuel price risk and is actively managed for changes in capacity due to border closures.

Cyber security and data governance: As cyber breaches and attacks surge globally and remote ways of working continue due to COVID-19, the Qantas Group remains focused on embedding cyber security, privacy and data governance into business processes, taking a security and privacy by design approach and creating a cybersafe and privacy orientated culture that builds on an established safety culture. The Group is also enhancing its Data Governance Framework to ensure ethical and commercial data risks are managed in addition to data protection and privacy. Qantas has a defined Risk and Control Framework, aligned with industry standards, which is designed to protect the confidentiality, integrity, availability and privacy of data and to maintain compliance with regulatory requirements. The Qantas Group's cyber security and data privacy-related controls operate to reduce the likelihood and severity of cyber security and data privacy related incidents and related impacts. The Group's cyber and data privacy risks are continuously monitored by the Group Cyber and Privacy Committee and are subject to independent assurance including for material third-party suppliers.

Key business partners and alliances: The Qantas Group has relationships with a number of key business partners. In order to continue to maximise mutual benefit from both a financial and customer proposition perspective, governance structures are in place to track and report performance against common strategic objectives. The Qantas Group continues to proactively build relationships with existing and new industry partners through ongoing dialogue with relevant authorities and stakeholder groups.

Key supplier risk: The Qantas Group is dependent on third-party providers for some principal business processes that are integral to its business. The failure of these providers to adequately perform their service obligations, or other unexpected interruptions of services, may cause significant disruption to the Group's operations and have an adverse impact on financial performance. Qantas uses its Business Continuity Plans to cover the risk of supply failures and has contingency plans in place to respond to key supplier interruption.

Risk of increase in airport services-related costs or change in availability of airport facilities: The Qantas Group is exposed to the risk of increases in airport services-related costs (including air traffic control, airport, transit, take-off and landing fees and security charges). The availability and cost of airport facilities are fundamental to the ability of the Qantas Group to operate.

These costs represent a significant portion of the Qantas Group's operating costs. Most Australian airports are privately owned, and owners have flexibility to increase charges to airlines. There can be no assurance that major airport operators will not continue to increase their fees or that the Qantas Group will not incur new costs in Australia or elsewhere (for example, additional fees assessed against environmental criteria such as emissions levels or noise pollution). Further, it is likely that security and health measures around the world will continue to be increased in response to the COVID-19 experience and the perceived threat of terrorism, which may lead to increases in airport clearance and security charges. To the extent that the Qantas Group is unable to pass on any fee increases to its customers, these developments could have a material adverse effect on the Qantas Group's operational results and financial position.

In addition, health concerns during the COVID-19 crisis and in the period following it are likely to impact the availability of airport slots and facilities in ways that are difficult to predict. This could have a materially adverse effect on the Qantas Group's operations and Recovery Plan.

An overview of the Group Risk Management Framework is contained in the Qantas Group Business Practices Document available at www.qantas.com.au.

Condensed Corporate Governance Statement

For the year ended 30 June 2021

OVERVIEW

Corporate governance is core to ensuring the creation, protection and enhancement of shareholder value. The Board maintains, and requires that Qantas Management (Management) maintains, the highest level of ethics at all times.

The Board comprises a majority of Independent Non-Executive Directors who, together with the Executive Director, have an appropriate balance of skills, knowledge, experience, independence and diversity to enable the Board as a collective to effectively discharge its responsibilities.

The Board has endorsed and adopted the ASX Corporate Governance Principles and Recommendations (ASX Principles) 4th Edition throughout 2020/21.

Accordingly, Qantas Airways Limited (Qantas) has disclosed its 2021 Corporate Governance Statement in the Corporate Governance section on the Qantas website. As required, Qantas has also lodged its Corporate Governance Statement with the ASX.

Following is a summary of the key aspects of the Corporate Governance Statement.

THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a formal Charter, which is available in the Corporate Governance section on the Qantas website.

The Board is responsible for setting and reviewing the strategic direction of Qantas and monitoring the implementation of that strategy by Management.

The CEO is responsible for the day-to-day management of the Qantas Group with all powers, discretions and delegations authorised, from time to time, by the Board.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

THE BOARD IS STRUCTURED TO BE EFFECTIVE AND TO ADD VALUE

The Qantas Board currently has 10 Directors. Nine Directors are Independent Non-Executive Directors elected by shareholders. The Qantas CEO, who is an Executive Director, is not regarded as independent.

Details of the current Directors, their qualifications, skills, experience and tenure are set out on pages 10 to 13 of the Qantas Annual Report 2021.

The Board has four committees:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Safety, Health, Environment and Security Committee.

Each of these committees assists the Board with specified responsibilities that are set out in the Committee Charters, as delegated and approved by the Board.

Membership of and attendance at 2020/21 Board and Committee meetings are detailed on page 32 of the Qantas Annual Report 2021.

THE BOARD INSTILS A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

The Board has established a Corporate Governance Framework, comprising Non-Negotiable Business Principles (Principles) and Group Policies, which forms the foundation for the way in which Qantas and its controlled entities (Qantas Group or Group) undertake business. The Principles and Group Policies, including the Qantas Group Code of Conduct and Ethics, are detailed in the Qantas Group Business Practices document. This framework is supported by a rigorous Whistleblower Program, which provides a protected disclosure process for all disclosing persons, and an Anti-Bribery and Corruption Policy which outlines appropriate behaviour for all employees of the Qantas Group.

The Qantas Group Employee Share Trading Policy sets out guidelines designed to protect the Qantas Group Directors and its employees from intentionally or unintentionally breaching the law. The Qantas Group Employee Share Trading Policy prohibits employees from dealing in the securities of any Qantas Group listed or unlisted entity while in possession of material non-public information.

In addition, certain nominated Qantas Group employees are also prohibited from entering into any hedging or margin lending arrangement or otherwise granting a charge over the securities of any Qantas Group listed or unlisted entity, where control of any sale process relating to those securities may be lost.

Condensed Corporate Governance Statement continued

For the year ended 30 June 2021

THE BOARD SAFEGUARDS THE INTEGRITY OF CORPORATE FINANCIAL REPORTING

The Board and the Audit Committee closely monitor the integrity of all corporate reports. Qantas has a sound system of risk management and internal controls in place to verify the half-year and annual financial reports and confirm the declarations provided by the CEO and CFO to the Board.

The Board and the Audit Committee also monitor the independence of the external auditor and Qantas rotates the lead external audit partner every five years and imposes restrictions on the employment of personnel previously employed by the external auditor. Qantas last rotated its lead external audit partner during the 2016/17 year.

The Qantas Group is committed to verifying the integrity of all other periodic corporate reports it releases to the market that are not audited or reviewed by the external auditor. Information regarding the verification process is disclosed in our 2021 Corporate Governance Statement.

THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

Qantas is committed to ensuring that trading in its shares takes place in an orderly and informed market, by having transparent and consistent communication with all shareholders. Qantas has an established process to ensure that it complies with its continuous disclosure obligations at all times, including a bi-annual confirmation by all Executive Management that the areas for which they are responsible have complied with the Group's Continuous Disclosure Policy.

Qantas proactively communicates with its shareholders via the ASX and its web-based Newsroom, with all materials released by the Group made available to all shareholders at the same time. Additionally, the Qantas Board receives copies of all material market announcements for review and approval of release to the market, as well as a final copy promptly after they have been made.

THE BOARD RESPECTS THE RIGHTS OF SHAREHOLDERS

Qantas has a Shareholder Communications Policy which promotes effective two-way communication with shareholders and the wider investment community and encourages participation at general meetings. Qantas actively maintains a corporate site and investor portal which outlines the company's corporate governance policies and procedures and includes an array of information to help assist investors to make informed decisions.

Additionally, Qantas actively conveys its publicly-disclosed information and seeks the views of its shareholders, large and small, in a number of forums, including at the Annual General Meeting (AGM), Qantas Investor Days and, as is common practice among its major listed peers, through periodic meetings with current and potential institutional shareholders.

Shareholders also have the option to receive communications from, and send communications to, Qantas and its share registry electronically, including email notifications of significant market announcements.

The external auditor attends the AGM and is available to answer shareholder questions that are relevant to the audit.

THE BOARD RECOGNISES AND MANAGES RISK

Qantas is committed to embedding risk management practices to support the achievement of business objectives and fulfil corporate governance obligations. The Board is responsible for reviewing and overseeing the risk management strategy for the Qantas Group and for ensuring the Qantas Group has an appropriate corporate governance structure. Within that overall strategy, Management has designed and implemented a risk management and internal control system to manage Qantas' material business risks.

During 2020/21, the two Board committees responsible for oversight of risk-related matters, the Audit Committee and the Safety, Health, Environment and Security Committee, undertook their annual review of the effectiveness of Qantas' implementation of its risk management system and internal control framework.

The internal audit function is carried out by Group Audit and Risk and is independent of the external auditor. Group Audit and Risk provides independent, objective assurance and consulting services on Qantas' system of risk management, internal control and governance.

The Audit Committee approves the Group Audit and Risk Internal Audit Charter, which provides Group Audit and Risk with full access to Qantas Group functions, records, property and personnel, and establishes independence requirements. The Audit Committee also approves the appointment, replacement and remuneration of the internal auditor. The internal auditor has a direct reporting line to the Audit Committee and also provides reporting to the Safety, Health, Environment and Security Committee.

THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas Executive remuneration objectives and approach are set out below.

Information about the remuneration of Executive Management is disclosed to the extent required, together with the process for evaluating performance, in the Remuneration Report from page 36 to 62 of the Qantas Annual Report 2021.

Qantas Non-Executive Directors are entitled to statutory superannuation and certain travel entitlements (accrued during service) that are reasonable and standard practice in the aviation industry. Non-Executive Directors do not receive any performance-based remuneration (see pages 60 to 62 of the Qantas Annual Report 2021).

Directors' Report

For the year ended 30 June 2021

The Directors of Qantas Airways Limited (Qantas) present their Report, together with the Financial Statements of the consolidated entity comprising Qantas and its controlled entities (Qantas Group) and the Independent Audit Report, for the year ended 30 June 2021. In compliance with the provisions of the *Corporations Act 2001* (Cth), the Directors' Report is set out below.

DIRECTORS

The Directors of Qantas during the year were:

Richard Goyder AO

Alan Joyce AC

Maxine Brenner

Jacqueline Hey

Belinda Hutchinson AC

Michael L'Estrange AO

Paul Rayner

Todd Sampson

Antony Tyler

Barbara Ward AM

Details of the Directors' qualifications, experience and any special responsibilities, including Qantas committee memberships, are set out on pages 10 to 13.

PRINCIPAL ACTIVITIES

The principal activities of the Qantas Group during the year were the operation of international and domestic air transportation services, the provision of freight services and the operation of a frequent flyer loyalty program.

DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

No final dividend will be paid in relation to the year ended 30 June 2021 (2020: nil final dividend). No interim dividend or other shareholder distributions were paid during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Qantas Group that occurred during the financial year under review that are not otherwise disclosed in this Report.

REVIEW OF OPERATIONS

A review of, and information about, the Qantas Group's operations, including the results of those operations during the year, together with information about the Qantas Group's financial position, appear on pages 14 to 28.

Details of the Qantas Group's strategies, prospects for future financial years and material business risks have been included in the Review of Operations to the extent that their inclusion is not likely to result in unreasonable prejudice to the Qantas Group. In the opinion of the Directors, details that could be unreasonably prejudicial to the interests of the Qantas Group, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage, has not been included.

EVENTS SUBSEQUENT TO BALANCE DATE

Refer to page 117 for events which occurred subsequent to balance date. Other than the matters disclosed on page 117, since the end of the year and to the date of this Report no other matter or circumstance has arisen that has significantly affected or may significantly affect the Qantas Group's operations, results of those operations or state of affairs in future years.

Directors’ Report continued

For the year ended 30 June 2021

DIRECTORS’ MEETINGS

The number of Directors’ meetings held (including meetings of Committees of Directors) and attendance of Directors during 2020/21 is as follows:

	Qantas Board													
	Scheduled Meetings		Unscheduled Meetings		Sub-Committee Meetings[1]		Audit Committee[2]		Safety, Health, Environment and Security Committee[2]		Remuneration Committee[2]		Nominations Committee[2]	
Directors	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]
Richard Goyder[4]	12	12	1	1	2	2	-	-	-	-	-	-	2	2
Alan Joyce	12	12	1	1	2	2	-	-	6	6	-	-	-	-
Maxine Brenner	12	12	1	1	-	-	6	6	-	-	4	4	-	-
Jacqueline Hey	12	12	1	1	-	-	6	6	-	-	-	-	-	-
Belinda Hutchinson	12	12	1	1	-	-	6	6	6	6			-	-
Michael L’Estrange	12	12	1	1	-	-	-	-	6	6	4	4	-	-
Paul Rayner	12	12	1	1	-	-	-	-	-	-	4	4	2	2
Todd Sampson	11	12	1	1	-	-	-	-	-	-	4	4	-	-
Antony Tyler	12	12	1	1	-	-	-	-	6	6	-	-	2	2
Barbara Ward	12	12	1	1	2	2	6	6	6	6	-	-	2	2

1. Sub-Committee meetings convened for specific Board-related business.
2. All Directors are invited to, and regularly attend, committee meetings in an ex officio capacity. The above table reflects the attendance of a Director only where he or she is a member of the relevant committee.
3. Number of meetings held and requiring attendance.
4. The Chairman attends all Committee meetings.

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2021 – FOR THE PERIOD 1 JULY 2018 TO 30 JUNE 2021

Richard Goyder	Qantas Airways Limited Woodside Petroleum Ltd	Current, appointed 17 November 2017 Current, appointed 1 August 2017
Alan Joyce	Qantas Airways Limited	Current, appointed 28 July 2008
Maxine Brenner	Qantas Airways Limited Origin Energy Limited Orica Limited Woolworths Group Limited Growthpoint Properties Australia Limited	Current, appointed 29 August 2013 Current, appointed 15 November 2013 Current, appointed 8 April 2013 Current, appointed 1 December 2020 Ceased, appointed 19 March 2012 and ceased 30 November 2020
Jacqueline Hey	Qantas Airways Limited AGL Energy Limited Bendigo and Adelaide Bank Limited Australian Foundation Investment Company	Current, appointed 29 August 2013 Current, appointed 21 March 2016 Current, appointed 5 July 2011 Ceased, appointed 31 July 2013 and ceased 18 January 2019
Belinda Hutchinson	Qantas Airways Limited AGL Energy Limited Future Generation Global Investment Company Limited	Current, appointed 12 April 2018 Ceased, appointed 22 December 2010 and ceased 12 December 2018 Ceased, appointed 28 May 2015 and ceased 17 June 2021
Michael L’Estrange	Qantas Airways Limited Rio Tinto Limited Rio Tinto plc	Current, appointed 7 April 2016 Ceased, appointed 1 September 2014 and ceased 6 May 2021 Ceased, appointed 1 September 2014 and ceased 6 May 2021
Paul Rayner	Qantas Airways Limited Treasury Wine Estates Limited Boral Limited	Current, appointed 16 July 2008 Current, appointed 9 May 2011 Current, appointed 5 September 2008
Todd Sampson	Qantas Airways Limited Fairfax Media Limited	Current, appointed 25 February 2015 Ceased, appointed 29 May 2014 and ceased 7 December 2018

Directors' Report continued

For the year ended 30 June 2021

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2021 – FOR THE PERIOD 1 JULY 2018 TO 30 JUNE 2021 (CONTINUED)

Antony Tyler	Qantas Airways Limited	Current, appointed 26 October 2018
Barbara Ward	Qantas Airways Limited	Current, appointed 19 June 2008
	Ampol Limited (formerly Caltex Australia Limited)	Ceased, appointed 1 April 2015 and ceased 13 May 2021
	Brookfield Capital Management Limited[1]	Ceased, appointed 1 January 2010 and ceased 30 June 2021
	Brookfield Funds Management Limited[2]	Ceased, appointed 22 October 2003 and ceased 12 June 2020

1. Responsible entity for the Brookfield Prime Property Fund and the Multiplex European Property Fund, both of which were listed Australian registered managed investment schemes. Previously responsible entity for the Brookfield Australian Opportunities Fund, which was wound up on 30 October 2012.
2. Responsible entity for the Multiplex SITES Trust, which is a listed Australian registered managed investment scheme.

QUALIFICATIONS AND EXPERIENCE OF EACH PERSON WHO HELD OFFICE AS A COMPANY SECRETARY OF QANTAS BETWEEN 1 JULY 2020 UNTIL THE DATE OF THIS REPORT

Andrew Finch – Company Secretary	– BCom, LLB (UNSW), LLM (Hons I) (USyd), MBA (Exec) (AGSM) – Appointed as Company Secretary on 31 March 2014 – Joined Qantas on 1 November 2012 – 2002 to 2012 – Mergers and Acquisitions Partner at Allens, Sydney (previously Allens Arthur Robinson and Allen & Hemsley) – 1999 to 2001 – Managing Associate at Linklaters, London – 1993 to 1999 – Various roles at Allens, Sydney including Senior Associate (1997 to 1999) and Solicitor (1993 to 1997) – Admitted as a solicitor of the Supreme Court of NSW in 1993
Nicole Malone – Company Secretary	– BEc/LLB (Hons I) (UAdel), BCL (Oxon) – Appointed as a Company Secretary on 18 February 2020 – Resigned as a Company Secretary on 20 July 2021 – Joined Qantas on 6 December 2010 – Admitted as a solicitor of the High Court of Australia and the Supreme Court of Victoria in 2006 and the Supreme Court of NSW in 2011 – 2007 to 2010 – Solicitor at Baker & McKenzie
Benjamin Jones – Company Secretary	– LLM (USyd), LLB, BSocSci (Policy) (UNSW) – Appointed as a Company Secretary on 20 July 2021 – Joined Qantas on 9 September 2013 – Admitted as a solicitor of the High Court of Australia and the NSW Supreme Court in 2008 – 2008 to 2013 – Solicitor at Herbert Smith Freehills – 2013 to present – Football Australia, Disciplinary and Ethics Committee – 2013 to present – Football NSW, General Purposes Tribunal (Deputy Chair 2018 to present)
Benjamin Elliott – Company Secretary	– BBC, GIA (Affiliate) – Appointed as a Company Secretary on 18 February 2020 – Joined Qantas on 14 August 2013 – 2021 to present – Head of Secretariat and Corporate Governance – 2018 to 2021 – Manager, Group Secretariat – 2014 to 2018 – Manager, Corporate Governance – 2013 to 2014 – Manager, Public Company

Directors' Report continued

For the year ended 30 June 2021

DIRECTORS' INTERESTS AND BENEFITS

Particulars of Directors' interests in the issued capital of Qantas at the date of this Report are as follows:

	Number of Shares	
Directors	**2021**	**2020[1]**
Richard Goyder	157,780[2]	139,433
Alan Joyce	2,990,243	2,892,475
Maxine Brenner	39,498	39,498
Jacqueline Hey	57,115[2]	47,603
Belinda Hutchinson	40,727[2]	25,633
Michael L'Estrange	29,445	24,445
Paul Rayner	311,698[2]	297,342
Todd Sampson	30,706[2]	23,528
Antony Tyler	52,000	52,000
Barbara Ward	54,127	54,127

1. Shares held as at date of 2020 Annual Report (17 September 2020).
2. Includes restricted Ordinary Shares held by the Employee Share Plan Trust.

Rights held in trust under the Non-Executive Director Fee Sacrifice Share Acquisition Plan[1]:

	Number of Rights	
Directors	**2021**	**2020**
Richard Goyder	17,823	-
Jacqueline Hey	4,616	-
Belinda Hutchinson	6,472	8,432
Paul Rayner	-	8,020
Todd Sampson	3,077	4,010

1. Refer to page 60 for information regarding the operation of the Non-Executive Director Fee Sacrifice Share Acquisition Plan.

In addition to the direct interests shown, indirect interests in Qantas shares held in trust on behalf of Mr Joyce are as follows:

	Number of Shares	
Deferred shares held in trust under:	**2021**	**2020**
2018/19 Short Term Incentive Plan	-	97,768

	Number of Rights	
Rights granted under:	**2021**	**2020**
2018-2020 Long Term Incentive Plan	687,000[1]	687,000[1]
2019-2021 Long Term Incentive Plan	651,000[1]	651,000
2020-2022 Long Term Incentive Plan	743,000[2]	743,000[2]
2021-2023 Long Term Incentive Plan	1,349,000[3]	-
Total Rights	**3,430,000**	**2,081,000**

1. Mr Joyce offered, and the Board agreed, to defer the decision of whether his Rights will be forfeited or allowed to convert to shares until at least August 2022.
2. Shareholders approved the award of these Rights on 25 October 2019. Performance hurdles will be tested as at 30 June 2022 to determine whether any Rights vest to Mr Joyce.
3. Shareholders approved the award of these Rights on 23 October 2020. Performance hurdles will be tested as at 30 June 2023 to determine whether any Rights vest to Mr Joyce.

Directors' Report continued

For the year ended 30 June 2021

PERFORMANCE RIGHTS

Performance Rights are awarded to select Qantas Group Executives under the Qantas Long Term Incentive Plan (LTIP). Refer to pages 51 to 53 for further details.

The following table outlines the movements in Rights during the year:

Performance Rights Reconciliation	Number of Rights 2021	2020
Rights outstanding as at 1 July	9,607,136	12,699,500
Rights granted	12,123,500	4,086,000
Rights forfeited	(2,879,567)	(1,175,189)
Rights exercised	(1,134,203)	(6,003,175)
Rights lapsed	(1,148,297)	-
Rights outstanding as at 30 June	**16,568,569[1]**	**9,607,136[1]**

1. The movement of Rights outstanding as at 30 June 2021 to the date of this Report is explained in the footnotes below.

Rights will be converted to Qantas shares to the extent performance hurdles have been achieved. The Rights do not allow the holder to participate in any share issue of Qantas. No dividends are payable on Rights. The fair value of Rights granted is calculated at the date of grant using a Monte Carlo model and/or Black-Scholes model.

The following Rights were outstanding at 30 June 2021:

				Number of Rights					
Name	Testing Period	Grant Date	Value at Grant Date	2021 Net Vested	2021 Unvested	2021 Total	2020 Net Vested	2020 Unvested	2020 Total
2018–2020 Long Term Incentive Plan	30 Jun 20[1]	5 Sep 17	$2.98	-	-	**-**	-	2,241,000	**2,241,000**
2018–2020 Long Term Incentive Plan	30 Jun 20[1]	27 Oct 17	$3.30	-	687,000	**687,000**	-	728,500	**728,500**
2019–2021 Long Term Incentive Plan	30 Jun 21[2]	5 Sept 18	$3.35	-	1,694,000	**1,694,000**	-	2,274,000	**2,274,000**
2019–2021 Long Term Incentive Plan	30 Jun 21[2]	26 Oct 18	$2.33	-	693,000	**693,000**	-	693,000	**693,000**
2020–2022 Long Term Incentive Plan	30 Jun 22	4 Oct 19	$4.06	-	2,401,892	**2,401,892**	-	2,927,636	**2,927,636**
2020–2022 Long Term Incentive Plan	30 Jun 22	26 Oct 19	$3.59	-	743,000	**743,000**	-	743,000	**743,000**
2021–2023 Long Term Incentive Plan	30 Jun 23	11 Sep 20	$2.24	-	9,000,677	**9,000,677**	-	-	**-**
2021–2023 Long Term Incentive Plan	30 Jun 23	23 Oct 20	$3.07	-	1,349,000	**1,349,000**	-	-	**-**
Total				**-**	**16,568,569**	**16,568,569**	**-**	**9,607,136**	**9,607,136**

1. Following the testing of performance hurdles as at 30 June 2020 and the Board's approval of the 2018-2020 vesting outcome on 19 August 2020, 50 per cent of Rights vested and converted to shares after the release of the 2019/20 full-year financial results for Executives other than the CEO. For the CEO, the CEO offered, and the Board agreed, to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares.
2. Following the testing of performance hurdles as at 30 June 2021 and the Board's approval of the 2019-2021 vesting outcome on 25 August 2021, 50 per cent of Rights vested and converted to shares after the release of the 2020/21 full-year financial results for Executives other than the CEO. For the CEO, the CEO offered, and the Board agreed, to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED)

REMUNERATION REPORT

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Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

COVER LETTER TO THE REMUNERATION REPORT

Dear Shareholder,

This Remuneration Report sets out remuneration information for the Chief Executive Officer (CEO), direct reports to the CEO (Executive Management) and Non-Executive Directors. It describes the Qantas Executive Remuneration Framework (Remuneration Framework) and pay outcomes for 2020/21, and the intended Remuneration Framework for 2021/22, in a way that I believe is simple and transparent.

The COVID-19 pandemic continues to have a major impact on our aviation and tourism industry. Ongoing and unpredictable border restrictions, both domestically and internationally, have tested our ability to chart a course towards a sustainable recovery. Indeed, it is difficult to conceive of an industry harder hit by the COVID-19 crisis than aviation and tourism, in particular international passenger services. Nevertheless, it is in this context that Qantas must best position itself to respond in an agile way as we continue to implement our Three-Year Recovery Plan. Qantas is committed to its shareholders and its people to operate efficiently and flexibly to respond to the challenges that COVID-19 presents in order to position the Group for future profitability and success as Australia and the rest of the world recovers from the pandemic.

Remuneration Outcomes in 2020/21

Following several months of zero Base Pay (or fees) for the CEO, Executive Management and Directors in the previous financial year in response to the pandemic, the Remuneration Outcomes for 2020/21 reflect similar discipline and leadership in difficult times.

Fixed Remuneration:

Reductions in Fixed Remuneration continued in 2020/21 as follows:

- The CEO took no Base Pay in July 2020 and a 35 per cent reduction in Base Pay from 1 August through to 31 October 2020
- The Chairman took no fees in July 2020 and a 35 per cent reduction in fees from 1 August through to 31 October 2020
- Executive Management took a 15 per cent reduction in Base Pay until 31 October 2020
- Non-Executive Directors took a 15 per cent reduction in fees until 31 October 2020.

The CEO, Executive Management and Non-Executive Directors returned to full pay from 1 November 2020.

There were no increases to Base Pay during 2020/21 for the CEO and Executive Management, other than to the newly appointed Chief Financial Officer. Consistent with the Group-wide wage freeze, there are no planned Base Pay increases for the CEO and Executive Management and Fees for Non-Executive Directors for 2021/22.

Variable Remuneration:

- Annual incentives were not paid for 2020/21 (as was also the case in 2019/20).

  Notwithstanding that there was strong performance against each of the financial and non-financial components that comprise the Short Term Incentive Plan (STIP) Scorecard that would have resulted in a substantial award under the 2020/21 STIP, the Board applied its discretion and determined the STIP Scorecard outcome to be zero.
- Long Term Incentive partially vested.

  In relation to the 2019-2021 Long Term Incentive Plan (LTIP), the performance condition against the ASX100 peer group was not achieved. However, Qantas' three-year relative Total Shareholder Return (TSR) performance against the airline peer group was ranked 4th of the 18 airlines, resulting in partial vesting.

  Consequently, for Executive Management, 50 per cent of LTIP Rights vested and converted to shares, with the remaining Rights lapsing.

  In relation to the 2019-2021 LTIP for the CEO, the CEO offered, as he did in 2019/20, and the Board agreed, to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares.

The CEO's total pay outcome for 2020/21 is marginally higher than in prior years, reflecting the three months of zero Base Pay in 2019/20 compared with one month of zero Base Pay and three months of reduced pay in 2020/21.

Executive Remuneration Framework Review – 2021/22

In considering the priorities for 2021/22, the Board has been acutely conscious of the enormous challenges facing our business and the pressures placed upon all of our people to manage those challenges. The COVID-19 pandemic has significantly increased the demands on our executive cohorts at the same time as workloads and complexity have increased, their take home pay has fallen significantly, with no annual incentives for the past two years and a continued wage freeze. In 2021/22, our executive cohorts are again facing both an extremely high workload and the prospect of a third year of no annual incentives being awarded.

In that context, it is more critical than ever that the Group retains its talent, because the delivery of the Three-Year Recovery Plan and the other key outcomes required to set our business for success beyond the pandemic depends upon the effort and acumen of our executive leadership in particular. Given the challenges and demands faced by our people it is no surprise that the Group is experiencing significant attrition. Our executive cohorts are talented and in increasing demand across a range of industries, many of which, unlike aviation and tourism, are experiencing high rates of growth and activity, with financial rewards to match. The Board is particularly concerned that a continued loss of capability and experience will materially inhibit the Group's ability to deliver the key outcomes required for success beyond the pandemic.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Accordingly, the Board is considering how best to structure the Remuneration Framework for 2021/22 to retain the critical talent required to set the Qantas Group on a course for prosperity beyond the COVID-19 crisis. As such, the Board is considering remuneration initiatives that are designed to reward and incentivise all employees in setting up Qantas for post-pandemic success. In the case of the CEO and Executive Management, any such plan would operate in lieu of the traditional annual incentive plan for the year. A separate plan would operate to reward non-executive employees. Acknowledging the challenges that are expected to persist through the first half of 2021/22, any decision to approve changes to the Remuneration Framework has been deferred until the second half of 2021/22.

The Qantas Board remains committed to a Remuneration Framework that supports business objectives, operates sustainably and is market competitive. I invite you to review the 2021 Remuneration Report.

Paul Rayner
Chairman, Remuneration Committee

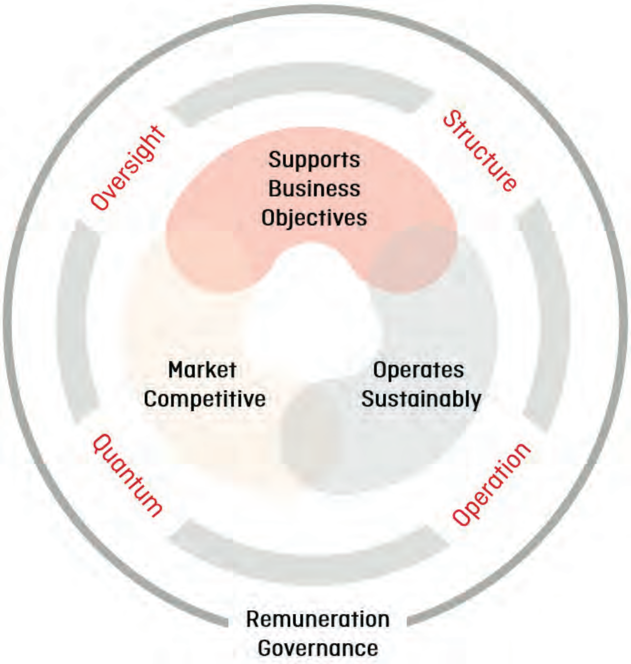
Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

1 REMUNERATION REPORT SUMMARY

The objectives of, and approach to, Qantas' Executive Remuneration Framework are summarised as follows:



Remuneration Objectives

- **Supports Business Objectives:** Encourages the pursuit of growth and the success of Qantas. Aligned with Qantas' purpose, values, strategy and risk appetite. Aligned with shareholder requirements.
- **Operates Sustainably:** Encourages sound management of financial and non-financial risks. Encourages good conduct and discourages misconduct. Considers cost and reputational factors and complies with relevant laws and regulations.

  Market Competitive: Attracts, motivates and appropriately rewards a capable management team.

Remuneration Effectiveness

- **Oversight:** Remuneration governance roles clearly defined for the Board; Remuneration Committee; Safety, Health, Environment and Security Committee; Audit Committee; and the Board's independent remuneration consultant (EY).
- **Structure:** Design elements that reward for performance, but also protect against unintended or unjustified pay outcomes.
- **Operation:** Demonstrated history of aligning remuneration outcomes with performance, appropriate application of Board discretion and adjusting remuneration outcomes based on individual performance and conduct.
- **Quantum:** Remuneration decisions made with reference to comparable roles in other listed Australian companies.

A more detailed description is provided on pages 44 to 45.

The structure of the Executive Remuneration Framework is as follows:

Base Pay	Fixed salary inclusive of superannuation	Cash				
Annual Incentive Also referred to as the Short Term Incentive Plan (or STIP)	– An annual incentive opportunity – Balanced scorecard (financial + non-financial measures) – Individual performance (achievements and conduct) – Delivered 2/3rds cash and 1/3rd shares	Cash				
		Shares	Deferral Period		Additional Lock	Clawback applies
		Performance	Restriction			

Long Term Incentive
Also referred to as the Long Term Incentive Plan (or LTIP)
	– Awards of Rights
	– Qantas' 3-year TSR performance relative to:
	  – A global airline peer group
	  – ASX100 companies
	– Rights may convert to shares on vesting
		50% Rights may vest, subject to Qantas' TSR performance relative to ASX100 companies			Additional Lock	

		50% Rights may vest, subject to Qantas' TSR performance relative to airline peers			Additional Lock	
		Performance			Restriction	
		Year 1	Year 2	Year 3	Year 4	

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

CHANGES TO THE REMUNERATION FRAMEWORK FOR 2020/21

Pay Mix Change for Executives for 2020/21

For 2020/21 only, the pay mix for the CEO and Executive Management changed, with a decrease in weighting towards annual incentive (STIP) and an increase in weighting towards long term incentive (LTIP). These changes did not increase the total 'at target' pay for each Executive for 2020/21, as each Executive's LTIP opportunity was offset by a reduction in their annual incentive opportunity.

The pay-mix change for 2020/21 further aligned the Executive Management team with the immediate priorities of the post-COVID-19 Recovery Plan. The change was particularly relevant for 2020/21 as the timeframe for delivery of the post-COVID-19 Recovery Plan is the same three-year period as the performance period under the 2021-2023 LTIP. The pay mix for Executive Management is detailed on page 57.

2020/21 ANNUAL INCENTIVE PLAN

Annual Incentive – Structure

Also referred to as the Short Term Incentive Plan (or STIP).

The STIP is an annual incentive opportunity where an Executive may receive an award that is a combination of cash and an award of restricted shares if the plan's performance conditions are achieved.

Purpose

Reward for individual and Qantas Group performance, aligned with annual performance objectives.

Target and Maximum Opportunity

	% of Base Pay	CEO	Executive KMP
2020/21	Target	50%	40%
	Maximum	90%	72%
2019/20	Target	100%	80%
	Maximum	200%	160%

Business Performance

STIP Scorecard:
- A single Qantas Group Scorecard that applies to the CEO and Executive Management
- A balanced set of financial and non-financial measures.

Individual Performance

Individual Performance Factor (IPF):
- Delivery against individual objectives
- Behaviour and how it aligns to the Qantas Group beliefs.

STIP Formula

Base Pay x Target Opportunity x STIP Scorecard Outcome x IPF

Delivery

Cash: 2/3rds

Shares: 1/3rd with 2-year deferral period and an additional 1-year trading restriction, during which shares cannot be traded and are subject to clawback.

Disclosure

In addition to required statutory disclosures, Qantas chooses to disclose the full value of each year's STIP award (in years where the STIP award is made), disclosing both:
- The value of cash awards made
- The full value of restricted shares that were awarded (notwithstanding that these shares are still subject to a 2-year deferral period).

Board Discretion

The Board retains discretion over any awards made under the STIP.

Previously, the Board has applied its discretion in circumstances where, although scorecard measures had been achieved or exceeded, the Board deemed it more appropriate to make a nil or reduced award under the STIP or to deliver a higher proportion of an award in Qantas shares.

Annual Incentive Outcomes for 2020/21

2020/21 STIP Outcome

The Board exercised its discretion and made no awards under the annual incentive plan for the second successive year.

While the Board sees the balanced scorecard approach as an important design element of the STIP, it recognises that the overall STIP outcome needs to reflect the continuing severe impact of COVID-19 on Qantas' operations and financial position.

Therefore, the Board determined that no awards be made under the 2020/21 STIP.

2020/21 STIP Scorecard

Each year, the Board aligns the performance measures that comprise the STIP Scorecard with the Qantas Group's strategic priorities. For 2020/21, this involved aligning these performance measures with the key financial, operational and safety measures supporting the Recovery Plan. For 2020/21, the Board selected cash preservation and Recovery Plan metrics as the key financial performance measures for the Qantas Group, with a weighting of 50 per cent of the STIP Scorecard.

Notwithstanding that there was strong performance against both the financial and non-financial components of the STIP Scorecard that would have resulted in a substantial award (estimated at 121 per cent) under the 2020/21 STIP, the Board applied its discretion and determined the STIP Scorecard outcome to be zero.

2020/21 STIP Scorecard:

Strategic Objective	Weighting (target)	Outcome
Financial Measures	30%	●
Recovery Plan and Growth	20%	●
Customer	15%	●
Leading Domestic Market Recovery	20%	●
Workplace and Operational Safety	15%	●
STIP Scorecard Outcome	100%	0%

● Target achieved or exceeded

◐ Partial achievement against targets

⬟ No achievement against targets

Further detail on the STIP is provided on pages 49 to 51.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

LONG TERM INCENTIVE PLAN

Long Term Incentive – Structure

Also referred to as the Long Term Incentive Plan (or LTIP).

The LTIP is a 4-year plan that involves an upfront award of a fixed number of Rights. If performance and service conditions are achieved over a 3-year period, Rights vest and convert to Qantas shares. The vested shares are then subject to a 1-year trading restriction during which the shares cannot be traded and are subject to clawback.

Purpose

Reward for longer-term Qantas Group performance.

Target Opportunity and Allocation Methodology

The number of Rights awarded under the LTIP has been calculated applying a face value methodology. The number of Rights awarded is the maximum number of Rights that may vest and convert to Qantas shares.

The target opportunity for the CEO and Executive KMP is as follows:

	Target Opportunity	CEO	Executive KMP
2020/21	% of Base Pay on a face value basis	235%	135%
2019/20	% of Base Pay on a face value basis	185%	95%

The number of Rights awarded is determined by applying the following formula:

Base Pay x Target Opportunity ÷ Face Value of Right

Business Performance

Qantas' 3-year Total Shareholder Return (TSR) performance relative to:

- A global airline peer group
- ASX100 companies.

Delivery

If performance and service conditions are achieved, Rights vest and convert to Qantas shares. A 1-year trading restriction on vested shares applies, during which the shares cannot be traded and are subject to clawback.

Disclosure

In addition to the required statutory disclosures, Qantas chooses to disclose the full value of LTIP awards that vest during the year, disclosing the value of the LTIP awards based on the share price at the end of the performance period.

Historic LTIP Awards (prior to 1 July 2019)

Prior to 1 July 2019, the LTIP was a 3-year plan, as follows:

- A 3-year performance period
- If performance and service conditions are achieved, Rights vest and convert to Qantas shares with no further restrictions.

The 2019-2021 LTIP was the final award that operated on this basis.

Further detail on the LTIP is provided on pages 51 to 53.

Long Term Incentive Outcomes for 2020/21

2019-2021 LTIP – Achievement of Performance Conditions

Qantas and the aviation industry continue to be disproportionately impacted by COVID-19. However, Qantas continued to outperform the majority of its industry peers and competitors.

Qantas' 3-year relative TSR performance was ranked:

- 4th in the airline peer group – performance condition fully achieved
- 70th in the ASX100 – performance condition not achieved.

Based on this performance, 50 per cent vesting was achieved.

LTIP Outcomes

Notwithstanding that the LTIP performance conditions were partially achieved, the CEO offered (as he did in 2019/20), and the Board agreed, to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares. Therefore, the CEO's LTIP outcome in 2020/21 is nil.

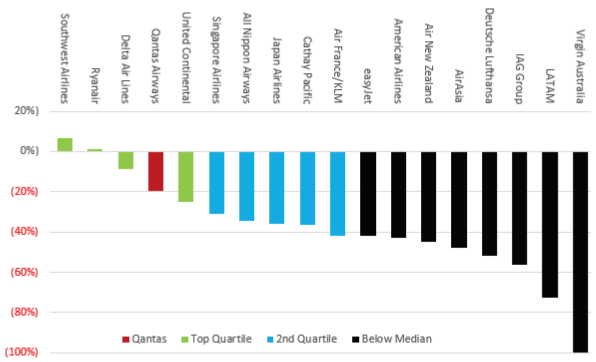
For Executive Management, 50 per cent of Rights awarded under the 2019-2021 LTIP vested and converted to shares.

Longer-Term TSR Performance

The TSR performance of Qantas (and the aviation industry as a whole) has continued to be adversely impacted by COVID-19.

Prior to COVID-19, Qantas had achieved continued longer-term share price growth, resulting in top quartile relative TSR performance against the airline peer group and ASX100 group over multiple rolling 3-year periods. Given the impact of COVID-19 on the aviation industry, Qantas' TSR performance over the current 3-year performance period (to 30 June 2021) is below median compared to other ASX100 companies. However, Qantas continues to outperform the majority of its airline peers, achieving top quartile relative TSR performance for the sixth consecutive rolling 3-year period.

QANTAS AND AIRLINE PEERS – 3-YEAR TSR PERFORMANCE[1]



QANTAS ROLLING 3-YEAR RELATIVE TSR PERFORMANCE[1] HISTORY

LTIP Period	Airline Peer Group	ASX100 Peer Group
2019-2021	Top quartile	Below Median
2018-2020	Top quartile	Below Median
2017-2019	Top quartile	Top quartile
2016-2018	Top quartile	Top quartile
2015-2017	Top quartile	Top quartile
2014-2016	Top quartile	Top quartile

1. TSR performance, applying the LTIP performance test methodology (which uses the average closing share price over the six months preceding the test date of 30 June 2021).

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OUTCOMES FOR THE CEO IN 2020/21

CEO Remuneration Outcomes – Key Points

The CEO remuneration outcomes demonstrate the commitment from the CEO and Board to align the remuneration outcomes with the prevailing economic challenges that Qantas, its shareholders, employees and customers are experiencing.

The CEO's total pay outcome for 2020/21 was 13 per cent higher than 2019/20. This increase was due to three months of zero Base Pay in 2019/20 compared with one month of zero Base Pay and three months of reduced pay. For context, the CEO's pay in 2020/21 was 80 per cent lower than pre-COVID (2018/19). The CEO's pay outcome for 2020/21 is as follows:

– Zero Base Pay in July 2020 and 65 per cent Base Pay from August until 31 October 2020
– Zero Annual Incentive award
– Deferral of any award under the Long Term Incentive Plan, resulting in a zero vesting outcome under the Long Term Incentive Plan.

Base Pay

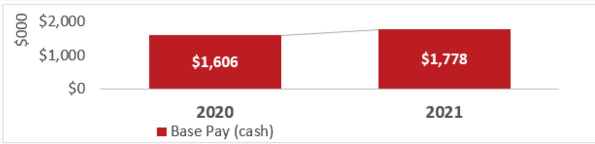
The CEO did not receive a Base Pay increase during 2020/21.

In addition, the CEO received no Base Pay in July 2020 and received only 65 per cent of his Base Pay from August through 31 October 2020.

The CEO relinquished $370,708 of his Base Pay in 2020/21 and relinquished $542,500 in 2019/20. The Base Pay he received in 2020/21 is slightly higher than that in 2019/20 due to the larger amount of pay forgone in 2019/20.

Base Pay (cash) is $1,777,598 (Base Pay of $2,170,000 less Base Pay forgone of $370,708 less superannuation contributions of $21,694).

CEO REMUNERATION OUTCOMES – BASE PAY (CASH)



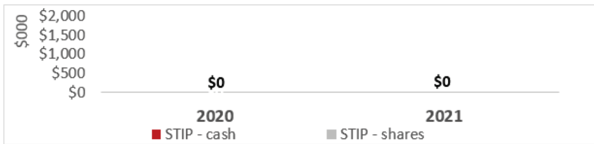
Annual Incentive – 2020/21 STIP

While there was strong performance against the STIP Scorecard measures, the Board applied its discretion and determined that the 2020/21 STIP Scorecard Outcome was zero.

As a result, the CEO received no award under the 2020/21 STIP.

The STIP Scorecard Outcome is detailed on page 55.

CEO REMUNERATION OUTCOMES – ANNUAL INCENTIVE



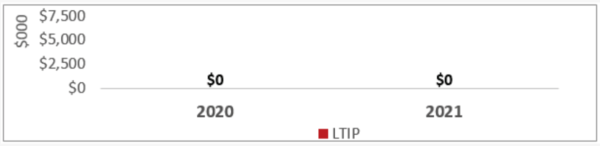
Long Term Incentive – 2019-2021 LTIP

Qantas' TSR performance over the 3-year performance period was better than the majority of other airlines that comprise the airline peer group of the 2019-2021 LTIP.

This would have permitted 50 per cent of the CEO's Rights to vest and convert to Qantas shares. However, the CEO offered (as he did in 2019/20), and the Board agreed, to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares. As result, the CEO's LTIP outcome for 2020/21 was zero.

With respect to the 2018-2020 LTIP Rights, the CEO and the Board agreed to further defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares.

CEO REMUNERATION OUTCOMES – LONG TERM INCENTIVE



Actual Remuneration Outcomes for the CEO for 2020/21

The remuneration outcomes for the CEO in 2020/21 are detailed in the following table. These outcomes are aligned with Qantas' performance during 2020/21.

CEO Remuneration Outcomes[1,2]	2021 $'000	2020 $'000	2021 vs 2020 % change
Base Pay (cash)	1,778	1,606	11%
STIP – cash bonus	-	-	-
STIP – share-based	-	-	-
LTIP	-	-	-
Other	201	138	n/a
Total Actual Outcome	**1,979**	**1,744**	**13%**

1. Details of the non-statutory remuneration methodology are explained on pages 49 and 54.
2. A reconciliation of remuneration outcomes to statutory remuneration disclosures is provided on page 48.

Statutory Remuneration Disclosures

The statutory remuneration disclosures for the CEO are prepared in accordance with Australian Accounting Standards.

The statutory disclosures differ from the remuneration outcomes for the CEO due to the accounting treatment of share-based payments for the STIP and LTIP.

CEO Statutory Remuneration	2021 $'000	2020 $'000
Base Pay (cash)	1,778	1,606
STIP – cash bonus	-	-
STIP – share-based	237	603
LTIP	3,072	2,411
Other	201	138
Total	**5,288**	**4,758**

Directors' Report continued

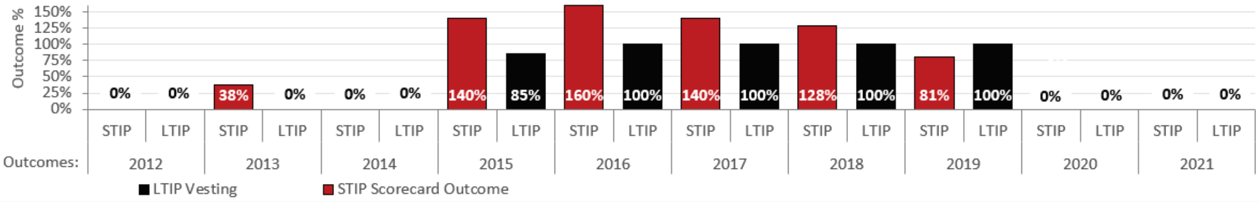
For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

CEO Remuneration Outcomes History (2011/12 to 2020/21)

Qantas' incentive awards are designed to align Executive remuneration outcomes with business performance. This alignment is demonstrated each year in the variability in the history of the incentive plan outcomes for the CEO, which reflect business performance.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Underlying PBT ($M)	$95	$186	($646)	$975	$1,532	$1,401	$1,565	$1,326	$124	($1,826)
ROIC %[1]			(1.5%)	16.2%	22.7%	20.1%	21.4%	19.2%	5.8%	(23.3%)



1. ROIC % information is only available from 2013/14.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION REPORT FOR 2020/21

The Remuneration Report sets out remuneration information for the CEO, Executive Management and Non-Executive Directors. Section 300A of the *Corporations Act 2001* (Cth) requires disclosure of remuneration information for Key Management Personnel (KMP), with KMP defined in Australian Accounting Standard AASB 124 *Related Party Disclosures* as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

CEO and Executive KMP (and their statutory remuneration disclosures) are listed on page 47. Non-Executive Director KMP (and their statutory remuneration disclosures) are listed on page 61.

2 REMUNERATION GOVERNANCE

The objectives of Qantas' Executive Remuneration Framework are to:

- **Support Business Objectives** by:
  - Encouraging the pursuit of growth and the success of Qantas
  - Aligning with Qantas' purpose, values, strategy and risk appetite
  - Aligning with shareholder requirements.
- **Operate Sustainably** by:
  - Encouraging the sound management of financial and non-financial risks
  - Encouraging good conduct and discouraging misconduct
  - Considering cost and reputational factors and complying with relevant laws and regulations.
- **Be Market Competitive** to attract, motivate and appropriately reward a capable management team.

These objectives are achieved by the Board applying the following robust approach to remuneration governance and effectiveness, described below across the areas of oversight, structure, operation and quantum:

Oversight	The remuneration governance role of the Board; the Remuneration Committee; the Safety, Health, Environment and Security Committee; the Audit Committee; and the Board's independent remuneration consultant (EY) are clearly defined. The Remuneration Committee (a committee of the Board, whose members are detailed on pages 10 to 13) has the role of reviewing and making recommendations to the Board on specific remuneration matters at Qantas. The Committee makes recommendations it believes are appropriate from the perspective of business performance, individual performance and conduct, risk, governance, quantum and market conditions. The Safety, Health, Environment and Security Committee and the Audit Committee have appropriate input into remuneration decision making. The Chairs of both committees regularly attend Remuneration Committee meetings and provide input into remuneration decision making. A member of the Remuneration Committee is also a member of the Safety, Health, Environment and Security Committee and the Audit Committee. During 2020/21, the Remuneration Committee reappointed EY as its remuneration consultant. The Remuneration Committee has established protocols in relation to the appointment and use of remuneration consultants to support compliance with the *Corporations Act 2001* (Cth), which are incorporated into the terms of engagement with EY. The Remuneration Committee did not seek a formal remuneration recommendation (as defined in the *Corporations Act 2001* (Cth)) during 2020/21.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Structure	The framework has design elements that protect against the risk of unintended and unjustified pay outcomes. These design elements include:
	– Diversity in incentive plan performance measures, which as a suite of measures cannot be directly and imprudently influenced by any individual employee
	– Individual performance defined and assessed in terms of both achievements and conduct
	– The Board retaining discretion over remuneration outcomes
	– Clear maximum values specified for Scorecard outcomes under the STIP and a challenging vesting scale under the LTIP
	– Diversity of the timeframes within which performance is measured, with performance under the STIP measured over one year and performance under the LTIP measured over three years
	– Deferral of a portion of awards under the STIP for two years, with an additional one-year trading restriction providing alignment with shareholder interests
	– Deferral of Rights that vest and convert to shares under the LTIP, with shares subject to a one-year trading restriction to provide further alignment with shareholder interests
	– Clawback being available in the event of serious misconduct, breach of obligations to the Group or a material misstatement in Qantas' Financial Statements. The Board may:
	  – Determine that an Executive forgoes some or all awards otherwise due under the STIP
	  – Deem some or all STIP shares, which are subject to a deferral period and/or additional one-year trading restriction, be forfeited
	  – Cause some or all LTIP Rights which have not yet vested to lapse, or LTIP Rights which have vested and converted to shares that are subject to a trading restriction to be forfeited
	  – In the case of serious misconduct, cancel any post-employment benefits for the relevant employee(s) where possible.

Operation	The Qantas Board has a demonstrated history of aligning remuneration outcomes with performance. The Board has applied its discretion in the past to ensure remuneration outcomes are appropriate and has adjusted individual remuneration outcomes based on performance and conduct. Examples of where the Board has applied its discretion, including both in 2019/20 and 2020/21, are provided on page 50.
Quantum	Base Pay and incentive plan opportunities are set with reference to external market data, including comparable roles in other listed Australian companies. Remuneration is benchmarked against ASX50 companies and a revenue-based peer group of other listed Australian companies. The Board believes these are the appropriate benchmarks, as these are the comparator groups whose roles best mirror the size, complexity and challenges in managing Qantas' businesses, and they are also the peer groups with which Qantas competes for executive talent.

EMPLOYEE SHARE TRADING POLICY

The Qantas Code of Conduct and Ethics contains Qantas' Employee Share Trading Policy (Policy). The Policy prohibits employees from dealing in Qantas securities (or securities of other listed or unlisted entities) while in possession of material non-public information relevant to the entity.

In addition, nominated employees (including the CEO and Executive Management) and Non-Executive Directors are:

- Prohibited from dealing in Qantas securities (or the securities of any Qantas Group listed entity) during defined closed periods
- Required to comply with 'request to deal' procedures prior to dealing in Qantas securities (or the securities of any Qantas Group listed entity) outside of defined closed periods
- Prohibited from hedging or entering into any margin lending arrangement, or entering into any other encumbrances over the securities of Qantas (or the securities of any Qantas Group listed entity) at any time.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

3 REMUNERATION OUTCOMES FOR 2020/21

The following table summarises the remuneration decisions and outcomes for the CEO and Executive KMP for the year ended 30 June 2021. The remuneration outcomes detailed in this table are better aligned to the current year performance and are therefore particularly useful in understanding current year pay and its alignment with performance, in comparison to the statutory remuneration disclosures.

In regards to the 2019-2021 LTIP, the performance measures, being Qantas' TSR relative to companies with ordinary shares included in the ASX100 and an airline peer group (Global Listed Airlines), were tested as at 30 June 2021. Qantas' three-year relative TSR performance was ranked 4th in the airline peer group and 70th in the ASX100. Based on this performance, 50 per cent vesting was achieved. Notwithstanding that the LTIP conditions were partially achieved, the CEO offered, as he did in 2019/20 (in relation to the 2018-2020 LTIP), and the Board agreed, to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares. Therefore, the CEO's LTIP outcome in 2020/21 is nil. For Executive Management, 50 per cent of Rights awarded under the 2019-2021 LTIP vested and converted to shares, with the remaining Rights lapsing.

Actual Remuneration Outcomes Table – CEO and Executive KMP[1]

$'000s		Base Pay (Cash)[2]	STIP Cash Bonus[3]	STIP Deferred Award[3]	LTIP[4,5]	Other Benefits[6]	Termination Benefit	Total
Current Executives								
Alan Joyce Chief Executive Officer	**2021**	**1,778**	**-**	**-**	**-**	**201**	**-**	**1,979**
	2020	1,606	-	-	-	138	-	1,744
Andrew David CEO Qantas Domestic and International from 1 September 2020 CEO Qantas Domestic to 31 August 2020	**2021**	**936**	**-**	**-**	**367**	**108**	**-**	**1,411**
	2020	749	-	-	314	50	-	1,113
Gareth Evans CEO Jetstar Group	**2021**	**1,005**	**-**	**-**	**388**	**64**	**-**	**1,457**
	2020	795	-	-	333	86	-	1,214
Vanessa Hudson[7,8] Chief Financial Officer from 1 October 2019	**2021**	**875**	**-**	**-**	**145**	**182**	**-**	**1,202**
	2020	576	-	-	66	169	-	811
Olivia Wirth CEO Qantas Loyalty	**2021**	**802**	**-**	**-**	**311**	**141**	**-**	**1,254**
	2020	635	-	-	141	145	-	921
Total	**2021**	**5,396**	**-**	**-**	**1,211**	**696**	**-**	**7,303**
	2020	4,361	-	-	854	588	-	5,803
Former Executive								
Tino La Spina[9] CEO International to 31 August 2020	**2021**	**390**	**-**	**-**	**296**	**95**	**763**	**1,544**
	2020	749	-	-	314	97	-	1,160

1. Details of the non-statutory remuneration methodology are explained on pages 49 and 54.
2. Base Pay (Cash) is Base Pay less superannuation contributions. Superannuation is reported in Other Benefits.
3. The full value of STIP awards made to each Executive is calculated by adding the STIP Cash Bonus and the STIP Deferred Award. For 2019/20 and 2020/21 the value is nil as no award was made.
4. LTIP awards vested in 2020/21 at 50% for Executive Management other than the CEO. The CEO offered, and the Board, agreed to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares. The decision for the CEO's LTIP award for 2019/20 was further deferred until August 2022.
5. The number of Rights vested multiplied by the Qantas share price of $4.66 at 30 June 2021, as at the end of the performance period (2020: 30 June 2020).
6. Other Benefits are detailed on page 54.
7. 2019/20 remuneration reflects the full-year remuneration for Ms Hudson. This differs to the Statutory Remuneration disclosure, which includes only the remuneration for the period of time in a KMP role for Ms Hudson (1 October 2019 to 30 June 2020).
8. Superannuation benefits are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 Employee Benefits.
9. Mr La Spina ceased as a KMP on 31 August 2020 and ceased employment with Qantas on 30 November 2020. 2020/21 remuneration is included up until the employment termination date of Mr La Spina on 30 November 2020.

Mr La Spina ceased as a KMP on 31 August 2020 and ceased employment with Qantas 30 November 2020. Under the terms of separation and per Mr La Spina's contract, Mr La Spina received a termination benefit of nine months of Base Pay. Pay for the period from 1 September 2020 to 30 November 2020 has also been presented as Base Pay in the remuneration disclosures. Treatment on cessation of employment, as a good leaver, under the STIP and LTIP (consistent with the terms and conditions of those plans) was as follows:

- Deferred Shares under the 2018/2019 STIP were released
- Rights under the 2019-2021 LTIP lapsed on termination. As a good leaver, Mr La Spina was eligible to receive the Rights granted under 2019-2021 LTIP which lapsed on the termination date and were replaced by the deferred cash payment prorated for the portion of the performance period employed
- Rights under the 2020-2022 LTIP continue to remain on foot on a pro-rata basis for the portion of the performance period in which Mr La Spina was employed, and may vest and convert to shares at the end of the performance period subject to achievement of the original LTIP performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

4 STATUTORY REMUNERATION DISCLOSURES FOR 2020/21

The statutory remuneration disclosures for the year ended 30 June 2021 are detailed below. These are prepared in accordance with Australian Accounting Standards and differ from the 2020/21 remuneration outcomes on page 46. The differences arise due to the accounting treatment of share-based payments for the STIP and LTIP. The statutory disclosures include an accounting remuneration value for:

- **Prior years' STIP awards**
  Accounting standards require STIP remuneration to be expensed (and therefore included as statutory remuneration) in financial years which differ from the year of Scorecard performance.

  Despite no awards being made under either the 2019/20 or the 2020/21 STIP, a value for STIP awards is still required to be included in the statutory remuneration table. This is due to the fact that deferred shares granted under the 2018/19 STIP have a future service period, during which the recipient must remain employed by the Group for the awards to vest. Therefore, the 2019/20 and 2020/21 statutory remuneration disclosures include a value for part of those prior year STIP awards.

- **LTIP awards that have not vested**
  Accounting standards require LTIP remuneration to be expensed (and therefore included as statutory remuneration) notwithstanding that some of the Rights have not met the performance hurdles and have lapsed.

The performance measures for the 2019-2021 LTIP, being Qantas' TSR relative to companies with ordinary shares included in the ASX100 and an airline peer group (Global Listed Airlines), were tested as at 30 June 2021. Qantas' three-year relative TSR performance was ranked 4th in the airline peer group and 70th in the ASX100. Based on this performance, 50 per cent vesting was achieved. Notwithstanding that the LTIP conditions were partially achieved, the CEO offered, and the Board agreed, to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares. For Executive Management, 50 per cent of Rights awarded under the 2019-2021 LTIP vested and converted to shares, with the remaining Rights lapsing. Notwithstanding that 50 per cent of Rights lapsed, the Statutory Remuneration recognises an expense for 100 per cent of Rights under the 2019-2021 LTIP.

Additionally, LTIP awards that will be assessed for vesting in future years are expensed over the three-year testing period. Therefore, the statutory disclosures include an accounting value for part of the 2020-2022 and the 2021-2023 LTIP awards.

Statutory Remuneration Table – CEO and Executive KMP

			Incentive Plan – Accounting Accrual				Other Benefits					
				Equity-Settled Share-Based Payments								
$'000s		Base Pay (Cash)[1,2]	STIP Cash Bonus[1]	STIP Deferred Shares	LTIP Rights	Sub-Total	Non-Cash Benefits[1,3]	Post-Employment Benefits[4]	Other Long-Term Benefits[5]	Sub-Total	Termin-ation Benefit	Total
Current Executives												
Alan Joyce	**2021**	**1,778**	**-**	**237**	**3,072**	**5,087**	**2**	**53**	**146**	**201**	**-**	**5,288**
Chief Executive Officer	2020	1,606	-	603	2,411	4,620	28	53	57	138	-	4,758
Andrew David	**2021**	**936**	**-**	**80**	**680**	**1,696**	**4**	**56**	**48**	**108**	**-**	**1,804**
CEO Qantas Domestic and International	2020	749	-	192	583	1,524	54	50	(54)	50	-	1,574
Gareth Evans	**2021**	**1,005**	**-**	**94**	**720**	**1,819**	**10**	**56**	**(2)**	**64**	**-**	**1,883**
CEO Jetstar Group	2020	795	-	227	621	1,643	21	50	15	86	-	1,729
Vanessa Hudson[6,7]	**2021**	**875**	**-**	**59**	**520**	**1,454**	**4**	**138**	**40**	**182**	**-**	**1,636**
Chief Financial Officer from 1 October 2019	2020	384	-	78	218	680	36	105	(1)	140	-	820
Olivia Wirth	**2021**	**802**	**-**	**74**	**567**	**1,443**	**15**	**57**	**69**	**141**	**-**	**1,584**
CEO Qantas Loyalty	2020	635	-	171	420	1,226	94	51	-	145	-	1,371
Total	**2021**	**5,396**	**-**	**544**	**5,559**	**11,499**	**35**	**360**	**301**	**696**	**-**	**12,195**
	2020	4,169	-	1,271	4,253	9,693	233	309	17	559	-	10,252
Former Executive												
Tino La Spina[8,9] CEO International from 1 October 2019	**2021**	**390**	**-**	**95**	**104**	**589**	**1**	**44**	**50**	**95**	**763**	**1,447**
Chief Financial Officer to 30 September 2019	2020	749	-	201	583	1,533	35	52	10	97	-	1,630

1. Short-term employee benefits include Base Pay (cash), STIP cash bonus and non-cash benefits.
2. Base Pay (Cash) is Base Pay less superannuation contributions. Superannuation is reported in Post-Employment Benefits.
3. Non-cash benefits includes the value of travel benefits while employed and other minor benefits.
4. Post-Employment Benefits includes superannuation and an accrual for post-employment travel of $30,000 for Mr Joyce and $34,000 for each other Executive (2020: $31,000 for Mr Joyce and $35,000 for each other Executive).
5. Other Long-Term Benefits include movement in annual leave and long service leave balances. The accounting value of other long-term benefits may be negative, for example, where an Executive's annual leave balance decreases as a result of taking more annual leave than they accrue during the current year.
6. 2019/20 remuneration reflects the period of time in a KMP role for Ms Hudson (1 October 2019 to 30 June 2020).
7. Superannuation benefits are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 *Employee Benefits*.
8. Mr La Spina ceased as a KMP on 31 August 2020 and ceased employment with Qantas on 30 November 2020. 2020/21 remuneration is included up until the employment termination date of Mr La Spina on 30 November 2020.
9. Under the terms of separation and per Mr La Spina's contract, Mr La Spina received a termination benefit of nine months' Base Pay. As a good leaver, the Rights awarded to Mr La Spina under 2019-2021 LTIP lapsed on the termination date and were replaced by the deferred cash payment prorated for the portion of the performance period employed, as disclosed in the table on page 46. The Rights granted under the 2020-2022 LTIP continue to remain on foot on a pro-rata basis for the portion of the performance period employed and may vest and convert to shares at the end of the performance period subject to achievement of the original LTIP performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

A reconciliation of the CEO's remuneration outcome to the statutory disclosures is detailed below as an example.

CEO's Statutory Remuneration Disclosure to Remuneration Outcome for 2020/21

Reconciliation	($'000s)	Description
Statutory Remuneration Disclosure	**5,288**	
Accounting value of share-based payments – Less: Accounting value for STIP share awards – Less: Accounting value for LTIP share awards	 (237) (3,072)	The Statutory Remuneration Disclosure includes the accounting value of share-based payments. Accounting standards require share-based payments to be amortised over the relevant performance and service periods. For 2020/21, the Statutory Remuneration Disclosure includes: – A value resulting from the expense of deferred shares from the 2018/19 STIP awards. No value was included for the 2019/20 or 2020/21 STIP as the CEO did not receive an award under either of these plans. – A value resulting from the expense of LTIP Rights from the 2019-2021, 2020-2022 and 2021-2023 LTIP awards. Statutory remuneration includes the full expense of LTIP Rights irrespective of whether performance conditions are achieved or expected to be achieved. For the 2019-2021 LTIP, the CEO offered, and the Board agreed, to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to Shares. The CEO's LTIP outcome in 2020/21 is nil but a value is still included as statutory remuneration. If Rights convert to shares, the value of the award of the 2019-2021 LTIP will be disclosed in the Remuneration Outcome for that year. Testing for the 2020-2022 and 2021-2023 LTIP awards will be undertaken as at 30 June 2022 and 30 June 2023, respectively, to determine whether the CEO receives any shares under these awards.
Current year STIP share awards and vesting of LTIP awards – Add: 2020/21 STIP share awards – Add: 2019-2021 LTIP vesting	 – –	In a year where STIP share awards are made or LTIP awards vest, the Remuneration Outcomes disclosure includes: – The full value of STIP shares awarded even though these awards are still subject to a two-year deferral period and an additional one-year trading restriction – The full value of the shares that vested under the LTIP even where these shares are subject to an additional one-year trading restriction. No awards were made to the CEO in 2020/21 and therefore these values are nil.
Remuneration Outcome – Total	**1,979**	

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

5 EXECUTIVE REMUNERATION STRUCTURE

The Qantas Executive Remuneration Framework, as it applies to the CEO and Executive Management, is summarised on pages 39 to 43. Additional detail on the structure and operation of each element of the framework is provided below.

Base Pay

(also referred to as Fixed Annual Remuneration)

Base Pay is a guaranteed salary level, inclusive of superannuation. Each year, the Remuneration Committee reviews the Base Pay for the CEO and Executive Management. An individual's Base Pay, being a guaranteed salary level, is not related to Qantas' performance in a specific year.

Base Pay (Cash), as disclosed in the remuneration tables, excludes superannuation (which is disclosed as Post-Employment Benefits) and includes salary sacrifice components such as motor vehicles.

In performing a Base Pay review, the Board makes reference to external market data including comparable roles in other listed Australian companies. Remuneration is benchmarked against ASX50 companies and a revenue-based peer group of other listed Australian companies. The Board believes these are the appropriate benchmarks, as these are the comparator groups whose roles best mirror the size, complexity and challenges in managing Qantas' businesses, and they are also the peer groups with whom Qantas competes for executive talent.

There was no increase to the Base Pay of the CEO and other Executive Management, other than to the newly appointed Chief Financial Officer, during 2020/21. In addition, the CEO elected to forgo 100 per cent of his Base Pay from 1 April 2020 until 31 July 2020 and took a 35 per cent reduction in Base Pay from 1 August 2020 through to 31 October 2020. Executive Management took no Base Pay from 1 April 2020 to 30 June 2020 and took a 15 per cent reduction in Base Pay from 1 July 2020 to 31 October 2020.

Ms Hudson commenced in her KMP role on 1 October 2019 and her Base Pay was set at a level below her predecessor as she was new to the role. Consistent with the approach taken with members of Executive Management, Ms Hudson's Base Pay was realigned and increased to $1,020,000 with effect from 1 July 2020.

Consistent with the Group-wide wage freeze there is no planned Base Pay increases for the CEO and Executive Management for 2021/22.

The Base Pay for each Executive KMP is outlined on page 57.

Annual Incentive

STIP Overview

The STIP is the annual incentive plan for members of Qantas Executive Management. Each year, the Executives may receive an award that is a combination of cash and restricted shares to the extent that the plan's performance conditions are achieved.

Calculation of STIP Awards

STIP awards are calculated as follows:

STIP Award	=	Base Pay	X	'Target' Opportunity	X	STIP Scorecard Outcome	X	Individual Performance Factor

'Target' Opportunity

Each STIP participant has a 'Target' STIP Opportunity expressed as a percentage of Base Pay. For 2020/21 only, the pay mix for the CEO and Executive Management changed, with a decrease in weighting towards annual incentive (STIP) and an increase in weighting towards long term incentive (LTIP). The 'Target' STIP Opportunity expressed as a percentage of Base Pay for 2020/21 was as follows:

- For the CEO, 50 per cent of Base Pay
- For Executive Management, 40 per cent of Base Pay.

Performance Conditions – STIP Scorecard

The Board sets a scorecard of performance conditions for the 2020/21 STIP (the STIP Scorecard).

The STIP Scorecard contains a mix of Group financial and non-financial measures.

For 2020/21, the Board selected cash preservation and Recovery Plan metrics as the key financial performance measures for the Qantas Group, with a weighting of 50 per cent.

Other financial and non-financial measures comprise the remaining 50 per cent of the STIP Scorecard. The Board sets targets for each STIP Scorecard measure. At the end of the financial year, the Board assesses performance against each measure and determines the overall STIP Scorecard outcome.

A detailed description of the STIP Scorecard measures and the 2020/21 STIP Scorecard outcome is provided on pages 55 to 56.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Conditions – Individual Performance Factor (IPF)	An individual's performance is recognised via an IPF. The IPF is a measure of individual performance that assesses: – What an individual has achieved – How they went about it (their conduct and behaviours). An individual's behaviour is assessed against the Qantas Group Beliefs. The Qantas Group Beliefs are: – Everyone has the right to return home safely – Customers determine our success – Being a fit, agile and diverse organisation drives innovation and simplicity – Working together in an inclusive manner always delivers the optimal Group outcome – Each employee deserves respect, trust and good leadership. IPFs are generally in the range of 0.8 to 1.2. However, in the case of underperformance the IPF may be zero. In exceptional circumstances the IPF may be as high as 1.5.
Board Discretion	Board discretion is a key element of the design of the STIP. While the Board sees the STIP Scorecard approach as an important design element of the STIP, it also recognises that remuneration outcomes must be considered in the context of Qantas' overall business performance, the operating environment and non-financial considerations. Circumstances may occur where scorecard measures have been achieved or exceeded, but in the view of the Board it is more appropriate to make no award under the STIP or to deliver a higher proportion of an award in Qantas shares. Likewise, there may be circumstances where performance is below an agreed target where the Board may determine that it is appropriate to pay a partial STIP award. This circumstance has not occurred. Therefore, each year the Board considers whether to apply its discretion. The Board may determine that: – No award be made (as it did in 2011/12, 2013/14, 2019/20 and 2020/21) – Only a partial award be made (as it did in 2010/11 and 2012/13) – Any award will be entirely deferred and/or delivered in Qantas shares (as it did in 2010/11) – A higher proportion of the award be made in Qantas shares (as it did in 2016/17) – Any award be reduced (as it did in 2018/19). The Board exercised discretion not to make any awards under the 2020/21 STIP.
Delivery of STIP Awards	No awards were made under the 2020/21 STIP. In a year where STIP awards are made, 2/3rds of the STIP award would be paid as a cash bonus, with the remaining 1/3rd deferred into Qantas shares.
STIP Award Deferral and Trading Restriction	No awards were made under the 2020/21 STIP. In a year where STIP awards are made, any shares awarded would be subject to: – A two-year deferral period, and – A one-year trading restriction. The trading restriction would apply to these shares both during employment and post-cessation of employment (shares subject to the trading restriction are not forfeited on cessation of employment, but are subject to clawback). The additional trading restriction strengthens the ability to clawback vested equity, if required.
Maximum and Minimum STIP Outcome	No awards were made under the 2020/21 STIP. The maximum outcome under the STIP is capped at 200 per cent of Base Pay for the CEO and 160 per cent of Base Pay for other Executive Management. The minimum outcome is nil, which would occur if the threshold level of performance is missed on each STIP measure, if an individual's performance does not warrant an award, or if the Board determines that no award be made. For 2020/21 only, the maximum STIP Scorecard outcome was reduced from 175 per cent to 150 per cent. Hypothetically, applying an IPF of 1.2 for the CEO and each member of Executive Management, then the maximum outcome under the STIP for 2020/21 would be approximately 90 per cent of Base Pay for the CEO and 72 per cent of Base Pay for other Executive Management.
Cessation of Employment (plans prior to 1 July 2019)	In general, Executives ceasing employment during the year forfeit any right to participate in that year's STIP and forfeit any shares awarded under prior year STIPs that are subject to a deferral period. In limited circumstances (for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement), the Board may: – For the current year STIP, make a pro-rated award that has regard to actual performance against the performance measures (as determined by the Board following the end of the performance period), and the portion of the performance period that the Executive served – For shares awarded under prior year STIPs that are subject to a deferral period, remove that restriction.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cessation of Employment (current plan)	In general, where an Executive resigns, is terminated for cause or is terminated in other circumstances involving unacceptable performance or conduct, they forfeit any right to participate in that year's STIP and forfeit any shares awarded under prior year STIPs that are subject to a deferral period. For shares subject to the additional trading restriction, forfeiture does not apply. That is, for any shares awarded under prior year STIPs where the deferral period has been served, but the shares are subject to the additional trading restriction, the Executive retains those shares subject to the additional trading restriction. The additional trading restriction strengthens the ability to clawback vested equity, if required. In limited circumstances (for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement): – For the current year STIP, the Executive will receive a pro-rated award based on the actual performance against the performance measures (as determined by the Board following the end of the performance period), and the portion of the performance period that the Executive served. – For shares awarded under prior year STIPs that are subject to a deferral period, the original deferral period and additional trading restriction continue to apply and these shares are subject to clawback. On cessation of employment, a tax liability arises on shares that are subject to a deferral period or trading restriction, notwithstanding that those trading restrictions continue to apply. Accordingly, a portion of the shares may be released to assist with funding the tax liability that arises for the Executive.
Disclosure	In addition to required statutory disclosures, Qantas chooses to disclose the full value of each year's STIP award in the Remuneration Outcomes Table on page 46. This involves disclosing both: – The value of cash awards made – The full value of restricted shares that were awarded (notwithstanding that these shares are still subject to a two-year deferral period and a one-year trading restriction). No awards were made under the 2020/21 STIP and therefore the value for the 2020/21 STIP is nil. Disclosure of STIP awards in the Statutory Remuneration Table on page 47 is based on the requirements of the *Corporations Act 2001* (Cth) and applicable Australian Accounting Standards. The STIP awards are disclosed as either: – A cash incentive for any cash bonus paid, or – A share-based payment for any component awarded in deferred shares. Where share-based STIP awards involve deferral over multiple reporting periods, they are reported against each period in accordance with accounting standards.

Long Term Incentive Plan (LTIP)

LTIP Overview	The LTIP is a four-year plan that involves an upfront award of a fixed number of Rights over Qantas shares. If performance and service conditions are achieved over a three-year period, Rights vest and convert to Qantas shares. The vested shares are then subject to a one-year trading restriction during which the shares cannot be traded and are subject to clawback. If the three-year performance conditions or service conditions are not met, the Rights lapse.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Conditions	The performance measures for each of the 2019-2021 LTIP (tested at 30 June 2021), 2020-2022 LTIP (to be tested at 30 June 2022) and 2021-2023 LTIP (to be tested at 30 June 2023) are Qantas' TSR compared to: – A global airline peer group – ASX100 companies. Up to 50 per cent of the total number of Rights granted may vest based on Qantas' TSR performance in comparison to the global airline peer group, and up to 50 per cent of the total number of Rights granted may vest based on Qantas' TSR performance in comparison to the ASX100 companies. These Rights will only vest in full if Qantas' TSR performance ranks at or above the 75th percentile compared to both the global airline peer group and the ASX100 companies. At the end of the performance period, the TSR performance of Qantas and each comparator company is determined based on their average closing share price over the final six months of the performance period. Qantas' Financial Framework also targets top quartile TSR performance relative to global airline peers and ASX100 companies. Therefore, relative TSR performance against these peer groups has been chosen as the performance measure for the LTIP for alignment. The peer groups selected provide a comparison of relative shareholder returns relevant to most Qantas investors: – The global airline peer group was chosen for relevance to investors, including investors based outside Australia, with a primary interest in the aviation industry sector – The ASX100 peer group was chosen for relevance to investors with a primary interest in the equity market for major Australian listed companies (of which Qantas is one). The vesting scale for both the ASX100 and the global listed airline peer groups is as follows:

Qantas' TSR Performance Relative to Each Peer Group	Vesting Scale
Below 50th percentile	Nil vesting
50th to 75th percentile	Linear scale: 50 per cent to 100 per cent vesting
Above 75th percentile	100 per cent vesting

	The ASX100 peer group comprises those companies that make up the S&P/ASX100 Index at the commencement of the performance period. The global listed airline peer group has been selected with regard to its representation of Qantas' key markets, full-service and value-based airlines and the level of government involvement. For both the 2019-2021 LTIP and 2020-2022 LTIP, the global listed airline peer group comprised: Air Asia, Air France/KLM, Air New Zealand, All Nippon Airways, American Airlines, Cathay Pacific, Delta Airlines, Deutsche Lufthansa, easyJet, International Consolidated Airlines Group, Japan Airlines, LATAM Airlines Group, Ryanair, Singapore Airlines, Southwest Airlines, United Continental and Virgin Australia. The peer group for the 2021-2023 LTIP was consistent, other than Virgin Australia, which was excluded due to entering voluntary administration.
Review of Performance Conditions	The Remuneration Committee regularly reviews the appropriateness of the performance measures. This includes considering other measures such as Return on Invested Capital. In 2020/21, the Remuneration Committee determined that the current measures continue to remain the most appropriate. These measures are aligned with returns achieved for shareholders and are consistent with the Group Financial Framework.
Vesting of LTIP Award	If performance and service conditions are achieved over a three-year period, Rights vest and convert to Qantas shares.
Trading Restriction (commencing with 2020-2022 LTIP)	Any shares awarded under the LTIP will be subject to a one-year trading restriction. Shares subject to the trading restriction are not forfeited on cessation of employment but are subject to clawback. The additional trading restriction strengthens the ability to clawback vested equity, if required.
Cessation of Employment (plans prior to 1 July 2019)	In general, any Rights which have not vested are forfeited if the Executive ceases employment with the Qantas Group. In limited circumstances approved by the Board (for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement), a deferred cash payment may be made. This payment is determined with regard to the value of the LTIP Rights which would have vested and converted to shares had they not lapsed, and the portion of the performance period that the Executive served prior to cessation of employment. The Board retains discretion to determine otherwise in appropriate circumstances, which may include retaining some or all of the LTIP Rights.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cessation of Employment (commencing with 2020-2022 LTIP)	In general, when an Executive resigns, is terminated for cause or is terminated in other circumstances involving unacceptable performance or conduct, any Rights which have not vested will be forfeited. For any shares awarded under the LTIP that are now subject to an additional trading restriction, the Executive will continue to hold those shares and the additional trading restriction continues to apply. That is, forfeiture does not apply to those shares during the trading restriction period. These shares are subject to clawback. On cessation of employment, a tax liability arises on shares that are subject to the one-year trading restriction, notwithstanding that the trading restriction continues to apply. Accordingly, a portion of the shares may be released to assist with funding the tax liability that arises for the Executive. In limited circumstances (for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement), Rights will remain on foot on a pro-rata basis and may vest at the end of the performance period, subject to the satisfaction of the relevant performance and service conditions of the LTIP. Any shares allocated following vesting of the LTIP will be subject to a trading restriction.
Allocation Methodology	The number of Rights granted to the CEO and Executive Management under the LTIP is calculated on a face value basis. This number of Rights is the maximum that may vest at the end of the performance period. The 'Target' LTIP opportunity for the CEO and other Executive KMP is provided on a face value basis in the Summary of Key Contract Terms on page 57.
Allocation Methodology Used in 2020/21 Award to the CEO	At each year's Annual General Meeting (AGM), Qantas seeks shareholder approval for any award of Rights to the CEO. At the 2020 AGM, shareholders approved an award of 1,349,000 Rights to the CEO (under the 2021-2023 LTIP), being the maximum number of Rights that may vest and convert to shares. The Notice of Meeting for the 2020 AGM set out the proposed number of LTIP Rights to be granted to the CEO on a face value basis as follows: Number of Rights awarded = $\frac{\text{Base Pay x 'Target' LTIP Opportunity}}{\text{Face Value (Share Price) as at 30 June 2020}}$ 1,349,000 Rights awarded = $\frac{\$2,170,000 \times 235\%}{\$3.78}$
Change of Control	In the event of a change of control, the Board determines whether the LTIP Rights vest or otherwise.
Disclosure	In addition to the required statutory disclosures, Qantas chooses to disclose the full value of LTIP awards that vest during the year in the Remuneration Outcomes Table on page 46. The full value is equal to the number of Rights vested, multiplied by the Qantas share price at the end of the performance period, even where these shares are subject to an additional one-year trading restriction. The statutory remuneration disclosure amortises the accounting value of LTIP awards over the relevant performance and service period as per the accounting standards. The accounting value for the LTIP awards does not have regard to whether performance conditions were achieved.

Directors’ Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other Benefits

Non-Cash Benefits	Non-Cash Benefits, as disclosed in the remuneration tables, include travel entitlements while employed and other minor benefits.
Travel	Travel concessions are provided to permanent Qantas employees, consistent with practice in the airline industry. Travel at concessionary prices is on a sub-load basis, that is, it is subject to considerable restrictions and limits on availability. The policy includes specified direct family members or a nominated travel companion. In addition to this, and consistent with practice in the airline industry, the CEO and Executive Management and their eligible beneficiaries are entitled to a number of trips for personal purposes at no cost to the individual. Post-employment travel concessions are also available to all permanent Qantas employees who qualify by achieving a service condition. The CEO and Executive Management and their eligible beneficiaries are also entitled to a number of trips for personal purposes at no cost to the individual after ceasing employment. An estimated present value of these entitlements accrues over the service period of the individual and is disclosed as a post-employment benefit.
Superannuation	Superannuation includes statutory and salary sacrifice superannuation contributions (or superannuation benefits provided through a defined benefit superannuation plan) and is disclosed as a post-employment benefit.
Other Long-Term Benefits	The movement in accrual of annual leave and long service leave is included in Other Long-Term Benefits. The accounting value of other long-term benefits may be negative, for example, where an Executive’s annual leave balance decreases as a result of taking more annual leave than they accrued during the year.

Minimum Shareholding Guidelines

Minimum Shareholding Guidelines

The following shareholding guidelines were introduced with effect from 1 July 2019:

Individual	Guideline
Non-Executive Directors	1 times base fee
CEO	1.5 times Base Pay
Executive Management	0.75 times Base Pay

Non-Executive Directors, the CEO and Executive Management have a maximum five-year period from the date of their appointment to the respective role or commencement of this guideline to accumulate the value of their shareholding.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

6 ANNUAL INCENTIVE OUTCOME 2020/21 STIP

The Board determined that, despite strong performance against both the financial and non-financial components of the STIP Scorecard that would have permitted a substantial award under the 2020/21 STIP (as outlined in the table below), the continuing impact of COVID-19 border closures and travel restrictions on Qantas' operations and financial position did not warrant any awards. Therefore, the Board applied its discretion and determined the STIP Scorecard outcome to be zero.

Nonetheless, in the interests of transparency, the table below summarises performance versus target against each scorecard category under the 2020/21 STIP.

Scorecard Category/ Strategic Objective	Measures	Scorecard Weighting 'Target' (Range of Outcomes)	Actual Outcome	Comment
Cash Preservation	Operating cash flow	30% (0-45%)		The net cash outflow from operating activities of ($386) million for 2020/21 was ahead of the target set by the Board. Therefore, there was an above target contribution under this measure to the STIP Scorecard.
Recovery Plan and Growth	Restructuring benefits Qantas Loyalty Underlying EBIT	20% (0-30%)		Recovery Plan initiatives have delivered $650 million of structural cost benefits. Qantas Loyalty partially achieved its Earnings Before Interest and Tax (EBIT) target for 2020/21.This scorecard category achieved an at target outcome and therefore a full contribution to the STIP Scorecard.
Customer	Net Promoter Score (NPS) – for domestic airlines and Qantas Frequent Flyer External Reputation/Trust Punctuality	15% (0-22.5%)		NPS targets for all key domestic airlines and Qantas Frequent Flyer were exceeded despite significant disruption caused by border closures. Reputation/Trust target was partially achieved. Qantas Domestic and QantasLink combined achieved the on-time performance target, with 86.2 per cent of flights on time. Overall, there was an above target outcome to the STIP Scorecard under the Customer measure.
Leading Domestic Market Position	Corporate Share – Qantas Group Small and Medium-sized Enterprise (SME) Share – Qantas Airlines Jetstar Capacity Share	20% (0-30%)		Qantas Group's revenue share of the domestic corporate travel market and Qantas Airlines' revenue share of the SME domestic travel market targets were exceeded. Jetstar exceeded its Australian domestic market capacity share target. Overall, there was an above target outcome to the STIP Scorecard under the Leading Domestic Market Position.
Workplace and Operational Safety	Workplace Safety measures Board's assessment of Operational Safety and 'Work Well'/'Fly Well' Programs	15% (0-22.5%)		Workplace Safety targets overall were exceeded. Operational Safety performance continued to remain strong. 'Work Well'/'Fly Well' program performance for the year was good. Overall, there was an above target outcome to the STIP Scorecard under the Workplace and Operational Safety measure.
2020/21 STIP Scorecard Outcome		**100%** **(0-150%)**	**0%**	Zero outcome reflects exercise of Board's discretion.

KEY: Target achieved or exceeded — Partial achievement against targets — No achievement against targets

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional Descriptions of 2020/21 STIP Scorecard Measures

Cash Preservation	Cash preservation was critical to our business in 2020/21. Operating cash flow was selected as the primary financial performance measure under the STIP for the Qantas Group for 2020/21.
Recovery Plan and Growth	The post-COVID-19 Three-Year Recovery Plan, including delivering on the rightsizing and restructuring initiatives, was a strategic priority for 2020/21. Therefore, a restructuring benefit target was included as a performance measure. To support the strategic initiative of growing diversified earnings, a STIP target was set to grow Qantas Loyalty EBIT.
Customer	Customer service is measured against NPS targets. This is a survey-based measure of how strongly our customers promote the services of our businesses. Individual NPS targets are set for Qantas Domestic, QantasLink, Qantas Frequent Flyer and Jetstar Australia Domestic. Maintaining our reputation during a period of significant transformation and uncertain flying resulting from multiple border closures was a key area of focus. Reputation/Trust is a survey-based measure of how trusted Qantas is as a brand in the community. On-time departures for Qantas Domestic and QantasLink continue to be a particular area of focus and is therefore included as a STIP measure. As agreed with and reported to the Bureau of Infrastructure, Transport and Regional Economics (BITRE), punctuality is measured as the number of flights operating on-time (on an on-time departure basis) as a percentage of the total number of flights operated.
Leading Domestic Market Recovery	To support the strategic initiatives of maximising our domestic position through the dual brand strategy, STIP targets were set in relation to our Australian domestic share of the corporate and Small and Medium-sized Enterprise (SME) travel markets and Jetstar domestic capacity share.
Workplace and Operational Safety	As safety is always our first priority, the STIP Scorecard includes an assessment of both Workplace and Operational safety. In addition, the Board retains an overriding discretion to scale down the STIP outcome (or reduce it to zero) in the event of a material aviation safety incident. This is in addition to the Board's overall discretion over STIP awards. Any such decision would be made considering the specific circumstances and following the recommendation of the Safety, Health, Environment and Security Committee. The Safety, Health, Environment and Security Committee performs an assessment of both Workplace Safety performance and Operational Safety performance. The objective of the Workplace Safety targets is to reduce employee injuries. Targets were therefore set across: – Total Recordable Injury Frequency Rate – Lost Work Case Frequency Rate – Short Term Impairment Injury Frequency Rate – Long Term Impairment Injury Frequency Rate. Operational Safety performance is assessed against outcome-based measures (including operational occurrences that pose a significant threat to the safety of employees and customers) and risk-based lead indicators commonly associated with aviation industry accidents, such as flight data trends, Technical Dispatch Reliability and reporting rates. 'Work Well'/'Fly Well' programs are assessed against outcomes associated with minimising our customers' and employees' exposure to COVID-19. This includes implementation and effectiveness of controls to prevent clusters both on-board and in the workplace, and customer satisfaction with the Group's response to the pandemic.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

7 LONG TERM INCENTIVE OUTCOME 2019-2021

Qantas TSR Performance[1]	Qantas TSR Rank vs. Airlines	Qantas TSR Rank vs. ASX100	Vesting of 2019-2021 LTIP
(16%)	4th	70th	50%

Prior to COVID-19, Qantas' TSR Performance was positive. As at 30 June 2021, Qantas' three-year TSR Performance was (16%).

The three-year performance measures under the 2019-2021 LTIP are Qantas' TSR compared to:

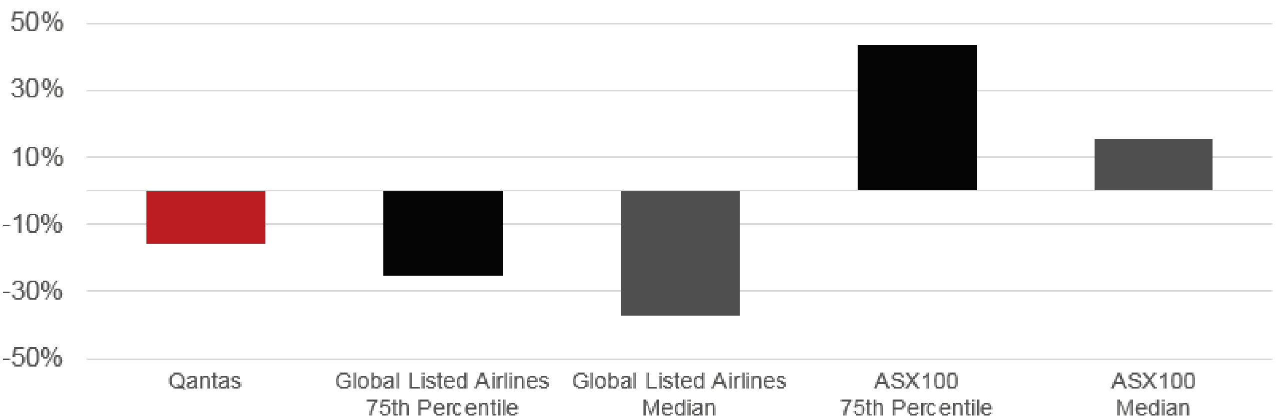
- A global airline peer group
- ASX100 companies.

The airline industry continues to be severely impacted by COVID-19 as travel restrictions and border closures continued in 2020/21 and therefore Qantas' TSR performance versus other ASX100 companies was below median.

Qantas continues to outperform the majority of companies in the global airline peer group, with top quartile relative TSR performance versus airline peer group companies achieved for the sixth straight rolling three-year period.

Based on this performance, 50 per cent vesting was achieved.

Qantas' Three-Year TSR Performance[1] vs Peer Groups (%)



1. TSR performance, applying the LTIP performance test methodology (which uses the average closing share price over the six months preceding the test date of 30 June 2021).

8 SUMMARY OF KEY CONTRACT TERMS AS AT 30 JUNE 2021

Contract Details	Alan Joyce[4]	Andrew David[5]	Gareth Evans[5]	Vanessa Hudson[5]	Olivia Wirth[5]
Base Pay per contract	$2,170,000	$1,020,000	$1,081,000	$1,020,000	$867,000
Actual Base Pay[1]	$1,800,000	$969,000	$1,026,950	$969,000	$823,650
Pay Mix:					
– 2020/21 STIP 'Target'[2]	50%	40%	40%	40%	40%
– 2020/21 LTIP 'Target'[2,3]	235%	135%	135%	135%	135%
– 2019/20 STIP 'Target'[2]	100%	80%	80%	80%	80%
– 2019/20 LTIP 'Target'[2,3]	185%	95%	95%	95%	95%
	An annual benefit of trips for these Executives and eligible beneficiaries during employment,[6] at no cost to the individual, is as follows:				
	4 long-haul 12 short-haul	2 long-haul 6 short-haul	2 long-haul 6 short-haul	2 long-haul 6 short-haul	2 long-haul 6 short-haul
	The same benefit is provided for use post-employment, based on the period of service in an Executive Management role within the Qantas Group.				
Notice	Employment may be terminated by either the Executive or Qantas by providing six months' written notice.[7] Each Executive's contract includes a provision that limits any termination payment to the statutory limit prescribed under the *Corporations Act 2001* (Cth).				
Severance	A severance payment of six months' Base Pay applies where termination is initiated by Qantas.[7]				

1. Actual Base Pay is the Base Pay per contract less the zero pay in July 2020 and a 35% reduction in pay from August to October 2020 for the CEO, and a 15% reduction from 1 July 2020 to 31 October 2020 for Executive KMP.
2. Opportunity expressed as a percentage of Base Pay.
3. Rights awarded on a face value basis.
4. Target Remuneration Mix for the CEO for 2020/21 was Base Pay 26%, Annual Incentive 13% and Long Term Incentive (on a face value basis) 61%. With Long Term Incentive valued on a fair value basis, the pay mix was Base Pay 33%, Annual Incentive 17%, Long Term Incentive 50%.
5. Target Remuneration Mix for Executive KMP for 2020/21 was Base Pay 36%, Annual Incentive 15% and Long Term Incentive (on a face value basis) 49%. With Long Term Incentive valued on a fair value basis, the pay mix was Base Pay 44%, Annual Incentive 17% and Long Term Incentive 39%.
6. These benefits are not cumulative and lapse if they are not used during the calendar year in which the entitlements arise.
7. Other than for misconduct or unsatisfactory performance.

Directors' Report continued

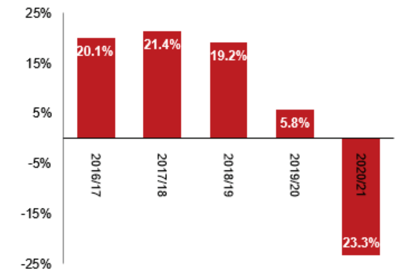
For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

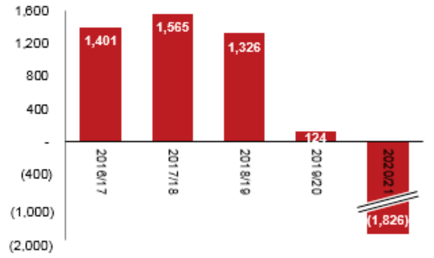
9 QANTAS FINANCIAL PERFORMANCE HISTORY

To provide further context on Qantas' performance, the following graphs outline a five-year history of key financial metrics:

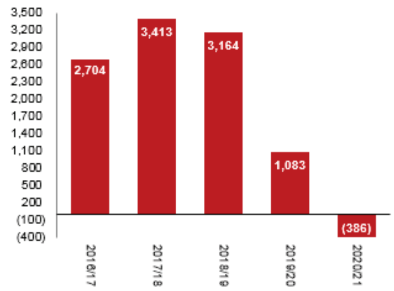
Return on Invested Capital (ROIC%)



Underlying Profit before Tax[1] ($M)

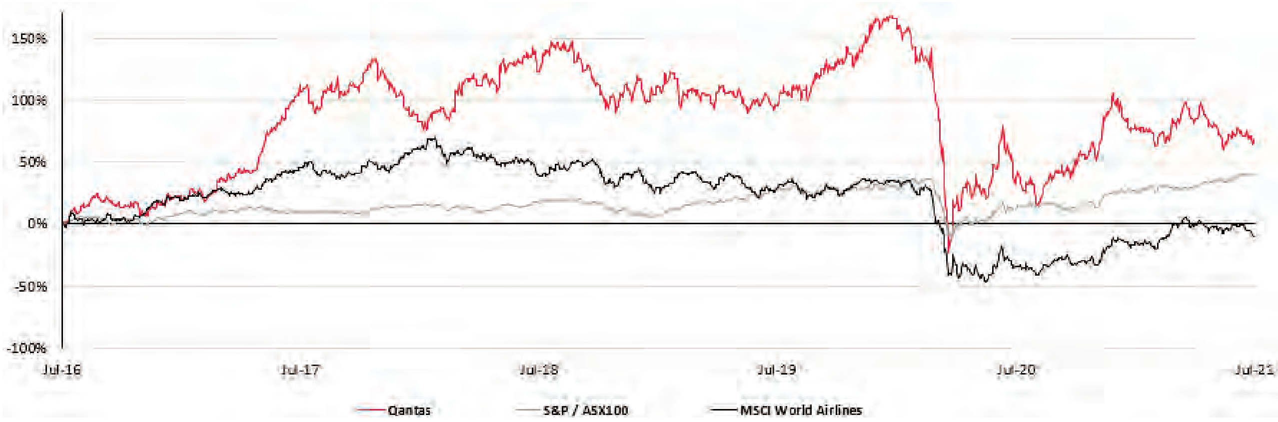


Operating Cash Flow ($M)



1. Underlying Profit Before Tax (Underlying PBT) is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. Statutory (Loss)/Profit After Tax for 2020/21 was ($1,728) million (2020: ($1,964) million; 2019: $840 million; 2018: $953 million; and 2017: $853 million).

Qantas' Five-Year TSR Performance



10 EQUITY INSTRUMENTS

The following tables set out the holdings of equity instruments granted as remuneration.

Shares Awarded Under the Short Term Incentive Plan

The following table details shares awarded under the Short Term Incentive Plan that are subject to a deferral period:

		Number of Shares						
Short Term Incentive Plan		**1 July 2020**	**Commenced as KMP**	**Granted[1]**	**Vested and Transferred**	**Forfeited**	**Ceased Employment**	**30 June 2021**
Alan Joyce	**2021**	**251,886**	**-**	**-**	**(154,118)**	**-**	**-**	**97,768**
	2020	501,130	-	97,768	(347,012)	-	-	251,886
Andrew David	**2021**	**83,168**	**-**	**-**	**(50,080)**	**-**	**-**	**33,088**
	2020	142,616	-	33,088	(92,536)	-	-	83,168
Gareth Evans	**2021**	**97,669**	**-**	**-**	**(58,706)**	**-**	**-**	**38,963**
	2020	170,838	-	38,963	(112,132)	-	-	97,669
Vanessa Hudson[2]	**2021**	**52,894**	**-**	**-**	**(26,309)**	**-**	**-**	**26,585**
	2020	n/a	52,894	-	n/a	-	-	52,894
Olivia Wirth	**2021**	**74,307**	**-**	**-**	**(43,057)**	**-**	**-**	**31,250**
	2020	124,706	-	31,250	(81,649)	-	-	74,307
Tino La Spina[3]	**2021**	**87,510**	**-**	**-**	**(87,510)**	**-**	**-**	**n/a**
ceased as KMP 31 August 2020	2020	145,120	-	34,926	(92,536)	-	-	87,510

1. Shares awarded under the 2018/19 STIP awards (granted 30 August 2019) were delivered to participants in deferred shares that are subject to a two-year deferral period. The deferral period on these shares applied throughout 2020/21.
2. Ms Hudson commenced as a KMP on 1 October 2019.
3. Mr La Spina ceased as a KMP on 31 August 2020 and ceased employment with Qantas on 30 November 2020. All restricted shares were released on cessation of employment.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Rights Awarded Under the Long Term Incentive Plan

The following table details Rights awarded under the Long Term Incentive Plan that are subject to performance hurdles that are yet to be tested, and vested Rights that have not yet converted into shares.

		Number of Rights						
Long Term Incentive Plan		**1 July 2020**	**Commenced as KMP**	**Granted[1,2]**	**Vested and Transferred[3]**	**Lapsed/ Forfeited**	**Ceased Employment**	**30 June 2021[5]**
Alan Joyce[4]	**2021**	**2,081,000**	**-**	**1,349,000**	**-**	**-**	**-**	**3,430,000**
	2020	2,510,000	-	743,000	(1,172,000)	-	-	2,081,000
Andrew David	**2021**	**503,000**	**-**	**364,500**	**(83,000)**	**(83,000)**	**-**	**701,500**
	2020	616,500	-	179,500	(293,000)	-	-	503,000
Gareth Evans	**2021**	**532,500**	**-**	**386,000**	**(88,000)**	**(88,000)**	**-**	**742,500**
	2020	697,500	-	190,000	(355,000)	-	-	532,500
Vanessa Hudson[6]	**2021**	**246,500**	**-**	**364,500**	**(17,500)**	**(17,500)**	**-**	**576,000**
	2020	n/a	97,000	149,500	n/a	-	-	246,500
Olivia Wirth	**2021**	**360,500**	**-**	**309,500**	**(37,250)**	**(37,250)**	**-**	**595,500**
	2020	337,500	-	152,500	(129,500)	-	-	360,500
Tino La Spina[7]	**2021**	**503,000**	**-**	**-**	**(83,000)**	**(207,965)**	**(212,035)**	**n/a**
	2020	616,500	-	179,500	(293,000)	-	-	503,000

1. Rights under the 2021-2023 LTIP were granted on 23 October 2020 to Mr Joyce (following approval by shareholders at the 2020 AGM) and 11 September 2020 for other Executives and will be tested against the performance hurdles as at 30 June 2023. The number of Rights granted was determined using the face value of a Right on 30 June 2020 of $3.78, being the start of the performance period. The fair value of a Right on the grant date was $3.07 for Mr Joyce and $2.235 per Right for other Executives.
2. Rights under the 2020-2022 LTIP were granted on 25 October 2019 to Mr Joyce (following approval by shareholders at the 2019 AGM) and 4 October 2019 for other Executives and will be tested against the performance hurdles as at 30 June 2022. The number of Rights granted was determined using the face value of a Right on 30 June 2019 of $5.40, being the start of the performance period. The fair value of a Right on the grant date was $3.59 for Mr Joyce and $4.06 per Right for other Executives.
3. 50% of Rights under the 2018-2020 LTIP (granted on 5 September 2017 for other Executives) vested following the testing of performance hurdles as at 30 June 2020 and the Board's approval of the 2018-2020 LTIP vesting outcome on 21 August 2020.
4. Rights under the 2018-2020 LTIP (granted on 27 October 2017 to Mr Joyce) are included in the 30 June 2021 balance. The number of Rights granted was determined using the face value of a Right on 30 June 2017 of $5.72, being the start of the performance period. The fair value of a Right on the grant date was $3.30 for Mr Joyce. 50% vesting was achieved following the testing of performance hurdles as at 30 June 2020. Notwithstanding that the LTIP conditions were partially achieved, the CEO offered, and the Board agreed, to defer the decision until at least August 2021 as to whether his Rights will be forfeited or allowed to convert to shares. The CEO and the Board have agreed to further defer the decision until August 2022.
5. Rights under the 2019-2021 LTIP (granted on 26 October 2018 to Mr Joyce and 5 September 2018 for other Executives) are included in the 30 June 2021 balance. The number of Rights granted was determined using the face value of a Right on 30 June 2018 of $6.16, being the start of the performance period. The fair value of a Right on the grant date was $2.33 for Mr Joyce and $3.35 per Right for other Executives. For Executive Management, 50% of these Rights vested following the testing of performance hurdles as at 30 June 2021 and the Board's approval of the 2019-2021 LTIP vesting outcome on 25 August 2021. The CEO offered, and the Board agreed, to defer the decision until at least August 2022 as to whether his Rights will be forfeited or allowed to convert to shares.
6. Ms Hudson commenced as a KMP on 1 October 2019.
7. Mr La Spina ceased as a KMP on 31 August 2020 and ceased employment with Qantas on 30 November 2020. Rights under the 2019-2021 LTIP lapsed on termination and were replaced by a deferred cash payment prorated for the portion of the performance period employed. Rights under the 2020-2022 LTIP continue to remain on foot on a pro-rata basis for the portion of the performance period employed and may vest and convert to shares at the end of the performance period subject to achievement of the original LTIP performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction.

Equity Holdings and Transactions

Executive KMPs or their related parties directly, indirectly or beneficially held shares in the Qantas Group as detailed in the table below:

Key Management Personnel – Executives	**Interest in Shares 1 July 2020**	**Commenced as KMP**	**Awarded as Remuneration**	**Rights Converted to Shares**	**Other Changes[1]**	**Interest in Shares 30 June 2021[2]**
Alan Joyce	**2,980,810**	-	-	-	9,433	**2,990,243**
Andrew David	**83,168**	-	-	83,000	-	**166,168**
Gareth Evans	**546,604**	-	-	88,000	-	**634,604**
Vanessa Hudson	**58,568**	-	-	17,500	9,433	**85,501**
Olivia Wirth	**74,307**	-	-	37,250	(80,307)	**31,250**
Tino La Spina[3] ceased as KMP 31 August 2020	**345,399**	-	-	83,000	(428,399)	**n/a**

1. Other Changes include shares purchased, sold, forfeited, and on cessation as a KMP.
2. Shares awarded under the 2018/19 STIP are subject to a deferral period until after the release of the 2020/21 full-year financial results.
3. Mr La Spina ceased as a KMP on 31 August 2020 and ceased employment with Qantas 30 November 2020.

Other than share-based payment compensation, all equity instrument transactions between the Executive KMP, including their related parties, and Qantas during the year have been on an arm's length basis.

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Remuneration Affecting Future Periods

The fair value of share-based payments granted is amortised over the service period, therefore, remuneration in respect of these awards may be reported in future years. The following table summarises the maximum value of the awards that will be reported in the statutory remuneration tables in future years, assuming all performance conditions are met. The minimum value of these awards is nil should performance conditions not be satisfied.

	Future Expense by Plan							Future Expense by Financial Year			
	STIP Awards			LTIP Awards							
Executives	**2018/19 $'000**	**2019/20 $'000**	**2020/21 $'000**	**2019-2021 $'000**	**2020-2022 $'000**	**2021-2023 $'000**	**Total $'000**	**2022 $'000**	**2023 $'000**	**2024 $'000**	**Total $'000**
Alan Joyce	31	-	-	89	1,098	3,167	**4,385**	2,523	1,619	243	**4,385**
Andrew David	11	-	-	28	268	557	**864**	525	296	43	**864**
Gareth Evans	12	-	-	29	284	591	**916**	558	313	45	**916**
Vanessa Hudson	8	-	-	11	224	557	**800**	468	289	43	**800**
Olivia Wirth	10	-	-	24	228	473	**735**	447	251	37	**735**

11 NON-EXECUTIVE DIRECTOR FEES

Non-Executive Director fees are determined within an aggregate Non-Executive Directors' fee pool limit. An annual total fee pool of $3 million (excluding industry standard travel entitlements received) was approved by shareholders at the 2016 AGM. Total Non-Executive Directors' remuneration (excluding industry standard travel entitlements received and other non-cash benefits) for the year ended 30 June 2021 was $2.25 million (2020: $1.92 million), which is within the approved annual fee pool. Non-Executive Directors' remuneration reflects the responsibilities of Non-Executive Directors. Fees are benchmarked against Non-Executive Director fees of ASX50 companies and revenue-based peer groups.

Non-Executive Director fees remained unchanged in 2020/21. In addition, the Chairman elected to forgo 100 per cent of his fees from 1 April 2020 until 31 July 2020 and took a 35 per cent reduction in fees from August through to 31 October 2020. Non-Executive Directors elected to forgo 100 per cent of their fees from 1 April 2020 to 30 June 2020 and took a 15 per cent reduction in fees from 1 July 2020 to 31 October 2020. Furthermore, Non-Executive Director fees in 2019/20 were lower than fees in 2020/21 due to the fees that directors elected to forgo in 2019/20. Consistent with the Group-wide wage freeze there are no planned fee increases for Non-Executive Directors for 2021/22.

	Board		Committees[1]	
	Chair[2]	**Member**	**Chair**	**Member**
Board Fees – per Contract	$610,000	$158,000	$63,500	$31,750
Actual Board Fees[3]	$505,792	$150,100	$60,325	$30,163

1. The committees are the Audit Committee, Remuneration Committee, Nominations Committee and Safety, Health, Environment and Security Committee.
2. The Chairman does not receive any additional fees for serving on or chairing any Board Committee.
3. Actual Board Fees are the Board Fees per agreement less the zero pay in July 2020 and a 35% reduction in fees from August to October 2020 for the Chairman, and a 15% reduction from 1 July 2020 to 31 October 2020 for Non-Executive Directors.

Non-Executive Directors do not receive any performance-related remuneration. Overseas-based Non-Executive Directors are paid a travel allowance when travelling on international journeys of greater than six hours to attend Board and committee meetings or Board-related activities requiring the participation of all Directors.

In December 2019, a Non-Executive Director Fee Sacrifice Share Acquisition Plan was introduced whereby Non-Executive Directors can elect to sacrifice a percentage of their Board or Board and Committee fees in return for a grant of Rights to the equivalent value of the same number of Qantas ordinary shares. Each Right granted will convert automatically to one fully-paid Qantas ordinary share at the Conversion Date, which is six months from the Grant Date, subject to remaining as a Non-Executive Director on the Conversion Date. The plan is designed to provide Non-Executive Directors the opportunity to build their shareholding in a tax effective manner and to further align their interests with the interests of shareholders. The plan commenced in March 2020, but following approval from the Board, each participating Non-Executive Director elected to withdraw as a result of the Board's decision to receive nil fees from 1 April 2020 to 30 June 2020. The plan recommenced from August 2020. Fees elected to be sacrificed in return for a grant of Rights continue to be reported as 'Base Pay' in the remuneration disclosures.

All Non-Executive Directors and eligible beneficiaries receive travel entitlements. The Chair and eligible beneficiaries are each entitled to four long-haul trips and 12 short-haul trips each calendar year and all other Non-Executive Directors and eligible beneficiaries are each entitled to three long-haul trips and nine short-haul trips each calendar year. These flights are not cumulative and lapse if they are not used during the calendar year in which the entitlement arises.

Post-employment, the Chair and eligible beneficiaries are each entitled to two long-haul trips and six short-haul trips for each year of service, and all other Non-Executive Directors and eligible beneficiaries are each entitled to one long-haul trip and three short-haul trips for each year of service. The accounting value of the travel benefit is captured in the remuneration table (as a non-cash benefit for travel during the year and as a post-employment benefit).

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration for 2020/21 – Non-Executive Directors

		Short-Term Employee Benefits			Post-Employment Benefits			
$'000		Base Pay[1] (Cash)	Non-Cash Benefits	Sub-Total	Superannuation	Travel	Sub-Total	Total
Richard Goyder	**2021**	**486**	**25**	**511**	**20**	**29**	**49**	**560**
Chair	2020	442	37	479	16	29	45	524
Maxine Brenner	**2021**	**192**	**8**	**200**	**18**	**11**	**29**	**229**
Non-Executive Director	2020	152	57	209	14	12	26	235
Jacqueline Hey	**2021**	**167**	**-**	**167**	**13**	**11**	**24**	**191**
Non-Executive Director	2020	130	11	141	12	12	24	165
Belinda Hutchinson	**2021**	**197**	**3**	**200**	**14**	**11**	**25**	**225**
Non-Executive Director	2020	152	51	203	14	12	26	229
Michael L'Estrange	**2021**	**192**	**-**	**192**	**18**	**11**	**29**	**221**
Non-Executive Director	2020	152	11	163	14	12	26	189
Paul Rayner	**2021**	**223**	**5**	**228**	**18**	**11**	**29**	**257**
Non-Executive Director	2020	175	24	199	15	12	27	226
Todd Sampson	**2021**	**167**	**4**	**171**	**13**	**11**	**24**	**195**
Non-Executive Director	2020	130	106	236	12	12	24	260
Antony Tyler[2]	**2021**	**241**	**-**	**241**	**-**	**11**	**11**	**252**
Non-Executive Director	2020	186	-	186	-	12	12	198
Barbara Ward	**2021**	**249**	**-**	**249**	**22**	**11**	**33**	**282**
Non-Executive Director	2020	198	39	237	16	12	28	265
Total	**2021**	**2,114**	**45**	**2,159**	**136**	**117**	**253**	**2,412**
	2020	1,717	336	2,053	113	125	238	2,291

1. Base Pay includes any amounts that the Non-Executive Director elects to salary sacrifice in return for a grant of Rights under the Non-Executive Director Fee Sacrifice Share Acquisition Plan.
2. Mr Tyler received no travel allowance during 2020/21 (2020: $25,000 was included in Base Pay (Cash)).

Directors' Report continued

For the year ended 30 June 2021

REMUNERATION REPORT (AUDITED) (CONTINUED)

Equity Holdings and Transactions

Non-Executive Director KMP or their related parties directly, indirectly or beneficially held shares in the Qantas Group as detailed in the table below:

Key Management Personnel – Non-Executive Directors	Interest in Shares as at 30 June 2020	Conversion of Rights to Ordinary Shares[1]	Other Changes[2]	Interest in Shares as at 30 June 2021
Richard Goyder	**130,000**	-	9,433	**139,433**
Maxine Brenner	**30,065**	-	9,433	**39,498**
Jacqueline Hey	**38,170**	-	9,433	**47,603**
Belinda Hutchinson	**16,200**	8,432	9,433	**34,065**
Michael L'Estrange	**15,012**	-	14,433	**29,445**
Paul Rayner	**287,909**	8,020	9,433	**305,362**
Todd Sampson	**14,095**	4,010	9,433	**27,538**
Antony Tyler	**52,000**	-	-	**52,000**
Barbara Ward	**44,694**	-	9,433	**54,127**

1. Ordinary Shares issued upon conversion of Rights acquired under the Non-Executive Director Fee Sacrifice Share Acquisition Plan.
2. Other Changes includes shares purchased and sold.

Rights acquired under the Non-Executive Director Fee Sacrifice Share Acquisition Plan

The following table details Rights acquired under the Non-Executive Director Fee Sacrifice Share Acquisition Plan by Non-Executive Director KMP or their related parties:

Key Management Personnel – Non-Executive Directors	Interest in Rights as at 30 June 2020	Acquired by Fee Sacrifice[1]	Converted to Ordinary Shares	Interest in Rights as at 30 June 2021
Richard Goyder	**-**	18,347	-	**18,347**
Maxine Brenner	**-**	-	-	**-**
Jacqueline Hey	**-**	9,512	-	**9,512**
Belinda Hutchinson	**-**	15,094	(8,432)	**6,662**
Michael L'Estrange	**-**	-	-	**-**
Paul Rayner	**-**	14,356	(8,020)	**6,336**
Todd Sampson	**-**	7,178	(4,010)	**3,168**
Antony Tyler	**-**	-	-	**-**
Barbara Ward	**-**	-	-	**-**

1. Number of Rights acquired under the Non-Executive Director Fee Sacrifice Share Acquisition Plan. Rights acquired on 1 September 2020 (Fair value of $3.7430 per Right) converted to restricted Ordinary Shares on 26 February 2021. Rights acquired on 5 March 2021 (Fair Value of $4.9871) remained outstanding at 30 June 2021 and converted to restricted Ordinary shares on 27 August 2021.

All equity instrument transactions between the Non-Executive Director KMP, including their related parties, and Qantas during the year have been on an arm's length basis.

Loans and Other Transactions with Key Management Personnel

No KMP or their related parties held any loans from the Qantas Group during or at the end of the year ended 30 June 2021 or prior year.

A number of KMPs and their related parties have transactions with the Qantas Group. All transactions are conducted on normal commercial arm's length terms.

Directors' Report continued

For the year ended 30 June 2021

ENVIRONMENTAL OBLIGATIONS

The Qantas Group's operations are subject to a range of Commonwealth, State, Territory and international environmental legislation. The Qantas Group is committed to environmental sustainability with high standards for environmental performance. The Board places particular focus on the environmental aspects of its operations through the Safety, Health, Environment and Security Committee, which is responsible for monitoring compliance with these regulations and reporting to the Board.

The Directors are satisfied that adequate systems are in place for the management of the Qantas Group's environmental exposures and environmental performance. The Directors are also satisfied that relevant licences and permits are held and that appropriate monitoring procedures are in place to ensure compliance with those licences and permits. Any significant environmental incidents are reported to the Board.

INDEMNITIES AND INSURANCE

Under the Qantas Constitution, Qantas indemnifies, to the extent permitted by law, each Director and Company Secretary of Qantas against any liability incurred by that person as an officer of Qantas.

The Directors and the Company Secretaries listed on pages 32 to 33 and individuals who formerly held any of these positions have the benefit of the indemnity in the Qantas Constitution. Members of Qantas' Executive Management team and certain former members of the Executive Management team have the benefit of an indemnity to the fullest extent permitted by law and as approved by the Board. In respect of non-audit services, KPMG, Qantas' auditor, has the benefit of an indemnity to the extent KPMG reasonably relies on any information provided by Qantas which is false, misleading or incomplete. No amount has been paid under any of these indemnities during 2020/21 or to the date of this Report.

Qantas has insured against amounts which it may be liable to pay on behalf of Directors and officers or which it otherwise agrees to pay by way of indemnity.

During the year, Qantas paid a premium for Directors' and Officers' liability insurance policies, which cover all Directors and officers of the Qantas Group. Details of the nature of the liabilities covered, and the amount of the premiums paid in respect of the Directors' and Officers' insurance policies, are not disclosed, as disclosure is prohibited under the terms of the contracts.

NON-AUDIT SERVICES

During the year, Qantas' auditor, KPMG, performed certain other services in addition to its statutory duties. The Directors are satisfied that:

a. The non-audit services provided during 2020/21 by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth)

b. Any non-audit services provided during 2020/21 by KPMG as the external auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

   - KPMG services have not involved partners or staff acting in a managerial or decision-making capacity within the Qantas Group or being involved in the processing or originating of transactions
   - KPMG non-audit services have only been provided where Qantas is satisfied that the related function or process will not have a material bearing on the audit procedures
   - KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes
   - A description of all non-audit services undertaken by KPMG and the related fees has been reported to the Board to ensure complete transparency in relation to the services provided
   - The declaration required by section 307C of the *Corporations Act 2001* (Cth) confirming independence has been received from KPMG.

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is included on page 64.

Details of the amounts paid to KPMG for audit and non-audit services provided during the year are set out in Note 28 to the Financial Statements.

Directors' Report continued

For the year ended 30 June 2021

KPMG

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The Directors of Qantas Airways Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2021, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
Sydney

17 September 2021

Andrew Yates
Partner

Rounding

Qantas is a company of a kind referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in this Directors' Report and the Financial Report have been rounded to the nearest million dollars unless otherwise stated.

Signed pursuant to a Resolution of the Directors:

Richard Goyder
Chairman

17 September 2021

Alan Joyce
Chief Executive Officer

17 September 2021

Financial Report

For the year ended 30 June 2021

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Consolidated Income Statement

For the year ended 30 June 2021

	Notes	2021 $M	2020 $M
REVENUE AND OTHER INCOME			
Net passenger revenue		3,766	12,183
Net freight revenue		1,316	1,045
Other revenue and income	4(B)	852	1,029
Revenue and other income		**5,934**	**14,257**
EXPENDITURE			
Manpower and staff-related		1,970	3,646
Aircraft operating variable		1,555	3,520
Fuel		835	2,895
Depreciation and amortisation	5	1,929	2,045
Share of net loss of investments accounted for under the equity method	14	129	53
Impairment of assets and related costs	25	270	1,456
De-designation of fuel and foreign exchange hedges	27(C)	(33)	571
Redundancies and related costs		297	565
Net gain on disposal of assets	6	(26)	(7)
Other	7	1,058	1,950
Expenditure		**7,984**	**16,694**
Statutory loss before income tax expense and net finance costs		**(2,050)**	**(2,437)**
Finance income	8	20	33
Finance costs	8	(321)	(304)
Net finance costs	8	**(301)**	**(271)**
Statutory loss before income tax expense		**(2,351)**	**(2,708)**
Income tax benefit	9	623	744
Statutory loss for the year		**(1,728)**	**(1,964)**
Attributable to:			
Members of Qantas		(1,728)	(1,964)
Non-controlling interests		-	-
Statutory loss for the year		**(1,728)**	**(1,964)**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic loss per share (cents)	3	**(91.8)**	**(129.6)**
Diluted loss per share (cents)	3	**(91.8)**	**(129.6)**

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	2021 $M	2020 $M
Statutory loss for the year	**(1,728)**	**(1,964)**
Items that are or may be subsequently reclassified to profit or loss		
Effective portion of changes in fair value of cash flow hedges, net of tax	201	(205)
Transfer of effective hedging losses/(gains) from hedge reserve to the Consolidated Income Statement, net of tax[1]	49	(123)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	15	425
Recognition of effective cash flow hedges on capitalised assets, net of tax	4	(42)
Net changes in hedge reserve for time value of options, net of tax	42	(232)
Foreign currency translation of controlled entities	10	(9)
Foreign currency translation of investments accounted for under the equity method	12	11
Share of other comprehensive loss of investments accounted for under the equity method	12	(6)
Items that will not subsequently be reclassified to profit or loss		
Defined benefit actuarial gains/(losses), net of tax	251	(40)
Fair value gains/(losses) on investments, net of tax	29	(16)
Other comprehensive income/(loss) for the year	**625**	**(237)**
Total comprehensive loss for the year	**(1,103)**	**(2,201)**
Attributable to:		
Members of Qantas	(1,103)	(2,201)
Non-controlling interests	-	-
Total comprehensive loss for the year	**(1,103)**	**(2,201)**

1. These amounts were allocated to revenue of nil (2020: $10 million), fuel expenditure of $67 million (2020: ($129) million), foreign exchange gains/(losses) of $3 million (2020: ($57) million) and income tax expense of ($21) million (2020: $53 million) in the Consolidated Income Statement.

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2021

	Notes	2021 $M	2020 $M
CURRENT ASSETS			
Cash and cash equivalents	21(A)	2,221	3,520
Receivables	11	579	520
Lease receivables	16(B)	5	2
Other financial assets	27(B), (C)	176	216
Inventories	12	279	306
Assets classified as held for sale	13	1	58
Income tax receivable	9(D)	-	137
Other	19	169	193
Total current assets		**3,430**	**4,952**
NON-CURRENT ASSETS			
Receivables	11	54	101
Lease receivables	16(B)	47	23
Other financial assets	27(B), (C)	185	139
Investments accounted for under the equity method	14	57	59
Property, plant and equipment	15	10,787	11,726
Right of use assets	16(A)	1,109	1,440
Intangible assets	17	849	1,050
Deferred tax assets	18	675	167
Other	19	687	369
Total non-current assets		**14,450**	**15,074**
Total assets		**17,880**	**20,026**
CURRENT LIABILITIES			
Payables		1,813	2,351
Revenue received in advance	20	3,277	2,784
Interest-bearing liabilities	21(B)	969	868
Lease liabilities	16(C)	383	524
Other financial liabilities	27(C)	17	238
Provisions	22	1,136	1,539
Total current liabilities		**7,595**	**8,304**
NON-CURRENT LIABILITIES			
Payables		44	99
Revenue received in advance	20	2,154	2,256
Interest-bearing liabilities	21(B)	5,861	5,825
Lease liabilities	16(C)	1,016	1,318
Other financial liabilities	27(C)	5	47
Provisions	22	689	651
Total non-current liabilities		**9,769**	**10,196**
Total liabilities		**17,364**	**18,500**
Net assets		516	1,526
EQUITY			
Issued capital	23(A)	3,186	3,104
Treasury shares	23(B)	(18)	(51)
Reserves		432	(173)
Accumulated losses		(3,087)	(1,357)
Equity attributable to members of Qantas		**513**	**1,523**
Non-controlling interests		3	3
Total equity		**516**	**1,526**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

30 June 2021 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other[1] Reserves	Accumulated Losses	Non-controlling Interests	Total Equity
Balance as at 1 July 2020	3,104	(51)	54	(147)	4	(84)	(1,357)	3	1,526
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR									
Statutory loss for the year	-	-	-	-	-	-	(1,728)	-	(1,728)
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	201	-	-	-	-	201
Transfer of effective hedging losses from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	49	-	-	-	-	49
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	-	-	-	15	-	-	-	-	15
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	4	-	-	-	-	4
Net changes in hedge reserve for time value of options, net of tax	-	-	-	42	-	-	-	-	42
Foreign currency translation of controlled entities	-	-	-	-	10	-	-	-	10
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	12	-	-	-	12
Share of other comprehensive income of investments accounted for under the equity method	-	-	-	12	-	-	-	-	12
Defined benefit actuarial gains, net of tax	-	-	-	-	-	251	-	-	251
Fair value gains on investments, net of tax	-	-	-	-	-	29	-	-	29
Total other comprehensive income for the year	**-**	**-**	**-**	**323**	**22**	**280**	**-**	**-**	**625**
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**323**	**22**	**280**	**(1,728)**	**-**	**(1,103)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Capital raising, net of tax	82	-	-	-	-	-	(6)	-	76
Share-based payments	-	-	19	-	-	-	-	-	19
Shares vested and transferred to employees/shares unvested and lapsed	-	33	(39)	-	-	-	4	-	(2)
Total contributions by and distributions to owners	**82**	**33**	**(20)**	**-**	**-**	**-**	**(2)**	**-**	**93**
Total transactions with owners	**82**	**33**	**(20)**	**-**	**-**	**-**	**(2)**	**-**	**93**
Balance as at 30 June 2021	**3,186**	**(18)**	**34**	**176**	**26**	**196**	**(3,087)**	**3**	**516**

1. Other Reserves as at 30 June 2021 includes the Defined Benefit Reserve of $178 million and the Fair Value Reserve of $18 million.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity continued

For the year ended 30 June 2021

30 June 2020 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other[1] Reserves	Retained Earnings	Non-controlling Interests	Total Equity
Balance as at 1 July 2019	1,871	(152)	101	36	2	(28)	1,181	3	3,014
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR									
Statutory loss for the year	-	-	-	-	-	-	(1,964)	-	(1,964)
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(205)	-	-	-	-	(205)
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(123)	-	-	-	-	(123)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	-	-	-	425	-	-	-	-	425
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	(42)	-	-	-	-	(42)
Net changes in hedge reserve for time value of options, net of tax	-	-	-	(232)	-	-	-	-	(232)
Foreign currency translation of controlled entities	-	-	-	-	(9)	-	-	-	(9)
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	11	-	-	-	11
Share of other comprehensive loss of investments accounted for under the equity method	-	-	-	(6)	-	-	-	-	(6)
Defined benefit actuarial losses, net of tax	-	-	-	-	-	(40)	-	-	(40)
Fair value losses on investments, net of tax	-	-	-	-	-	(16)	-	-	(16)
Total other comprehensive (loss)/income for the year	**-**	**-**	**-**	**(183)**	**2**	**(56)**	**-**	**-**	**(237)**
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**(183)**	**2**	**(56)**	**(1,964)**	**-**	**(2,201)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(95)	-	-	-	-	-	(348)	-	(443)
Capital raising	1,328	-	-	-	-	-	-	-	1,328
Dividends paid	-	-	-	-	-	-	(204)	-	(204)
Treasury shares acquired	-	(5)	-	-	-	-	-	-	(5)
Share-based payments	-	-	28	-	-	-	-	-	28
Shares vested and transferred to employees	-	106	(75)	-	-	-	(22)	-	9
Total contributions by and distributions to owners	**1,233**	**101**	**(47)**	**-**	**-**	**-**	**(574)**	**-**	**713**
Total transactions with owners	**1,233**	**101**	**(47)**	**-**	**-**	**-**	**(574)**	**-**	**713**
Balance as at 30 June 2020	**3,104**	**(51)**	**54**	**(147)**	**4**	**(84)**	**(1,357)**	**3**	**1,526**

1. Other reserves as at 30 June 2020 includes the Defined Benefit Reserve of ($73) million and the Fair Value Reserve of ($11) million.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the year ended 30 June 2021

	Notes	2021 $M	2020 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		7,507	14,460
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs and discretionary bonus payments to non-executive employees) and refunds to customers from receipts in prior periods		(6,726)	(12,870)
Cash payments to employees for redundancies and related costs		(926)	(58)
Discretionary bonus payments to non-executive employees		-	(6)
Interest received		15	29
Interest paid (interest-bearing liabilities)		(183)	(146)
Interest paid (lease liabilities)	16(C)	(73)	(82)
Dividends received from investments accounted for under the equity method		-	15
Australian income taxes paid	9(D)	-	(255)
Foreign income taxes paid	9(D)	-	(4)
Net cash (outflow)/inflow from operating activities	**29**	**(386)**	**1,083**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		(747)	(1,549)
Interest paid and capitalised on qualifying assets	8	(21)	(48)
Payments for investments held at fair value		-	(22)
Proceeds from disposal of property, plant and equipment		94	50
Payments for investments accounted for under the equity method		(48)	(2)
Net cash (outflow) from investing activities		**(722)**	**(1,571)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share buy-back		-	(443)
Proceeds from share-issuance, net of costs		58	1,342
Payments for treasury shares		-	(5)
Proceeds from interest-bearing liabilities, net of costs	21(D)	937	2,155
Repayments of interest-bearing liabilities	21(D)	(759)	(625)
Repayments of lease liabilities	16(C)	(420)	(367)
Proceeds from finance leases		3	-
Dividends paid to shareholders	10(A)	-	(204)
Net cash (outflow)/inflow from financing activities		**(181)**	**1,853**
Net (decrease)/increase in cash and cash equivalents held		**(1,289)**	**1,365**
Cash and cash equivalents at the beginning of the year		3,520	2,157
Effects of exchange rate changes on cash and cash equivalents		(10)	(2)
Cash and cash equivalents at the end of the year	**21(A)**	**2,221**	**3,520**

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements continued

For the year ended 30 June 2021

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(A) REPORTING ENTITY

Qantas Airways Limited (Qantas) is a for-profit company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and which is subject to the operation of the *Qantas Sale Act 1992* (Cth).

The Consolidated Financial Statements for the year ended 30 June 2021 comprise Qantas and its controlled entities (together referred to as the Qantas Group) and the Qantas Group's interest in investments accounted for under the equity method.

Qantas has six subsidiaries that are material to the Qantas Group in 2021 and 2020. The parent has majority voting rights in respect of each of the material subsidiaries. Materiality has been assessed based on the expected long-term contribution of statutory profit to the Qantas Group.

The Consolidated Financial Statements of Qantas for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 17 September 2021.

i. Statement of Compliance

The Consolidated Financial Statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth). The Consolidated Financial Statements also comply with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) adopted by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements have been prepared on a going concern basis, which assumes the Group will be able to meet its obligations as and when they fall due.

ii. Basis of Preparation

The Consolidated Financial Statements are presented in Australian dollars (AUD), which is the functional currency of the Qantas Group, and have been prepared on the basis of historical cost except for the following material items in the Consolidated Balance Sheet:

- Derivatives at fair value through profit and loss, and investments at fair value through other comprehensive income are measured at fair value
- Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell
- Net defined benefit asset/(liability) is measured at fair value of plan assets less the present value of the defined benefit obligation.

Qantas is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Instrument, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated. In addition, all financial information presented is representative of the Qantas Group, unless otherwise stated.

(B) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Consolidated Financial Statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. It also requires the directors to exercise their judgment in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, as appropriate to the particular circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgements made by Management in the application of AASBs that have a significant effect on the Consolidated Financial Statements and estimates with a significant risk of material adjustment in future periods are included in the following notes:

- Note 1(C) – Impact of COVID-19 on Financial Reporting
- Note 25 – Impairment of Assets and Related Costs
- Note 27(C) – Derivatives and Hedging Instruments
- Note 30 – Superannuation
- Note 37(D) – Summary of Significant Accounting Policies (Revenue)
- Note 37(M) – Summary of Significant Accounting Policies (Provisions).

(C) IMPACT OF COVID-19 ON FINANCIAL REPORTING

The impact of COVID-19 on the Qantas Group has been unprecedented and continues to evolve. The section below outlines key areas of impact relevant to the Consolidated Financial Statements for the year ended 30 June 2021. Additional information on how the Group has been impacted by COVID-19 and its ongoing response is provided in the Review of Operations on pages 14 to 28.

i. Overview of COVID-19 Impact on the Qantas Group and the Group's Recovery Plan

The measures taken by governments across the world to slow the spread of COVID-19 severely impacted airlines as travel restrictions and border closures were imposed. These travel restrictions and the resulting decrease in demand has resulted in significant capacity reductions domestically and internationally. The Group took immediate and decisive action to mitigate the impact of COVID-19, including a reduction in flight capacity (domestic and international), workforce stand downs, operational cost-out measures, capital expenditure deferrals and cancellation of proposed shareholder distributions.

Notes to the Financial Statements continued

For the year ended 30 June 2021

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(C) IMPACT OF COVID-19 ON FINANCIAL REPORTING (CONTINUED)

i. Overview of COVID-19 Impact on the Qantas Group and the Group's Recovery Plan (continued)

Governments worldwide have announced relief packages to support affected businesses, including the aviation industry, to mitigate the impact of COVID-19. The Australian Aviation Financial Relief Package (AAFRP) was introduced to provide refunds or waivers of a range of government changes to the aviation industry. JobKeeper was introduced to help keep Australians in jobs and support affected businesses and was in place in the 2020/21 financial year from July 2020 to March 2021. In April 2021, the International Aviation Support (IAS) program was introduced to maintain a core Australian international aviation capability and ensure Australian airlines can quickly recommence commercial international flights as international restrictions are lifted.

In addition, the Australian Government commissioned Qantas to conduct various charter repatriation flights and rescue flights. Along with other Australian domestic airlines, Qantas also operated domestic and regional flights as part of the Regional Airline Network Support (RANS), Domestic Aviation Network Support (DANS) and Tourism Aviation Network Support (TANS), which are intended to maintain vital air transport links. Qantas also secured a contract to conduct freight services under the International Freight Assistance Mechanism (IFAM) to ensure import and export freight routes remain open.

In addition to ongoing operational responses, during the financial year 2020/21 the Group has boosted liquidity by raising $954 million of additional debt and $575 million in committed undrawn facilities with no financial covenants, as well as a further $72 million from the finalisation of the retail portion of its $1.4 billion equity raising. Refer to the Capital Structure and Liquidity section below for further details.

Recovery Plan

In June 2020, the Group announced a three-year plan to accelerate the recovery from the COVID-19 crisis and create a stronger platform for future profitability, long-term shareholder value and to preserve as many jobs as possible.

The immediate focus of the plan is to:

- Rightsize the Group's workforce, fleet and other costs according to demand projections, with the ability to scale up as flying returns
- Restructure to deliver ongoing cost savings and efficiencies across the Group's operations in a changing market
- Recapitalise through an equity raising completed in August 2020 to strengthen the Group's financial resilience to recovery and the opportunities it presents.

The ongoing impact of the COVID-19 crisis and the structural changes within the aviation industry underscore the importance of the Qantas Group's own program of restructuring. The Three-Year Recovery Plan developed in June 2020 has been updated and presented to the Board in June 2021 (Recovery Plan). The Recovery Plan is designed to address and respond to the impact of the crisis, preserving as many key assets and skills as the Group can reasonably carry to support the eventual recovery. COVID-19 represents the biggest challenge ever faced by global aviation and the Group's response to the crisis has scaled accordingly.

Key actions during the financial year 2020/21 include:

- Delivered $650 million in structural cost benefits, ahead of target. On track for $850 million by financial year 2021/22 and $1 billion in annual cost improvements from the 2022/23 financial year onwards with greater than 90 per cent of initiatives completed or underway
- Maintained cash focus and agile network management in addressing highly dynamic environment
- Generated positive Statutory Net Free Cash Flow in the second half of the 2020/21 financial year allowing debt reduction to commence. Cash flow generation driven by domestic recovery, significant Qantas Loyalty cash flow contribution and record Freight performance
- Materially completed cash outflows for deferred payables, refunds and redundancies
- Qantas Loyalty returned to growth and achieved record customer NPS
- Enhanced customer confidence through 'Fly Well' and 'Fly Flexible' programs
- Conducted international repatriation flights and maintained vital freight routes
- Maintained strong liquidity, increasing committed undrawn facilities to $1.6 billion and retained Baa2 investment grade credit rating.

Looking into financial year 2021/22 towards domestic ramp up and international restart:

- Highly leveraged to recovery in travel demand as vaccine roll out progresses with pace
  - Well-positioned to meet expected sharp increase in domestic travel as lockdowns end
  - Able to respond with a range of fleet types and agile network
- Planning for disciplined restart of regular long-haul international passenger services
  - Maintaining fleet readiness through IFAM and repatriation flights
  - Giving customer confidence to fly, as 'trusted travel advisor' through 'Fly Well' and investment in digital health passport
- Continued focus on balance sheet repair through debt reduction in financial year 2021/22
- Qantas Loyalty growth trajectory continues.

Notes to the Financial Statements continued

For the year ended 30 June 2021

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(C) IMPACT OF COVID-19 ON FINANCIAL REPORTING (CONTINUED)

ii. Capital Structure and Liquidity

The Qantas Group's Financial Framework is designed to achieve top quartile Total Shareholder Return relative to the ASX100 and global airline peers. The Framework's key elements are to:

- Maintain an optimal capital structure that minimises the cost of capital by holding an appropriate level of Net Debt.0F0F29F1 The appropriate level of Net Debt reflects the Qantas Group's size, measured by Invested Capital. This is consistent with investment grade credit metrics
- Deliver ROIC that exceeds the weighted average cost of capital through the cycle
- Make disciplined capital allocation decisions between reinvestment, debt reduction and distribution of surplus capital to shareholders while maintaining an optimal capital structure.

Surplus capital is determined on a forward-looking basis, which is the difference between the projected Net Debt position and the target Net Debt position.

The Qantas Group maintains access to a broad range of debt markets, both secured and unsecured. The Qantas Group maintains a prudent liquidity policy that ensures adequate coverage of liquidity requirements while considering a range of adverse scenarios.

During the 2020/21 financial year, the Group raised $954 million of additional debt and repaid $759 million of debt, including $400 million for repayment of a 2020/21 bond. The remaining debt raised strengthened short-term liquidity. There is no further material debt maturing until May 2022 and no financial covenants on the Group's debt.

During the year, the Group also completed a retail Share Purchase Plan resulting in the issuance of 22.6 million shares at $3.18 per share (totalling $72 million).

The Group increased its committed undrawn facilities from $1 billion to $1.6 billion, boosting available liquidity.

As at 30 June 2021, the Group's available liquidity is $3.8 billion, including $2.2 billion of cash and cash equivalents and a $1.6 billion undrawn facility.

As at 30 June 2021, Net Debt (as measured by the Group's Financial Framework) is $5.9 billion with no financial covenants.

The Group continues to hold an investment grade credit rating from Moody's (Baa2).

At the present time, the Group continues to consider that COVID-19 will not impact the Group's ability to continue as a going concern or to pay its debts as and when they become due and payable.

1. Net debt includes balance sheet debt and capitalised aircraft lease liabilities under the Group's Financial Framework. Capitalised aircraft lease liabilities are measured at the fair value of the aircraft at the lease commencement date and remeasured over the lease term on a principal and interest basis. The residual value of capitalised aircraft lease liabilities denominated in foreign currency is translated at the long-term exchange rate.

Notes to the Financial Statements continued

For the year ended 30 June 2021

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(C) IMPACT OF COVID-19 ON FINANCIAL REPORTING (CONTINUED)

iii. Impact on Accounting Judgements and Estimates

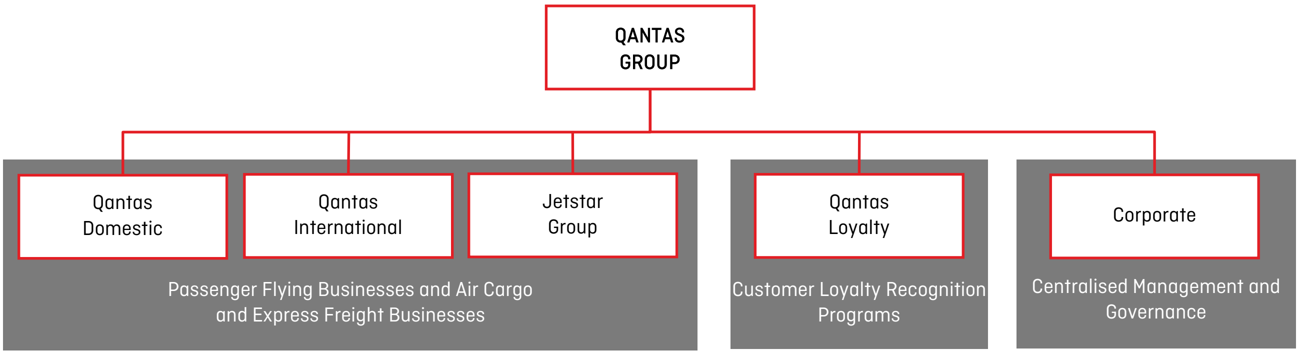
The Group's Recovery Plan in response to COVID-19 has influenced certain accounting judgements and estimates impacting the Annual Report for the year ended 30 June 2021. The Recovery Plan influenced key judgements and estimates within the following areas of the Financial Report:

Area of Annual Report	Impact on Judgements and Estimates
Impairment testing	The Recovery Plan informed cash flows used in the determination of the recoverable amount of Cash Generating Units (CGUs) using the value in use method. Refer to Note 25 for further details on impairment testing.
Fleet strategy	The Recovery Plan informed judgements around the Group's fleet strategy which influences estimates impacting property, plant and equipment, right of use assets, lease liabilities and provisions (including provisions for makegood on leased assets). Refer to Note 1(C)(i) for further information.
Provision for redundancies	Decisions and actions to implement the Recovery Plan have informed the recognition of redundancy provisions as at 30 June 2021. Refer to Note 22 for further details on redundancies.
Hedge designation and hedge accounting	The Recovery Plan informed key inputs to hedging designation and hedge accounting requirements including forecast fuel consumption and forecast income and expenditure denominated in foreign currencies. Refer to Note 27(C) for details on hedge designation and hedge accounting.
Balance sheet presentation	The Recovery Plan informed judgements around the presentation of balance sheet items, particularly in relation to the presentation of revenue received in advance as either current or non-current.
Revenue recognition (Impact of breakage assumptions)	The significant impact of COVID-19, together with strategies within the Recovery Plan, informed assumptions around customer and member behaviour and customer engagement strategies which impacted assumptions around breakage.
Income tax	The Recovery Plan informed judgement around the recognition and recoverability of a net deferred tax asset relating to income tax losses. Refer to Note 9 for details on Income Tax and Note 18 on Deferred Tax Assets.

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL

(A) OPERATING SEGMENTS

The Qantas Group comprises the following operating segments:



i. Underlying EBIT

Underlying EBIT is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of Qantas Domestic, Qantas International, Jetstar Group, and Qantas Loyalty operating segments. The primary reporting measure of the Corporate segment is Underlying PBT, as net finance costs are managed centrally and are not allocated to the Qantas Domestic, Qantas International, Jetstar Group or Qantas Loyalty operating segments.

Underlying EBIT is calculated as Underlying PBT as outlined below (refer to section B) but excluding the impact of net finance costs.

Notes to the Financial Statements continued

For the year ended 30 June 2021

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

ii. Analysis by Operating Segment

2021 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	2,496	1,584	1,105	962	5	(218)	5,934
Inter-segment revenue and other income	249	14	35	22	-	(320)	-
Total segment revenue and other income	**2,745**	**1,598**	**1,140**	**984**	**5**	**(538)**	**5,934**
Share of net profit/(loss) of investments accounted for under the equity method	1	1	(131)	-	-	-	(129)
Underlying EBITDA[2]	**159**	**117**	**(129)**	**333**	**(87)**	**17**	**410**
Depreciation and amortisation[2]	(746)	(690)	(418)	(56)	(12)	-	(1,922)
Impairment[2]	(3)	(2)	(3)	(5)	-		(13)
Underlying EBIT	**(590)**	**(575)**	**(550)**	**272**	**(99)**	**17**	**(1,525)**
Net finance costs					(301)		(301)
Underlying PBT					**(400)**		**(1,826)**
ROIC %[3]							**(23.3%)**

2020 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	4,334	5,849	2,897	1,106	7	64	14,257
Inter-segment revenue and other income	338	228	109	118	-	(793)	-
Total segment revenue and other income	**4,672**	**6,077**	**3,006**	**1,224**	**7**	**(729)**	**14,257**
Share of net (loss)/profit of investments accounted for under the equity method	3	3	(59)	-	-	-	(53)
Underlying EBITDA[2]	**907**	**846**	**426**	**390**	**(117)**	**(15)**	**2,437**
Depreciation and amortisation[2]	(723)	(785)	(447)	(49)	(17)	-	(2,021)
Impairment[2]	(11)	(5)	(5)	-	-	-	(21)
Underlying EBIT	**173**	**56**	**(26)**	**341**	**(134)**	**(15)**	**395**
Net finance costs					(271)		(271)
Underlying PBT					**(405)**		**124**
ROIC %[3]							**5.8%**

2019 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	5,730	7,125	3,823	1,488	4	(204)	17,966
Inter-segment revenue and other income	368	295	138	166	-	(967)	-
Total segment revenue and other income	**6,098**	**7,420**	**3,961**	**1,654**	**4**	**(1,171)**	**17,966**
Share of net (loss)/profit of investments accounted for under the equity method	8	9	6	-	-	-	23
Underlying EBITDA[2]	**1,503**	**1,045**	**836**	**414**	**(156)**	**(98)**	**3,544**
Depreciation and amortisation[2]	(725)	(722)	(436)	(38)	(15)	-	(1,936)
Impairment[2]	-	-	-	-	-	-	-
Underlying EBIT	**778**	**323**	**400**	**376**	**(171)**	**(98)**	**1,608**
Net finance costs					(282)		(282)
Underlying PBT					**(453)**		**1,326**
ROIC %[3]							19.2%

1. Unallocated/Eliminations represents unallocated and other businesses of the Qantas Group that are not considered to be reportable segments including consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 7) and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation.
2. Underlying EBITDA represents underlying earnings before income tax expense, depreciation, amortisation, net finance costs and impairment. Depreciation and amortisation and impairment differs from the depreciation and amortisation and impairment recognised in the Consolidated Income Statement due to items not included in Underlying PBT. Refer to Note 2(B).
3. ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).

Notes to the Financial Statements continued

For the year ended 30 June 2021

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(A) OPERATING SEGMENTS (CONTINUED)

iii. Analysis by Operating Segment (continued)

Passenger revenue primarily arises within the Qantas Domestic, Qantas International and Jetstar Group segments. Freight revenue primarily arises within Qantas International, except when belly space is utilised in Qantas Domestic and Jetstar Group.

Marketing revenue and redemption revenue in relation to the issuance and redemption of Qantas Points is recognised within the Qantas Loyalty segment. Marketing revenue on inter-segment Qantas Point issuances is eliminated on consolidation. Redemption revenue arising from Qantas Group flight redemptions is recognised within Net Passenger Revenue on consolidation. The inter-segment arrangements with Qantas Loyalty are not designed to derive a net profit from inter-segment Qantas Point issuances and redemptions.

Redemption revenue in relation to products provided by suppliers outside the Group, such as Qantas Rewards Store redemptions and other carrier redemptions is recognised in the Consolidated Income Statement net of related costs, as the Group is an agent. For the purposes of segment reporting, the Qantas Loyalty segment reports these redemptions on a gross basis. Adjustments are made within consolidation eliminations to present these redemptions on a net basis at a Group level within Other Revenue and Income.

(B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY (LOSS)/PROFIT BEFORE TAX

Underlying PBT is a non-statutory measure and is the primary reporting measure used by the CODM for the purpose of assessing the performance of the Group. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of each operating segment and the Qantas Group.

Underlying PBT includes the impact of COVID-19 on the operating performance of the Group. Group revenue for the year ended 30 June 2021 as recognised within Underlying PBT is down $8.3 billion compared to the year ended 30 June 2020, which is consistent with the reduction of revenue within the Group's Statutory Loss.

Likewise, the impact of the decisive actions taken by the Group to mitigate the impact of COVID-19 including a reduction in flight capacity domestically and internationally (including a reduction in costs from fuel and variable cost reductions), workforce stand downs and operational cost-out measures have also been recognised in Underlying PBT. Government support to mitigate the impact of COVID-19 from travel restrictions and border closures including the AAFRP, JobKeeper, IAS, RANS, DANS, TANS, government repatriation flights and IFAM payments, together with costs to operate or payments to employees, are also recorded in Underlying PBT.

Items which are identified by Management and reported to the CODM bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period-to-period.

Items not included in Underlying PBT primarily result from revenues or expenses relating to business activities in other reporting periods, transformational/restructuring initiatives, transactions involving investments, impairments of assets and other transactions outside the ordinary course of business.

The impact of COVID-19 and the Group's Recovery Plan have resulted in items not included in Underlying PBT, including asset impairments, Recovery Plan restructuring costs including redundancies and de-designated hedging due to a significant decrease in flying activity.

	2021 $M	2020 $M	2019 $M
RECONCILIATION OF UNDERLYING PBT TO STATUTORY (LOSS)/PROFIT BEFORE TAX			
Underlying PBT	**(1,826)**	**124**	**1,326**
Items not included in Underlying PBT			
– Transformation costs and discretionary bonuses for non-executive employees[1]	-	(191)	(260)
– Recovery Plan restructuring costs[2]	(319)	(642)	-
– (Impairment)/reversal of impairment of assets and related costs	(257)	(1,428)	39
– De-designation of fuel and foreign exchange hedges	33	(571)	-
– Net gain on disposal of assets	18	-	192
– Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair value hedging agenda decision	-	-	(105)
Total items not included in Underlying PBT	**(525)**	**(2,832)**	**(134)**
Statutory (Loss)/Profit Before Income Tax Expense	**(2,351)**	**(2,708)**	**1,192**

1. Costs incurred under the Transformation Program in prior years are reported under Transformation costs.
2. Costs incurred in relation to the Group's Recovery Plan are reported under Recovery Plan restructuring costs.

Notes to the Financial Statements continued

For the year ended 30 June 2021

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY (LOSS)/PROFIT BEFORE TAX (CONTINUED)

In the 2020/21 financial year, the items outside of Underlying PBT included:

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$319 million included people restructuring costs of $297 million and other restructuring costs of $22 million. People restructuring costs include redundancy costs related to announced restructuring initiatives. Other restructuring costs primarily resulted from changes to fleet strategy as a result of the Recovery Plan. Included in other restructuring costs is $7 million of non-cash accelerated depreciation.
Impairment of assets and related costs	Impairments of assets and related costs of $257 million includes: – $155 million impairment of the Group's A380 fleet resulting from changes in the recoverable amount or net realisable value of the assets including from changes in the market value of the aircraft, changes in the onerous contractual commitments and movement in foreign exchange rates since 30 June 2020 – $73 million impairment of property, plant and equipment and right of use assets relating to aircraft in the Jetstar Asia cash generating unit – $3 million impairment relating to the early retirement of the Group's 747 fleet driven by movement in foreign exchange rates since 30 June 2020 – $27 million impairment of property, plant and equipment, intangible assets and other assets from the implementation of restructuring initiatives in the Recovery Plan – ($1) million of net impairment reversal of assets in relation to the Group's associates. Refer to Note 25 for details on impairment of assets and related costs.
De-designation of fuel and foreign exchange hedges	The Group hedges fuel price risk in accordance with the Treasury Risk Management Policy. Hedge accounting is applied when the requirements of AASB 9 *Financial Instruments* (AASB 9) are met. Where the forecast fuel purchase transaction is no longer expected to occur, then hedge accounting is discontinued prospectively and the amount accumulated in equity is reclassified to the Consolidated Income Statement. The significant decrease in flying activity compared to expectations at 30 June 2020 has resulted in hedge accounting being discontinued where forecast fuel purchases are no longer expected to occur. Where the underlying derivatives, while de-designated for hedge accounting purposes, had remained unrealised or unsettled, foreign exchange and mark-to-market movements have occurred. These movements have also been recognised as ineffectiveness in the Consolidated Income Statement. De-designation and ineffectiveness of fuel and foreign exchange hedges of $33 million has been recognised immediately in the Consolidated Income Statement. Refer to Note 27 for further details.
Net gain on disposal of assets	$18 million net gain on disposal primarily relates to a $15 million gain on sale of Qantas' interest in the Joint User Hydrant Installation.

Notes to the Financial Statements continued

For the year ended 30 June 2021

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY (LOSS)/PROFIT BEFORE TAX (CONTINUED)

The 2019/20 financial year included the following items:

Item Outside of Underlying PBT	Description
Transformation costs and discretionary bonuses for non-executive employees	$191 million including redundancy and related costs of $44 million, fleet restructuring costs of $62 million (primarily related to costs for the introduction of the 789 Dreamliners and retirement of the 747 fleet), other upfront costs of $55 million directly incurred to enable the delivery of transformation benefits and $30 million of discretionary bonuses to non-executive employees, which is paid after the employees' post-wage freeze collective agreement is voted upon and approved.
Recovery Plan restructuring costs	$642 million including people restructuring costs of $575 million and fleet restructuring costs of $67 million resulting from the announced Recovery Plan. People restructuring costs include redundancy costs related to the announced restructure, and the remeasurement of employee entitlement provisions resulting from rightsizing and restructuring strategies in the Recovery Plan. Fleet restructuring costs resulted from changes to fleet strategy in the Recovery Plan.
Impairment of assets and related costs	Impairments of assets and related costs includes: – $1,087 million impairment of the Group's A380 fleet, including spares, inventories and related onerous contracts – $23 million impairment relating to the early retirement of the Group's 747 fleet – $150 million impairment of property, plant and equipment, intangible assets and other assets not expected to be recovered in the Recovery Plan – $25 million impairment of the Group's investment in Pacific Airlines (formerly Jetstar Pacific) – $73 million impairment of Goodwill and indefinite lived intangible assets in the Jetstar Asia cash generating unit – $70 million impairment of the Group's investment in Helloworld.
De-designation of fuel and foreign exchange hedges	The Group hedges fuel price risk in accordance with the Treasury Risk Management policy. Hedge accounting is applied when the requirements of AASB 9 *Financial Instruments* are met. Where the forecast fuel purchase transaction is no longer expected to occur, then hedge accounting is discontinued prospectively, and the amount accumulated in equity is reclassified to the Consolidated Income Statement. The significant decrease in flying activity in the last quarter of the 2019/20 financial year and into the 2020/21 financial year has resulted in hedge accounting being discontinued where forecast fuel purchases are no longer expected to occur. De-designation of fuel and foreign exchange hedges of $571 million has been recognised immediately in the Consolidated Income Statement. Refer to Note 27 for further details on de-designation of fuel and foreign exchange hedges.

The 2018/19 financial year included the following items:

Item Outside of Underlying PBT	Description
Transformation costs and discretionary bonuses for non-executive employees	$260 million included redundancy and related costs of $65 million, fleet restructuring costs of $107 million (primarily related to costs for the introduction of the 789 Dreamliners and retirement of the 747 fleet), other upfront costs of $55 million directly incurred to enable the delivery of transformation benefits, $27 million of discretionary bonuses to non-executive employees which is paid after the employees' post-wage freeze collective agreement is voted upon and approved, and other costs of $6 million.
Reversal of impairment of associate	$39 million reversal of impairment relating to the Group's investment in Helloworld Travel Limited. The reversal of the impairment has been recognised as an item outside of Underlying PBT consistent with the treatment of the original impairment.
Net gain on disposal of assets	Net gain on disposal of assets of $192 million is comprised of: – Net gain on disposal of a controlled entity of $47 million arising from the sale of the Qantas Catering business – Net gain on disposal of airport terminal assets of $141 million primarily relating to the gain on disposal of Melbourne Domestic Terminal assets – Net gain on partial disposal of an associate of $4 million relating to the Group's investment in Helloworld Travel Limited. The Group sold 2 million shares for $5.50 per share in September 2018.
Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision	Following the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision, the Group put in place accounting hedge designations to manage the foreign exchange movements of foreign currency by designating foreign currency interest-bearing liabilities and lease liabilities as the hedging instrument in a cash flow hedge relationship. In accordance with AASB 9, these designations apply prospectively from 1 July 2019. For periods before the designation the foreign exchange movements were recognised immediately in the Consolidated Income Statement. As the difference between reporting periods arose due to the timing of accounting hedge designations, the impact on the Consolidated Income Statement in financial year 2018/19 has been recognised outside of Underlying PBT to ensure comparability.

Notes to the Financial Statements continued

For the year ended 30 June 2021

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(C) RETURN ON INVESTED CAPITAL

Return on Invested Capital (ROIC %) is a non-statutory measure and is the primary financial return measure of the Group. ROIC % is calculated as Return on Invested Capital EBIT (ROIC EBIT) divided by Average Invested Capital.

i. ROIC EBIT

ROIC EBIT is derived by adjusting Underlying EBIT for the period to exclude leased aircraft depreciation under AASB 16 and to include notional depreciation for these aircraft to account for them as if they were owned.

In addition, for non-aircraft leases, ROIC EBIT is reduced for the full lease payments rather than depreciation under AASB 16 to account for these items as a service cost. The objective of these adjustments is to show an EBIT result which is indifferent to the financing or ownership structure of aircraft assets and that treats non-aircraft leases as a service cost rather than a debt repayment.

	2021 $M	2020 $M
ROIC EBIT		
Underlying EBIT	(1,525)	395
Add back: Lease depreciation under AASB 16	373	402
Less: Notional depreciation[1]	(105)	(108)
Less: Cash expenses for non-aircraft leases	(199)	(225)
ROIC EBIT	**(1,456)**	**464**
Average Invested Capital for the year ended 30 June 2021	**6,248**	**8,055**
ROIC %[2]	**(23.3%)**	**5.8%**

1. For calculating ROIC, capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) at the date of commencing operations at the prevailing AUD/USD rate. This value is depreciated notionally in accordance with the Group's accounting policies, with the calculated depreciation reported above known as notional depreciation.
2. ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C)(ii) and 2(C)(iii).

ii. Average Invested Capital

The objective of the Group's Financial Framework is to show Invested Capital which is indifferent to financing or ownership structures of aircraft assets (leased versus owned). Invested Capital includes the net assets of the business other than cash, lease receivables, interest-bearing liabilities, other financial assets/(liabilities) and tax balances as well as lease liabilities and right of use assets (for leased aircraft, property and other assets) as measured under AASB 16.

To account for the capital invested in leased aircraft, Invested Capital includes an amount representing the capitalised value of leased aircraft assets as if they were owned. Invested Capital includes the full capital held in leased aircraft, which is a non-statutory adjustment, as in accordance with AASB 16 right of use assets are only measured with reference to the lease term.

Average Invested Capital is equal to the average of the monthly Invested Capital for the year.

Invested Capital	2021 $M	2020 $M
Receivables (current and non-current)	633	621
Inventories	279	306
Other assets (current and non-current)	856	562
Investments accounted for under the equity method	57	59
Property, plant and equipment	10,787	11,726
Intangible assets	849	1,050
Assets classified as held for sale	1	58
Payables (current and non-current)	(1,857)	(2,450)
Provisions (current and non-current)	(1,825)	(2,190)
Revenue received in advance (current and non-current)	(5,431)	(5,040)
Capitalised aircraft leased assets[1]	1,167	1,301
Invested Capital as at 30 June	**5,516**	**6,003**
Average Invested Capital for the year ended 30 June	**6,248**	**8,055**

1. For calculating ROIC, capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) at the date of commencing operations at the prevailing AUD/USD rate. This value is notionally depreciated in accordance with the Group's accounting policies with the calculated depreciation reported above as Notional Depreciation. The carrying value (AUD market value less accumulated notional depreciation) is reported within Invested Capital as capitalised aircraft leased assets.

Notes to the Financial Statements continued

For the year ended 30 June 2021

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(C) RETURN ON INVESTED CAPITAL (CONTINUED)

iii. ROIC %

	2021 %	2020 %
ROIC %[1]	**(23.3)**	**5.8**

1. ROIC % is calculated as Return on Invested Capital EBIT (ROIC EBIT) divided by Average Invested Capital for the year.

iv. ROIC (Statutory EBIT) %

	2021 %	2020 %
ROIC (Statutory EBIT) %[1]	**(31.7)**	**(29.4)**

1. ROIC (Statutory EBIT) % is calculated by replacing Underlying EBIT with Statutory EBIT, maintaining a consistent methodology to ROIC % as outlined in Note 2(C) (i) to (iii).

v. Underlying Earnings Per Share

	2021 cents	2020 cents
Underlying (Loss)/Earnings Per Share[1]	**(71.3)**	**5.9**

1. Underlying Earnings Per Share is calculated as Underlying PBT less tax benefit/expense based on the Group's effective tax rate of (26.5) per cent (2020: (27.5) per cent) divided by the weighted average number of shares outstanding during the year, excluding unallocated treasury shares.

3 EARNINGS PER SHARE

	2021 cents	2020 cents
Basic loss per share[1]	**(91.8)**	**(129.6)**
Diluted loss per share[2]	**(91.8)**	**(129.6)**

1. Weighted average number of shares used in basic Earnings Per Share calculation of 1,882 million (2020: 1,516 million) excludes unallocated treasury shares.
2. Weighted average number of shares used in basic and diluted Earnings Per Share calculation is the same for the years ended 30 June 2021 and 30 June 2020 as the effect of share rights expected to vest are anti-dilutive and excluded from the calculation. Weighted average number of shares used in diluted Earnings Per Share calculation of 1,882 million (2020: 1,516 million) excludes unallocated treasury shares.

	2021 $M	2020 $M
Statutory loss attributable to members of Qantas	**(1,728)**	**(1,964)**

NUMBER OF SHARES	2021 Number M	2020 Number M
Issued shares as at 1 July	1,864	1,571
Shares bought back and cancelled	-	(80)
Capital raising	22	373
Issued shares as at 30 June	**1,886**	**1,864**
Weighted average number of shares for the year	**1,883**	**1,518**

4 REVENUE AND OTHER INCOME

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREA

	2021 $M	2020 $M
Net passenger and freight revenue		
Australia	4,214	9,262
Overseas	868	3,966
Total net passenger and freight revenue	**5,082**	**13,228**
Other revenue and income	852	1,029
Total revenue and other income	**5,934**	**14,257**

Net passenger and freight revenue is attributed to a geographic region based on the point of sale, or where not directly available, on a pro-rata basis. Other revenue and income is not allocated to a geographic region as it is impractical to do so.

Notes to the Financial Statements continued

For the year ended 30 June 2021

4 REVENUE AND OTHER INCOME (CONTINUED)

(B) OTHER REVENUE AND INCOME

	2021 $M	2020 $M
Frequent Flyer marketing revenue and other Qantas Loyalty businesses	431	467
Qantas Rewards Store and other redemption revenue[1,2]	81	96
Third-party services revenue	128	263
Other income	212	203
Total other revenue and income	**852**	**1,029**

1. Frequent Flyer redemption revenue excludes redemptions on Qantas Group flights which are reported as net passenger revenue in the Consolidated Income Statement.
2. Where the Group acts as an agent for redemptions, an adjustment is made within consolidation eliminations to present these redemptions on a net basis.

5 DEPRECIATION AND AMORTISATION

	Notes	2021 $M	2020 $M
Property, plant and equipment	15	1,356	1,446
Right of use assets	16(A)	373	402
Intangible assets	17	200	197
Total depreciation and amortisation		**1,929**	**2,045**

6 NET GAIN ON DISPOSAL OF ASSETS

	2021 $M	2020 $M
Net gain on disposal of property, plant and equipment	(26)	(7)
Total net gain on disposal of assets	**(26)**	**(7)**

7 OTHER EXPENDITURE

	2021 $M	2020 $M
Commissions and other selling costs	166	506
Computer and communication	320	489
Capacity hire (excluding lease components)	139	268
Property occupancy and utility expenses	121	176
Marketing and advertising	70	160
Discretionary bonuses to non-executive employees	-	30
Discount rate changes impact on provisions	(4)	7
Other	246	314
Total other expenditure	**1,058**	**1,950**

Notes to the Financial Statements continued

For the year ended 30 June 2021

8 NET FINANCE COSTS

	Note	2021 $M	2020 $M
FINANCE INCOME			
Interest income on financial assets measured at amortised cost		15	29
Unwind of discount on receivables		5	4
Total finance income		**20**	**33**
FINANCE COSTS			
Interest expense on financial liabilities measured at amortised cost		(240)	(223)
Interest expense on leases	16(C)	(75)	(96)
Interest paid and capitalised on qualifying assets[1]		21	48
Total finance costs on financial liabilities		**(294)**	**(271)**
Unwind of discount on provisions and other liabilities			
Employee benefits		(4)	(15)
Other liabilities and provisions		(23)	(18)
Total unwind of discount on other liabilities and provisions		**(27)**	**(33)**
Total finance costs		**(321)**	**(304)**
Net finance costs		**(301)**	**(271)**

1. The borrowing costs are capitalised using a 3.8 per cent interest rate (2020: 4.9 per cent).

9 INCOME TAX BENEFIT

(A) INCOME TAX RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

	2021 $M	2020 $M
Current income tax expense		
Current income tax – Australia	-	-
Current income tax – foreign	(1)	(4)
Total current income tax expense	**(1)**	**(4)**
Deferred income tax benefit		
Origination and reversal of temporary differences	(49)	675
Benefit of tax losses	671	86
Current year deferred income tax benefit	**622**	**761**
Adjustments for the prior year	2	(13)
Total deferred income tax benefit	**624**	**748**
Total income tax benefit in the Consolidated Income Statement	**623**	**744**

(B) RECONCILIATION BETWEEN INCOME TAX BENEFIT AND STATUTORY LOSS BEFORE INCOME TAX

	2021 $M	2020 $M
Statutory loss before income tax benefit	**(2,351)**	**(2,708)**
Income tax benefit using the domestic corporate tax rate of 30 per cent	705	812
Adjusted for:		
Differences in loss from investments accounted for under the equity method	(38)	(20)
Losses for foreign branches not recognised	(9)	(5)
Losses for controlled entities not recognised	(38)	(19)
Write-down of investments and non-deductible CGU impairments	-	(29)
Non-assessable gain on property, plant and equipment	1	-
Other net non-assessable items	-	6
Over/(under) provision from prior periods	2	(1)
Income tax benefit	**623**	**744**

Notes to the Financial Statements continued

For the year ended 30 June 2021

9 INCOME TAX BENEFIT (CONTINUED)

(C) INCOME TAX (EXPENSE)/BENEFIT RECOGNISED DIRECTLY IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 $M	2020 $M
Income tax on:		
Cash flow hedges	(133)	76
Defined benefit actuarial (gains)/losses	(108)	17
Fair value gains on investments	(15)	(2)
Income tax (expense)/benefit recognised directly in the Consolidated Statement of Comprehensive Income	**(256)**	**91**

(D) RECONCILIATION OF INCOME TAX BENEFIT TO INCOME TAX (PAYABLE)/RECEIVABLE

	2021 $M	2020 $M
Income tax benefit	**623**	**744**
Adjusted for temporary differences:		
Receivables	69	29
Inventories	(1)	(2)
Investments accounted for under the equity method	18	(23)
Property, plant and equipment and intangible assets	71	(352)
Right of use assets	(66)	(4)
Payables	11	14
Revenue received in advance	(78)	(80)
Interest-bearing liabilities	4	(15)
Lease liabilities	123	(16)
Other financial (liabilities)/assets	(35)	20
Provisions	78	(219)
Other items	(145)	(27)
Temporary differences	**49**	**(675)**
Adjustments for the prior year	(2)	13
Value of recognised tax losses	**670**	**82**
Tax losses recognised (Australian)[1]	(671)	(86)
Tax instalments paid	-	141
Income tax (payable)/receivable[2]	**(1)**	**137**

1. A deferred tax asset of $671 million has been recognised for income tax losses and is expected to be recovered in future periods.
2. Financial year 2020/21 net income tax payable of $1 million relates to overseas income tax and is reported in payables.

10 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

(A) DIVIDENDS DECLARED AND PAID

During the year ended 30 June 2021, the Group did not declare or pay any dividends. No dividend will be paid in relation to the year ended 30 June 2021.

(B) FRANKING ACCOUNT

	2021 $M	2020 $M
Total franking account balance at 30 per cent	-	-

The above amount represents the balance of the franking account as at 30 June, after taking into account adjustments for:

- Franking credits that will arise from the payment of income tax payable for the current year
- Franking credits that will arise from the receipt of dividends recognised as receivables at the year end
- Franking credits that may be prevented from being distributed in subsequent years.

Notes to the Financial Statements continued

For the year ended 30 June 2021

11 RECEIVABLES

	2021 $M			2020 $M		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	489	-	489	335	-	335
Less provision for impairment losses	(6)	-	(6)	(17)	-	(17)
Total trade receivables	**483**	**-**	**483**	**318**	**-**	**318**
Sundry receivables	96	54	150	202	101	303
Total receivables	**579**	**54**	**633**	**520**	**101**	**621**

	2021 $M	2020 $M
The ageing of trade receivables, net of provision for expected credit losses, at 30 June was:[1]		
Not past due	386	191
Past due 1–30 days	75	86
Past due 31–120 days	16	4
Past due 121 days or more	6	37
Total trade receivables	**483**	**318**

1. The Group assesses at each reporting date whether the carrying value of financial assets is impaired. Where necessary, a provision for expected credit losses (ECL) is recognised, depending on whether there has been a significant increase in credit risk, including risk of default occurring since initial recognition. Refer to Note 37(G) for the Group's accounting policy.

12 INVENTORIES

	2021 $M	2020 $M
Engineering expendables	243	256
Consumables stores	36	50
Total inventories	**279**	**306**

13 ASSETS CLASSIFIED AS HELD FOR SALE

2021 $M	Opening Net Book Value	Transferred from Property, Plant and Equipment	Disposals	Impairment	Closing Net Book Value
Aircraft and engines	58	1	(55)	(3)	1
Total assets classified as held for sale	**58**	**1**	**(55)**	**(3)**	**1**

2020 $M	Opening Net Book Value	Transferred from Property, Plant and Equipment	Disposals	Impairment	Closing Net Book Value
Aircraft and engines	1	71	(14)	-	58
Total assets classified as held for sale	**1**	**71**	**(14)**	**-**	**58**

The fair value measurement for property, plant and equipment classified as held for sale has been categorised under the fair value hierarchy as Level 2. Refer to Note 37(C) for a definition of the fair value hierarchy.

Notes to the Financial Statements continued

For the year ended 30 June 2021

14 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Ownership interest in investments accounted for under the equity method[1]

	June 2021 %	June 2020 %
Fiji Resorts Limited	21	21
Hallmark Aviation Services L.P.	49	49
HT & T Travel Philippines, Inc.	28	28
Holiday Tours and Travel (Thailand) Ltd.	37	37
Holiday Tours and Travel Vietnam Co. Ltd.	37	37
Holiday Tours and Travel (GSA) Ltd.	37	37
Helloworld Travel Limited[2]	12	15
Jetstar Japan Co. Ltd.	33	33
Pacific Airlines[3]	30	30
PT Holidays Tours & Travel	37	37

1. Based on voting rights.
2. The investment in Helloworld Travel Limited was diluted from 15% to 12% due to issue of new shares by Helloworld Travel Limited pursuant to its equity raising.
3. Jetstar Pacific Airline Aviation Joint Stock Company has been rebranded to Pacific Airlines. The Group has discontinued equity accounting for its interest and the investment is recognised as Held for Sale with a nil carrying value.

	Note	2021 $M	2020 $M
Balance as at 1 July		**59**	**217**
Cash additions		48	2
Non-cash additions		18	-
Dividends received		-	(15)
Share of net loss		(129)	(53)
Share of reserves and other movements		14	3
Transfer to provisions	22	48	-
Impairment[1]	25(C)	(1)	(95)
Balance as at 30 June		**57**	**59**

1. The Group recognised a net impairment of $1 million (2020: $70 million) in relation to its investment in Helloworld Travel Ltd. (ASX: HLO). The impairment recognised was determined with reference to the volume weighted average price (VWAP) in the last quarter of the 2020/21 financial year. In the 2019/20 financial year, the Group recognised an impairment of $25 million in relation to its investment in Pacific Airlines (formerly known as Jetstar Pacific) due to the announced exit of the business, reducing the carrying value of Pacific Airlines to nil.

Notes to the Financial Statements continued

For the year ended 30 June 2021

15 PROPERTY, PLANT AND EQUIPMENT

	2021 $M			2020 $M		
	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Freehold land	49	-	49	49	-	49
Buildings	287	(218)	69	288	(215)	73
Leasehold improvements	1,112	(910)	202	1,082	(873)	209
Plant and equipment	1,327	(1,035)	292	1,437	(1,043)	394
Aircraft and engines	21,705	(12,971)	8,734	21,728	(11,943)	9,785
Aircraft spare parts	891	(458)	433	886	(432)	454
Aircraft deposits	1,008	-	1,008	762	-	762
Total property, plant and equipment	**26,379**	**(15,592)**	**10,787**	**26,232**	**(14,506)**	**11,726**

2021 $M	Opening Net Book Value	Cash Additions[1]	Disposals	Transfers[2]	Transferred (to)/from Assets Classified as Held for Sale	Depreciation	Impairment	Other[3]	Closing Net Book Value
Freehold land	49	-	-	-	-	-	-	-	49
Buildings	73	-	-	-	-	(3)	-	(1)	69
Leasehold improvements	209	20	-	3	-	(36)	(1)	7	202
Plant and equipment	394	11	(21)	(25)	-	(60)	(1)	(6)	292
Aircraft and engines	9,785	420	-	26	(1)	(1,222)	(223)	(51)	8,734
Aircraft spare parts	454	31	-	(2)	-	(35)	-	(15)	433
Aircraft deposits	762	281	-	(26)	-	-	-	(9)	1,008
Total property, plant and equipment	**11,726**	**763**	**(21)**	**(24)**	**(1)**	**(1,356)**	**(225)**	**(75)**	**10,787**

2020 $M	Opening Net Book Value	Cash Additions[1]	Disposals	Transfers[2]	Transferred (to)/from Assets Classified as Held for Sale	Depreciation	Impairment	Other[3]	Closing Net Book Value
Freehold land	49	-	-	-	-	-	-	-	49
Buildings	77	-	-	-	-	(4)	-	-	73
Leasehold improvements	212	74	-	(3)	-	(34)	(41)	1	209
Plant and equipment	418	55	(8)	2	-	(65)	-	(8)	394
Aircraft and engines	10,747	982	(14)	230	(72)	(1,300)	(921)	133	9,785
Aircraft spare parts	490	76	(1)	(4)	1	(43)	(40)	(25)	454
Aircraft deposits	783	254	-	(241)	-	-	-	(34)	762
Total property, plant and equipment	**12,776**	**1,441**	**(23)**	**(16)**	**(71)**	**(1,446)**	**(1,002)**	**67**	**11,726**

1. Additions includes capitalised interest of $17 million (2020: $42 million).
2. Transfers includes transfers between categories of property, plant and equipment and transfers from/(to) other balance sheet accounts.
3. Other includes non-cash movements, movements in accrued payments for property, plant and equipment (2021: $46 million, 2020: $113 million) and disposals where the proceeds have not yet been received (2021: $6 million, 2020: nil).

(A) AIRCRAFT BY GEOGRAPHIC AREA

Aircraft supporting the Group's global operations are primarily located in Australia, with the exception of those aircraft which are currently in storage overseas.

(B) SECURED ASSETS

Certain aircraft and engines act as security against related financing facilities. Under the terms of certain financing facilities entered into by the Qantas Group, the underwriters of these agreements have a fixed charge over certain aircraft and engines to the extent that debt has been issued directly to those underwriters. The total carrying amount of assets under pledge is $5,980 million (2020: $6,326 million).

Notes to the Financial Statements continued

For the year ended 30 June 2021

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(C) CAPITAL EXPENDITURE COMMITMENTS

The Group's capital expenditure commitments as at 30 June 2021 are $8,114 million (2020: $9,028 million). The Group has certain rights within its aircraft purchase contracts which can defer the capital expenditure commitments.

The Group's capital expenditure commitments are predominantly denominated in US dollars. Commitments reported above are translated to the Group's Australian dollar presentational currency at the 30 June 2021 closing exchange rate of $0.75 (30 June 2020: $0.69).

16 LEASES

(A) RIGHT OF USE ASSETS

	2021 $M			2020 $M		
	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Aircraft	2,581	(2,175)	406	2,604	(1,994)	610
Property	1,583	(951)	632	1,527	(845)	682
Other	284	(213)	71	334	(186)	148
Total right of use assets	**4,448**	**(3,339)**	**1,109**	**4,465**	**(3,025)**	**1,440**

2021 $M	Opening Net Book Value	Additions/ Modifications/ Remeasurements	Transfers[1]	Depreciation	Other[2]	Closing Net Book Value
Aircraft	610	8	3	(186)	(29)	406
Property	682	113	(1)	(129)	(33)	632
Other	148	9	(28)	(58)	-	71
Total right of use assets	**1,440**	**130**	**(26)**	**(373)**	**(62)**	**1,109**

2020 $M	Opening Net Book Value	Additions/ Modifications/ Remeasurements	Transfers[1]	Depreciation	Other[2]	Closing Net Book Value
Aircraft	684	147	-	(214)	(7)	610
Property	640	177	(25)	(127)	17	682
Other	95	129	-	(61)	(15)	148
Total right of use assets	**1,419**	**453**	**(25)**	**(402)**	**(5)**	**1,440**

1. Transfers includes transfers from/(to) lease receivables where the Group is a sub-lessor.
2. Other movements include early terminations of $37 million (2020: $3 million), the impairment of other right of use assets, mainly supporting the Group's A380 fleet of nil (2020: $14 million) and impairment of aircraft right of use assets recognised within the Jetstar Asia CGU of $20 million (2020: nil), foreign exchange movements and changes in the measurement of make good assets.

(B) LEASE RECEIVABLES

	2021 $M			2020 $M		
	Current	Non-current	Total	Current	Non-current	Total
Finance lease receivable[1]	5	47	52	2	23	25
Total	**5**	**47**	**52**	**2**	**23**	**25**

1. The Group has subleased property, plant and equipment and aircraft and classified the sublease as a finance lease. The subleased portion of the right of use asset was derecognised and the Group recognised a finance lease receivable (net investment in the finance lease). The interest income recognised on the net investment in the finance lease was $2 million (2020: $0.5m).

(C) LEASE LIABILITIES

	2021 $M			2020 $M		
	Current	Non-current	Total	Current	Non-current	Total
Aircraft	175	296	471	282	491	773
Property	154	679	833	163	740	903
Other	54	41	95	79	87	166
Total lease liabilities	**383**	**1,016**	**1,399**	**524**	**1,318**	**1,842**

Notes to the Financial Statements continued

For the year ended 30 June 2021

16 LEASES (CONTINUED)

(C) LEASE LIABILITIES (CONTINUED)

2021 $M	Opening Balance	Additions/ Modifications/ Remeasurements	Lease Repayments[1]	Interest	Foreign Exchange	Other[2]	Closing Balance
Aircraft	773	8	(273)	22	(59)	-	471
Property	903	113	(145)	50	(9)	(79)	833
Other	166	9	(75)	3	(8)	-	95
Total lease liabilities	**1,842**	**130**	**(493)**	**75**	**(76)**	**(79)**	**1,399**

2020 $M	Opening Balance	Additions/ Modifications/ Remeasurements	Lease Repayments[1]	Interest	Foreign Exchange	Other[2]	Closing Balance
Aircraft	830	147	(242)	36	2	-	773
Property	825	177	(142)	55	2	(14)	903
Other	97	129	(65)	5	-	-	166
Total lease liabilities	**1,752**	**453**	**(449)**	**96**	**4**	**(14)**	**1,842**

1. Lease repayments of $493 million includes $420 million principal repayments and $73 million interest repayments. The lease repayments in financial year 2020/21 include deferred lease repayments of $49 million from 2020 (2020: Lease repayments of $449 million includes $367 million principal repayments and $82 million interest repayments. The lease repayments exclude deferred lease repayments of $60 million).
2. Other movements include rental waivers of $31 million (2020: $13 million), early terminations of $39 million (2020: $3 million).

(D) RECOGNISED WITHIN OTHER EXPENSES IN THE CONSOLIDATED INCOME STATEMENT

	2021 $M	2020 $M
Lease expense for short-term leases	-	5
Variable lease expenses not included in lease liabilities	2	-
Rental waivers	31	13

17 INTANGIBLE ASSETS

	2021 $M			2020 $M		
	At Cost	Accumulated Amortisation and Impairment	Net Book Value	At Cost	Accumulated Amortisation and Impairment	Net Book Value
Goodwill	166	-	166	162	-	162
Airport landing slots	35	-	35	35	-	35
Software	1,874	(1,394)	480	1,966	(1,281)	685
Brand names and trademarks	1	-	1	1	-	1
Customer contracts/relationships	4	(4)	-	4	(4)	-
Contract intangible assets	171	(4)	167	167	-	167
Total intangible assets	**2,251**	**(1,402)**	**849**	**2,335**	**(1,285)**	**1,050**

2021 $M	Opening Net Book Value	Cash Additions[1]	Transfers[2]	Amortisation	Impairment	Other[3]	Closing Net Book Value
Goodwill	162	-	-	-	-	4	166
Airport landing slots	35	-	-	-	-	-	35
Software	685	14	1	(196)	(22)	(2)	480
Brand names and trademarks	1	-	-	-	-	-	1
Contract intangible assets	167	3	-	(4)	-	1	167
Total intangible assets	**1,050**	**17**	**1**	**(200)**	**(22)**	**3**	**849**

1. Additions includes capitalised interest of $4 million.
2. Transfers includes those between categories of intangible assets and transfers from/(to) other balance sheet accounts.
3. Other movements include Goodwill recognised on acquisition of National Jet Systems in July 2020 of $4 million and foreign exchange movements.

Notes to the Financial Statements continued

For the year ended 30 June 2021

17 INTANGIBLE ASSETS (CONTINUED)

2020 $M	Opening Net Book Value	Cash Additions[1]	Transfers[2]	Amortisation	Impairment	Other	Closing Net Book Value
Goodwill	209	-	-	-	(47)	-	162
Airport landing slots	35	-	-	-	-	-	35
Software	826	150	1	(197)	(97)	2	685
Brand names and trademarks	28	-	-	-	(26)	(1)	1
Customer contracts/relationships	1	-	-	-	-	(1)	-
Contract intangible assets	126	41	-	-	-	-	167
Total intangible assets	**1,225**	**191**	**1**	**(197)**	**(170)**	**-**	**1,050**

1. Additions includes capitalised interest of $6 million.
2. Transfers includes those between categories of intangible assets and transfers from/(to) other balance sheet accounts.

18 DEFERRED TAX ASSETS

	2021 $M	2020 $M
Deferred tax assets	**675**	**167**

(A) RECONCILIATION OF DEFERRED TAX ASSETS

2021 $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Other	Closing Balance
Receivables	(58)	(69)	-	-	(127)
Inventories	(13)	1	-	-	(12)
Investments accounted for under the equity method	(3)	(18)	-	-	(21)
Property, plant and equipment and intangible assets	(1,316)	(71)	-	-	(1,387)
Right of use assets	(422)	66	-	-	(356)
Payables	34	(11)	-	-	23
Revenue received in advance	865	78	-	-	943
Interest-bearing liabilities	(127)	(4)	-	-	(131)
Lease liabilities	542	(123)	-	-	419
Other financial assets/(liabilities)	(41)	35	(133)	-	(139)
Provisions	622	(78)	-	4[1]	548
Other items	(2)	145	(123)	2[2]	22
Tax value of prepaid tax instalments	-	-	-	136	136
Tax value of recognised tax losses	86	671	-	-	757
Total deferred tax assets	**167**	**622**	**(256)**	**142**	**675**

1. A deferred tax asset of $4 million referable to acquisition of National Jet Systems Pty Ltd and National Jet Operations Services Pty Ltd.
2. A deferred tax asset of $4 million referable to a timing difference associated with deductible expenditure for capital raising and an increase in deferred tax liability of ($2) million relating to share-based payments recognised in retained earnings.

Notes to the Financial Statements continued

For the year ended 30 June 2021

18 DEFERRED TAX ASSETS (CONTINUED)

(A) RECONCILIATION OF DEFERRED TAX ASSETS (CONTINUED)

2020 $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Other	Closing Balance
Receivables	(29)	(29)	-	-	(58)
Inventories	(15)	2	-	-	(13)
Investments accounted for under the equity method	(26)	23	-	-	(3)
Property, plant and equipment and intangible assets	(1,668)	352	-	-	(1,316)
Right of use assets	(426)	4	-	-	(422)
Payables	48	(14)	-	-	34
Revenue received in advance	785	80	-	-	865
Interest-bearing liabilities	(142)	15	-	-	(127)
Lease liabilities	526	16	-	-	542
Other financial assets/(liabilities)	(97)	(20)	76	-	(41)
Provisions	403	219	-	-	622
Other items	(53)	27	15	9[1]	(2)
Tax value of recognised tax losses	-	86	-	-	86
Total deferred tax (liabilities)/assets	**(694)**	**761**	**91**	**9**	**167**

1. A decrease in deferred tax liability of $9 million relating to share-based payments recognised in retained earnings.

(B) QANTAS GROUP CARRIED FORWARD TAX LOSSES

	2021 $M	2020 $M
Tax losses available to be utilised in current year	(86)	-
Total tax losses brought forward	**(86)**	**-**
Tax losses utilised against current taxable income	-	-
Tax losses recognised	(671)	(86)
Tax losses carried forward to be utilised in future years[1]	**(757)**	**(86)**

1. A deferred tax asset of $757 million has been recognised for income tax losses and is expected to be recovered in future periods.

(C) UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised with respect to the following items:

	2021 $M	2020 $M
Tax losses – New Zealand	30	21
Tax losses – Singapore	46	33
Tax losses – Hong Kong	11	13
Tax losses – Capital losses	2	-
Total unrecognised deferred tax assets	**89**	**67**

19 OTHER ASSETS

	Note	2021 $M			2020 $M		
		Current	Non-current	Total	Current	Non-current	Total
Prepayments		99	220	319	121	222	343
Net defined benefit asset	30(B)	-	317	317	-	28	28
Other assets[1]		70	150	220	72	119	191
Total other assets		**169**	**687**	**856**	**193**	**369**	**562**

1. Other assets include incremental costs of obtaining a contract. Refer to Note 37(D)(vii) for the Group's accounting policy.

Notes to the Financial Statements continued

For the year ended 30 June 2021

20 REVENUE RECEIVED IN ADVANCE

	2021 $M			2020 $M		
	Current	Non-current	Total	Current	Non-current	Total
Unavailed passenger revenue	2,143	-	2,143	2,031	-	2,031
Unredeemed Frequent Flyer revenue	894	2,119	3,013	617	2,200	2,817
Other revenue received in advance	240	35	275	136	56	192
Total revenue received in advance	**3,277**	**2,154**	**5,431**	**2,784**	**2,256**	**5,040**

Unavailed passenger revenue relates to sales to passengers in advance of the date of passenger travel. The balance includes tickets relating to travel with a travel date subsequent to year end and tickets which have been transferred to a travel credit as a result of flight cancellations from border closures and other restrictions due to the impact of COVID-19.

Tickets generally expire either within 12 months after the planned travel date if they are not used within that time period, or on the date of planned travel, depending on the terms and conditions. At the time of travel, revenue is also recognised in respect of tickets that are not expected to be used. Unused tickets are recognised as revenue using estimates based on the terms and conditions of the ticket, experience, historical and expected future trends.

Travel credits are available to be used for future flights and are typically eligible for refund. Where customers have made refund claims by 30 June 2021, these are no longer classified as unavailed passenger revenue and are reported as payables in the Consolidated Balance Sheet. Further refund claims are expected, given that the Group's forecast flight schedule remains severely restricted. Notwithstanding that travel credits may not be expected to be utilised in the next 12 months, unavailed passenger revenue is classified as current on the basis that the Group does not have an unconditional right to defer usage of the ticket for at least 12 months.

Unredeemed Frequent Flyer revenue relates to performance obligations associated with Qantas Points which have been issued but not redeemed. Qantas Points are issued by the Group as part of the Qantas Frequent Flyer program or are sold to third parties such as credit cards providers, who issue them as part of their loyalty programs. Unredeemed Frequent Flyer revenue is classified as either current or non-current based on the Group's expectation of redemption patterns by members within the next 12 months under the Recovery Plan. The non-current amount of Unredeemed Frequent Flyer revenue will be materially recognised as revenue over three years. Significant changes in Qantas Points expected to expire unredeemed are recognised within other revenue and income using estimates based on the terms and conditions of the Frequent Flyer program, experience, historical and expected future trends.

Other revenue received in advance primarily relates to prepaid Qantas Club membership fees, revenue collected on behalf of other airlines, unavailed cargo revenue and grants or supplier incentives the Group has received but are recognised over time. Other revenue is classified as current where it is expected to be recognised or transferred to another carrier within the next 12 months.

21 NET ON BALANCE SHEET DEBT

(A) CASH AND CASH EQUIVALENTS

	2021 $M	2020 $M
Cash balances	143	249
Cash at call	327	733
Short-term money market securities and term deposits	1,751	2,538
Total cash and cash equivalents	**2,221**	**3,520**

Cash and cash equivalents comprise cash at bank and cash on hand, cash at call and short-term money market securities and term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Short-term money market securities of $250 million (2020: $76 million) held by the Qantas Group are pledged as collateral under the terms of certain operational financing facilities when underlying unsecured limits are exceeded. The collateral cannot be sold or repledged in the absence of default by the Qantas Group.

(B) INTEREST-BEARING LIABILITIES

	2021 $M			2020 $M		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans – secured	433	1,628	2,061	362	1,742	2,104
Bank loans – unsecured	-	436	436	-	320	320
Other loans – secured	241	2,328	2,569	110	2,615	2,725
Other loans – unsecured	295	1,469	1,764	396	1,148	1,544
Total interest-bearing liabilities	**969**	**5,861**	**6,830**	**868**	**5,825**	**6,693**

Certain current and non-current interest-bearing liabilities relate to specific financing of aircraft and engines and are secured by the aircraft to which they relate (refer to Note 15).

(C) UNDRAWN FACILITIES

At 30 June 2021, the Group has an undrawn Revolving Credit Facility of $1,575 million (2020: $1,000 million).

Notes to the Financial Statements continued

For the year ended 30 June 2021

21 NET ON BALANCE SHEET DEBT (CONTINUED)

(D) ANALYSIS OF CHANGES IN NET ON BALANCE SHEET DEBT

2021 $M	Opening Balance	Debt Repayment	Debt Drawdown	Foreign Exchange, Mark to Market and Non-cash Movements	Shareholder Distributions	Treasury Shares	Equity Raising	Other Net Cash Movement	Closing Balance
Interest-bearing liabilities	6,693	(759)	937	(41)	-	-	-	-	6,830
Cash	(3,520)	759	(937)	10	-	-	(58)	1,525	(2,221)
Net on balance sheet debt	**3,173**	**-**	**-**	**(31)**	**-**	**-**	**(58)**	**1,525**	**4,609**

2020 $M	Opening Balance	Debt Repayment	Debt Drawdown	Foreign Exchange, Mark to Market and Non-cash Movements	Shareholder Distributions	Treasury Shares	Equity Raising	Other Net Cash Movement	Closing Balance
Interest-bearing liabilities	5,137	(625)	2,155	26	-	-	-	-	6,693
Cash	(2,157)	625	(2,155)	2	647	5	(1,342)	855	(3,520)
Net on balance sheet debt	**2,980**	**-**	**-**	**28**	**647**	**5**	**(1,342)**	**855**	**3,173**

22 PROVISIONS

	2021 $M			2020 $M		
	Current	Non-current	Total	Current	Non-current	Total
Annual leave	375	-	375	351	-	351
Long service leave	340	50	390	469	61	530
Redundancies and other employee benefits	123	-	123	569	-	569
Total employee benefits	**838**	**50**	**888**	**1,389**	**61**	**1,450**
Onerous contracts	31	-	31	65	4	69
Make good on leased assets	131	523	654	23	469	492
Insurance, legal and other	136	116	252	62	117	179
Total other provisions	**298**	**639**	**937**	**150**	**590**	**740**
Total provisions	**1,136**	**689**	**1,825**	**1,539**	**651**	**2,190**

Reconciliations of the movements of each class of provision, other than employee benefits, are set out below:

2021 $M	Opening Balance	Provisions Made	Provisions Utilised	Unwind of Discount	Discount Rate Change	Transfers from Investments in Associates	Other	Closing Balance
Onerous contracts	69	11	(47)	-	-	-	(2)	31
Make good on leased assets	492	182	(8)	10	10	-	(32)	654
Insurance, legal and other	179	57	(41)	-	6	48	3	252
Total other provisions	**740**	**250**	**(96)**	**10**	**16**	**48**	**(31)**	**937**

Notes to the Financial Statements continued

For the year ended 30 June 2021

23 CAPITAL

(A) ISSUED CAPITAL

	2021 $M	2020 $M
Opening balance: 1,863,491,352 (June 2020: 1,570,505,939) ordinary shares, fully paid	3,104	1,871
Shares bought back during the year: nil (June 2020: 79,712,857) ordinary shares	-	(95)
Capital raising: 22,553,346 (June 2020: 372,698,270) ordinary shares	82	1,328
Closing balance: 1,886,044,698 (2020: 1,863,491,352) ordinary shares	**3,186**	**3,104**

On 10 August 2020, the Group completed a retail Share Purchase Plan resulting in the issuance of 22.6 million shares at $3.18 per share totalling $71.7 million. Equity raising costs were accrued against the capital raising as at June 2020 as a reduction in Issued Capital. The tax benefit of these costs was recognised in equity in the year ended 30 June 2021, resulting in an increase in Issued Capital of $10 million. The fully underwritten Institutional Placement in June 2020 and the Share Purchase Plan in July 2020 provided total proceeds of $1,432 million, resulting in an increase in Issued Capital of $1,410 million, net of tax and fees.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of wind-up, Qantas ordinary shareholders rank after all creditors and are fully entitled to any residual proceeds on liquidation.

(B) TREASURY SHARES

Treasury shares consist of shares held in trust for Qantas employees in relation to equity compensation plans. As at 30 June 2021, 3,099,413 (2020: 9,299,475) shares were held in trust and classified as treasury shares.

(C) CAPITAL MANAGEMENT

The Qantas Group's Financial Framework is designed to achieve top quartile Total Shareholder Return relative to the ASX100 and global airline peers. The Framework's key elements are to:

- Maintain an optimal capital structure that minimises the cost of capital by holding an appropriate level of Net Debt. The appropriate level of Net Debt reflects the Qantas Group's size, measured by Invested Capital. This is consistent with investment grade credit metrics
- Deliver ROIC that exceeds the weighted average cost of capital through the cycle
- Make disciplined capital allocation decisions between reinvestment, debt reduction and distribution of surplus capital to shareholders while maintaining an optimal capital structure.

Surplus capital is determined on a forward-looking basis, which is the difference between the projected Net Debt position and the target Net Debt position.

The Qantas Group maintains access to a broad range of debt markets, both secured and unsecured. The Qantas Group maintains a prudent liquidity policy that ensures adequate coverage of liquidity requirements while considering a range of adverse scenarios.

	Metric	2021	2020
Net Debt[1]	$4.5B to $5.6B[2]	$5.9B	$4.7B
Return on Invested Capital (%)	ROIC > WACC	(23.3) per cent	5.8 per cent
Net capital expenditure[3]		$693M	$1.57B
Shareholder distributions		-	$0.6B

1. Net Debt is a non-statutory measure. It includes balance sheet debt and capitalised aircraft lease liabilities under the Group's Financial Framework. Capitalised aircraft lease liabilities are measured at fair value at the lease commencement date and remeasured over the lease term on a principal and interest basis. The residual value of the capitalised aircraft lease liability denominated in a foreign currency is translated at the long-term exchange rate.
2. Target Net Debt range of $4.5 billion to $5.6 billion is based on the Invested Capital of approximately $6 billion as at 30 June 2020.
3. Net capital expenditure is a non-statutory measure which is equal to net investing cash flows included in the Consolidated Cash Flow Statement of $722 million (2020: $1.57 billion) and the impact to Invested Capital from the disposals/acquisitions of leased aircraft. During the year ended 30 June 2021, there were no new aircraft leases and a reduction in net capital expenditure of ($29 million) for the return (disposal) of leased aircraft.

Notes to the Financial Statements continued

For the year ended 30 June 2021

24 GOVERNMENT GRANTS AND ASSISTANCE

To mitigate the impacts of COVID-19, governments have provided businesses, and specifically the aviation sector, with various support packages in the form of rebates and other financial assistance. The Group has recognised government grants and assistance where there is reasonable assurance that the Group will comply with all the associated conditions and that the grants/assistance will be received.

Packages	Description
RANS, DANS and government repatriation flights *RANS/DANS recognised within other revenue and income* *Government repatriation flights recognised within net passenger revenue*	This package is underwritten by the Australian Government. The Group operated a series of domestic and regional flights on behalf of the Australian Government to maintain critical links that had been made commercially unviable by COVID-related travel restrictions. It includes a baseline network of domestic passenger flights servicing the most critical metropolitan and regional routes while providing freight belly space capacity. In addition, the Australian Government commissioned Qantas to conduct various charter repatriation flights. The Regional Airline Network Support (RANS), Domestic Aviation Network Support (DANS) and government repatriation flights were operated on a fee-for-service basis, with fare revenue offsetting the cost to the taxpayer. Income of $118 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses. On 2 August 2021, the government announced it was extending the DANS and RANS program until 31 December 2021.
Tourism Aviation Network Support (TANS) *Recognised within other revenue and income*	This program is intended to increase the number of flight frequencies to selected regions which have been heavily impacted by the loss of international tourists above minimum connectivity (aviation surge capacity) and to also reduce the cost of flying for consumers by discounting ticket prices to those regions through half price airfares. Discounts are offered on a selected number of routes per week across 15 key tourism regions with the original sale period between 1 April 2021 and 31 July 2021 for travel by 30 September 2021. On 2 August 2021, the travel and sale period for the TANS program was extended until 30 November 2021 due to various state lockdowns and border closures. Income of $19 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.
International Freight Assistance Mechanism (IFAM) *Recognised within net freight revenue*	This mechanism is intended to restore critical global supply chains which have been heavily impacted by COVID-19 containment measures around the world to ensure exporters maintain connectivity to strategic markets. On 11 March 2021, the government announced an extension of the program to the end of September 2021. Income of $219 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.
JobKeeper Payment (JobKeeper) *Recognised within manpower and staff-related expenses*	This program was intended to help keep more Australians in jobs and support businesses affected by the significant economic impact of COVID-19. The original JobKeeper was in place until 27 September 2020. On 21 July 2020, the government announced the extension of JobKeeper to 28 March 2021 at modified rates and eligibility. JobKeeper is recorded net of manpower-related expenses. As one of the most heavily impacted companies, the Qantas Group recognised $588 million of JobKeeper, which was either paid directly to stood down employees or subsidised the wages of those still working.
International Aviation Support (IAS) Package *Recognised within other revenue and income*	The program is intended to provide support to maintain a core Australian international aviation workforce and operational capability to ensure airlines can quickly restart commercial international flights once international restrictions are lifted. Announced on 11 March 2021, the IAS program runs between 1 April 2021 and 31 October 2021. The funding covers employee support and retention payments to maintain international workforce capability, training to ensure international workers maintain their skills and currency, maintenance and costs associated with bringing international aircraft out of long-term storage, and port readiness costs. Income of $22 million was recognised in the Consolidated Income Statement. The costs to awaken aircraft and the training of the international workforce was recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel and other expenses. Further to the payments made in relation to international readiness, the Group also received $27 million of employee retention payments. This was wholly passed through to impacted employees and the Group received no benefit.

Notes to the Financial Statements continued

For the year ended 30 June 2021

24 GOVERNMENT GRANTS AND ASSISTANCE (CONTINUED)

Packages	Description
Australian Airline Financial Relief Package (AAFRP)[1] *Recognised within aircraft operating variable expenses*	Includes the refunding and ongoing waiving of a range of government charges on the industry including aviation fuel excise, Airservices Australia charges on domestic airline operations[1] and domestic and regional aviation security charges. Applicable charges applying to flights between 1 February 2020 and 31 December 2020 were eligible for consideration in accordance with the eligibility criteria and related information set out in the grant opportunity guidelines. Under this package, the Group recognised direct support of $97 million for the year ended 30 June 2021, offsetting related costs.
Singapore Job Support Scheme *Recognised within manpower and staff-related expenses*	The Job Support Scheme provides wage support to employers, helping enterprises retain their local employees (Singapore citizens and permanent residents) during this period of economic uncertainty. Support under the scheme offset and protected local employees' wages of SGD $6 million.
New Zealand Aviation Relief Package *Recognised within aircraft operating variable expenses*	Includes financial support to airlines to pay passenger-based government charges and to cover airway- related fees from 1 March 2020 to 30 April 2021 in response to the COVID-19 crisis. Support of $8 million was recognised in the Consolidated Income Statement, offsetting related costs.

1. The AAFRP also provided support to other suppliers of the Group (including government-owned corporations). The AAFRP package ceased in its original format on 31 December 2020 and on 1 January 2021 the Airservices waiver was reduced to 50 per cent. On 11 March 2021, the Australian Government announced the Domestic Airport Security Cost Support package (DASCS), which provided funding to meet eligible costs related to mandatory security screening obligations under the *Aviation Transport Security Regulations 2005*. On 2 August 2021, the Australian Government announced the DASCS program would be extended until 31 December 2021. As a result of the aforementioned support, the providers have granted waivers to the Group of $135 million for the year ended 30 June 2021.

25 IMPAIRMENT OF ASSETS AND RELATED COSTS

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS

Given the significant impact of COVID-19, Management has assessed that there are indicators of impairment of the Group's CGUs and has undertaken the following:

- Confirmed the identification of the Group's CGUs
- Tested specific individual assets for impairment
- Completed an impairment test of the Group's CGUs.

i. Identification of CGUs

The identification of an asset's CGU is a critical judgement in performing an impairment test. CGUs are the lowest identifiable group of assets that generate largely independent cash inflows and are determined based on how performance is monitored and how decisions to acquire and dispose of the Group's assets and operations are made.

The identified CGUs by operating segment for the 2020/21 financial year are outlined in the table below:

Operating Segment	CGUs Identified
Qantas Domestic	Qantas Domestic CGU
Qantas International	Qantas International CGU Qantas Freight CGU
Jetstar Group	Jetstar Australia/New Zealand CGU Jetstar Asia CGU Jetstar Japan CGU
Qantas Loyalty	Qantas Loyalty CGU

ii. Impairment Assessment

AASB 136 *Impairment of Assets* requires the assessment at the end of each reporting period as to whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset where possible, otherwise, the recoverable amount of the CGU to which the asset belongs shall be determined.

Value in use is the present value of the future cash inflows expected to be derived from an asset or CGU.

Fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the incremental costs directly attributed to disposal.

Where the carrying value of the asset exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount through the recognition of an impairment loss.

Notes to the Financial Statements continued

For the year ended 30 June 2021

25 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS (CONTINUED)

ii. Impairment Assessment (continued)

Impairment Assessment of Individual Assets

Aircraft

With the impact of COVID-19 and the closure of international borders, the Three-Year Recovery Plan announced in June 2020 expected the Group's A380 fleet to be grounded for the foreseeable future. Given the significant uncertainty around the return to service of the fleet, the cash flows of the Qantas International CGU within the Recovery Plan did not include cash flows relating to the A380 assets. The A380 fleet was therefore assessed for impairment outside of the Qantas International CGU at 30 June 2020 and 31 December 2020.

At 30 June 2020 and at 31 December 2020, the recoverable amount of the A380 fleet was determined using a fair value less costs of disposal model. The fair value less costs of disposal was estimated based on valuations provided by two external and independent aircraft valuers (AVAC and AVITAS), translated at AUD/USD exchange rates prevailing at the end of the relevant reporting period. The Group made necessary adjustments to these valuations for the level of maintenance life remaining on the aircraft.

For the half-year ended 31 December 2020, there were indicators of further impairment since 30 June 2020 due to a decrease in the valuations provided by external and independent aircraft valuers and a significant change in AUD/USD foreign exchange rates from $0.69 to $0.76. As a result, the recoverable amount of the A380 fleet was remeasured using a consistent methodology to the 30 June 2020 impairment test. The recoverable amount of the A380 fleet was below its carrying value and was impaired to the adjusted recoverable amount.

At the end of the 2020/21 financial year, there were indicators of further impairment since 31 December 2020 due to a decrease in the valuations provided by external and independent aircraft valuers. As a result, the recoverable amount of the A380 fleet was remeasured using a consistent methodology to the 30 June 2020 and 31 December 2020 impairment tests. The recoverable amount of the A380 fleet was below its carrying value and has been impaired to the adjusted recoverable amount.

The Group's fleet plan approved by the Board in June 2021 expects the majority of the A380 fleet to return to service progressively from financial year 2022/23. The forecast cash flows of the Qantas International CGU estimated as at 30 June 2021 therefore includes the cash flows of the Group's A380 assets. As a result, as at 30 June 2021, the carrying value of the A380 fleet has been allocated to the Qantas International CGU for the purpose of impairment testing.

It is expected that 10 A380s will return to service and two will be retired as they are surplus to requirements. As non-operating aircraft, the carrying value of the two aircraft identified for retirement have been further written down to their recoverable amount or net realisable value based on estimates of disposal, salvage or part-out valuations.

With the Group's A380 assets being allocated to the Qantas International CGU, any impairment risk of the Group's A380 fleet will no longer be assessed with reference to the fair value less costs of disposal of the individual assets, but rather based on the value in use of the assets within the Qantas International CGU. Any assets identified as inventory are carried at the lower of cost and net realisable value. An impairment reversal may be required where the Qantas International CGU impairment test reports a surplus and the fair value less costs of disposal of an A380 asset has increased significantly above its carrying value.

The carrying value of the Group's A380 fleet within the Qantas International CGU as at 30 June 2021 is $377 million.

Other Property, Plant and Equipment and Intangible Assets

The Group's response to COVID-19 within the Recovery Plan has included restructuring initiatives that have resulted in certain assets (including property, plant and equipment and intangible assets) being abandoned or projects being discontinued. Where the recoverable amount is below the carrying value of these assets, an impairment has been recognised.

Notes to the Financial Statements continued

For the year ended 30 June 2021

25 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS (CONTINUED)

ii. Impairment Assessment (continued)

Impairment Assessment of CGUs

The impairment test for CGUs includes the allocation of assets to identified CGUs and the determination of the recoverable amount of the CGU based on its value in use. Outlined below are the significant assumptions applied in the determination of the recoverable amount.

Significant Assumption	How It Was Determined
Calculation of recoverable amount	The recoverable amounts of CGUs were determined based on their value in use. The value in use was determined by discounting the future cash flows forecast in the Recovery Plan.
Individual assets tested separately	Assets that have been tested for impairment individually are not allocated to CGUs. As outlined above, as at 30 June 2021 the carrying value of the A380 fleet has been allocated to the Qantas International CGU for impairment testing.
Recovery Plan	The Group's Recovery Plan was developed with reference to expected demand scenarios domestically and internationally. The immediate focus of the plan is to: – Rightsize the Group's workforce, fleet and other costs according to demand projections, with the ability to scale-up as flying returns – Restructure to deliver ongoing cost savings and efficiencies across the Group's operations in a changing market – Recapitalise through the equity raising completed in August 2020 to strengthen the Group's financial resilience to recovery and the opportunities it presents. The long-term annual ongoing restructuring benefit to the Group of the Recovery Plan is estimated to be $1 billion from financial year 2022/23 onwards. As the impact of COVID-19 continues to evolve, it is extremely challenging to predict the full extent and duration of the impact on the Group's operations. The Group's Recovery Plan and the structural changes achieved to date and underway mean the Group is well-positioned to respond to the changing environment. For the year ended 30 June 2021, the Group has delivered $650 million in annualised structural cost benefits, ahead of target. The Group is on track to deliver $850 million by financial year 2021/22 and $1 billion in annual cost improvements from the 2022/23 financial year onwards with greater than 90 per cent of initiatives completed or underway.
Period of cash flows forecast	The Group's Recovery Plan is a three-year plan. The financial forecasts have been extended if necessary to the year where capacity recovery is expected to reach full run-rate. For the purposes of performing an impairment test using value in use under AASB 136, the final year of the forecast has been used to inform the determination of the terminal year. Given the uncertainty of the impact and timing of COVID-19, the Group has adjusted the cash flow forecast under the Recovery Plan for these uncertainties rather than adjusting the discount rate.
Cash flows	Cash flows were projected based on the Board-approved Recovery Plan. Cash flows to determine a terminal value were extrapolated using a constant growth rate of 2.5 per cent per annum, which does not exceed the long-term average growth rate for the industry. Cash outflows include capital and maintenance expenditure for the purchase of aircraft and other property, plant and equipment. These cash outflows do not include capital expenditure that enhances the current performance of assets and related cash flows have been treated consistently.
Discount rate	A pre-tax discount rate of 10 per cent per annum has been used in discounting the projected cash flows of the CGUs, reflecting a market estimate of the weighted average cost of capital of the Qantas Group (2020: 10 per cent per annum). Given the uncertainty of the impact and timing of COVID-19, the Group has adjusted the cash flows under the Recovery Plan for these uncertainties rather than adjusting the discount rate.
Foreign exchange rate used	AUD/USD: 0.75

Notes to the Financial Statements continued

For the year ended 30 June 2021

25 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS (CONTINUED)

ii. Impairment Assessment (continued)

Significant Assumption	How It Was Determined
Sensitivity to significant changes in assumptions	Pre-COVID-19, the Group was reporting ROIC in excess of the Group's Weighted Average Cost of Capital. For example, the 12-month ROIC as at 31 December 2019 was 19.6 per cent, and as at 30 June 2019 was 19.2 per cent, compared to the Group's WACC of 10 per cent. This, combined with an assessment of other factors under AASB 136, evidenced that pre-COVID-19 there were no indicators of impairment of the Group's CGUs. *Sensitivity to Changes in Cash Flows (CGUs other than Jetstar CGUs in Asia)* The terminal year in the impairment test has the most material impact on the determination of the recoverable amount and of the surplus between the recoverable amount and carrying value of CGUs. The earlier years in the Recovery Plan, while impacting the measurement of the recoverable amount, do not materially impact the surplus identified. The outcomes of the impairment test have been assessed against the expected impact of localised lockdowns and state border restrictions within the domestic market and the pausing of the Trans-Tasman 'travel bubble' that occurred subsequent to 30 June 2021 and prior to the release of this report. These events are expected to primarily impact the first half of the 2021/22 financial year. The Group is well positioned to meet the expected sharp increase in domestic travel as lockdowns end and is highly leveraged to recovery in travel demand as the vaccine roll out progresses with pace. The short-term impacts do not change the overall recovery expectations or the forecast terminal year and therefore do not change the conclusions of the impairment tests. Reasonably possible changes in the short-term to the timing of domestic and international recovery are unlikely to result in impairment of the CGUs, assuming that the overall recovery expectations remain. The terminal value cash flow is in excess of the break-even cash flow and reasonably possible changes in this assumption do not result in impairment. *Sensitivity to Changes in Cash Flows (Jetstar CGUs in Asia)* As outlined below, the recoverable amount of the Jetstar Asia CGU was below the carrying amount of the Jetstar Asia CGU, resulting in further impairments. As a result, the Group recognised impairment in the Jetstar Asia CGU of Goodwill and indefinite lived intangible assets in the 2019/20 financial year and of property, plant and equipment and right of use assets in the 2020/21 financial year. The impairments were allocated to individual assets to the extent that the assets were not reduced below their individual fair value less costs of disposal. Reasonably possible changes in forecast cash flows would further reduce the estimated recoverable amount of the CGU. Goodwill and indefinite lived intangible assets have been fully impaired, and property, plant and equipment and right of use assets have been impaired to individual fair value less costs of disposal. AASB 136 requires that any allocation of CGU impairment should not reduce the asset below its individual fair value less costs of disposal. As a result, any additional impairment would only be recognised if there was a reduction in the individual fair value less costs of disposal of the individual assets. The fair value less costs of disposal could change depending on valuations provided by two external and independent aircraft valuers (AVAC and AVITAS), changes in AUD/USD exchange rates, or changes in the level of maintenance life remaining on the aircraft other than already accounted for through depreciation. The carrying value of the Jetstar Japan CGU at 30 June 2021 is nil.

The Group has assessed each CGU to determine whether there is any indication that the CGU may be impaired.

CGUs other than Jetstar Asia CGU

No impairment was recognised within the Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight, Jetstar Australia/New Zealand and Jetstar Japan CGUs during the year ended 30 June 2021. As noted above, the Qantas International CGU includes the carrying value of the A380 fleet ($377 million) as at 30 June 2021.

Jetstar Asia CGU

At 30 June 2020, the Group recognised impairment of the Goodwill and indefinite lived intangible assets in the Jetstar Asia CGU. Following recognition of this impairment, the recoverable amount was equal to the carrying value of assets allocated to the CGU.

As disclosed in the 2020 Annual Report, any reasonably possible change in forecast cash flows or assumptions would further reduce the estimated recoverable amount below the remaining carrying value of the CGU. As Goodwill and indefinite lived intangible assets have been fully impaired, any further impairment would be allocated to property, plant and equipment and right of use assets, to the extent they are not reduced below their fair value less costs of disposal on an individual basis.

The impact of COVID-19 travel restrictions on Jetstar Asia in Singapore since 30 June 2020 has been more severe than expected at 30 June 2020 with borders remaining closed and 'travel bubbles' not eventuating. The expected easing of border restrictions has been further delayed which is significant given Jetstar Asia relies exclusively on international travel. For the half-year ended 31 December 2020, this represented an indicator of further impairment of the Jetstar Asia CGU.

Notes to the Financial Statements continued

For the year ended 30 June 2021

25 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS (CONTINUED)

ii. Impairment Assessment (continued)

An impairment test of the Jetstar Asia CGU was undertaken as at 31 December 2020 using updated cash flow projections to calculate the updated recoverable amount. The recoverable amount determined was below the carrying amount of the Jetstar Asia CGU, resulting in further impairments.

As the Goodwill and indefinite lived intangible assets of the CGU have been fully impaired at 30 June 2020, the impairments were allocated to property, plant and equipment and right of use assets to the extent that the assets were not reduced below their individual fair value less costs of disposal. The fair value less costs of disposal was estimated based on valuations provided by two external and independent aircraft valuers (AVAC and AVITAS), translated at 31 December 2020 into AUD/USD exchange rates. Necessary adjustments to these valuations were made for the level of maintenance life remaining on the aircraft.

There continues to be significant uncertainty regarding the impact of COVID-19 on the future performance of the Jetstar Asia CGU. As a result, another impairment test of the Jetstar Asia CGU was undertaken as at 30 June 2021 using updated cash flow projections to calculate the updated recoverable amount. The recoverable amount was compared against the carrying amount of the Jetstar Asia CGU. In addition, the individual fair value less costs of disposals were estimated. This assessment resulted in minor changes to the impairment recognised at 31 December 2020.

(B) CARRYING VALUE OF GOODWILL AND INDEFINITE LIVED INTANGIBLE ASSETS

The following CGUs have goodwill and other intangible assets with indefinite useful lives as follows:

	2021 $M	2020 $M
Goodwill		
Qantas Domestic[1]	14	10
Qantas Loyalty	12	12
Qantas Freight	49	49
Jetstar Australia and New Zealand	91	91
Total goodwill	**166**	**162**
Other intangible assets with indefinite useful lives		
Qantas International	35	35
Jetstar Australia and New Zealand	1	1
Total other intangible assets with indefinite useful lives	**36**	**36**

1. Goodwill allocated to Qantas Domestic increased by $4 million due to the acquisition of National Jet Systems Limited on 31 July 2020.

(C) RESULTS OF THE GROUP'S IMPAIRMENT TEST

i. Impairment of Individual Assets

The Group recognised impairment of $198 million (2020: $1,254 million) in respect of individual assets, which primarily relates to the Group's A380 fleet. As a result of the additional impairment recognised in respect of the A380s of $155 million (2020: $1,087 million), the remaining carrying value of the aircraft and engines (including related engineering spares and inventory) at 30 June 2021 is $377 million (30 June 2020: $611 million).

ii. CGU Impairments

The Group recognised an impairment of $73 million in respect of the property, plant and equipment and right of use assets in the Jetstar Asia CGU (2020: $73 million in respect of the Goodwill and indefinite lived intangible assets).

No impairment was recognised within the Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight, Jetstar Australia/New Zealand and Jetstar Japan CGUs during the year ended 30 June 2021 (2020: $nil). The carrying value of the Jetstar Japan CGU at 30 June 2021 is nil.

iii. Other Impairments

Investments accounted for under the equity method

The Group recognised a net impairment of $1 million (2020: $70 million) in relation to its investment in Helloworld Travel Ltd. (ASX: HLO). The impairment recognised was determined with reference to the volume weighted average price (VWAP) in the last quarter of the 2020/21 financial year.

Assets held for sale

The Group recognised a $10 million impairment of the Group's investment in Pacific Airlines (formerly Jetstar Pacific), relating to the recycling of deferred currency movements within the foreign currency translation reserve in Pacific Airlines to the Consolidated Income Statement on transfer of the investment to assets held for sale (2020: $25 million impairment of the investment due to the announced exit of the business).

Notes to the Financial Statements continued

For the year ended 30 June 2021

25 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

iv. Summary of Impairments and Liabilities recognised

	2021 $M	2020 $M
Impairment of individual assets		
Impairment of A380s and onerous contractual commitments relating to A380s	155	1,087
Impairment of 747s held for sale	3	23
Impairment of software intangibles and onerous contractual commitments	33	97
Impairment of property, plant and equipment and recognition of exit costs	7	47
Total impairment of individual assets	**198**	**1,254**
CGU impairment		
Impairment of Jetstar Asia CGU	73	73
Total CGU impairment	**73**	**73**
Other (reversal of impairment)/impairment		
Impairment of investment in Helloworld	1	70
Impairment of investment in Pacific Airlines	10	25
Other assets	(12)	34
Total other (reversal of impairment)/impairment	**(1)**	**129**
Total impairment of assets and related costs	**270**	**1,456**

26 SHARE-BASED PAYMENTS

The Group provides benefits to Executives of the Group in the form of share-based payments, whereby Executives render services in exchange for Rights over shares. The total equity-settled share-based payment expense for the year was $19 million (2020: $28 million). The total cash-settled share-based payment expense for the year was $0.5 million (2020: $0.35 million). Further details regarding the operation of equity plans for Executives are outlined in the Remuneration Report from pages 36 to 62.

(A) LONG TERM INCENTIVE PLAN (LTIP)

Generally, participation in the LTIP is limited to Senior Executives of the Qantas Group in key roles or other participants who have been identified as high potential Executives. All Rights are redeemable on a one-for-one basis for Qantas shares, subject to the achievement of performance hurdles. Dividends are not payable on the Rights. For more information on the operation of the LTIP, see pages 51 to 53.

	2021	2020
Performance Rights Reconciliation	**Number of Rights**	**Number of Rights**
Rights outstanding as at 1 July	9,607,136	12,699,500
Rights granted during the year	12,123,500	4,086,000
Rights forfeited during the year	(2,879,567)	(1,175,189)
Rights exercised during the year	(1,134,203)	(6,003,175)
Rights lapsed during the year	(1,148,297)	-
Rights outstanding as at 30 June	**16,568,569**	**9,607,136**
Rights exercisable as at 30 June	**-**	**-**

The Rights outstanding as at 30 June 2021 included 2,387,000 Rights under the 2019-2021 LTIP. 827,568 Rights vested and converted to shares and 908,432 Rights were forfeited following the testing of performance hurdles as at 30 June 2021 and after applying service conditions and the Board's approval of the 2019-2020 LTIP vesting outcome on 25 August 2021. As noted in the Remuneration Report on page 37, the Board has agreed with the CEO to defer the decision as to whether his Rights under the 2019-2021 LTIP will be forfeited or allowed to convert to shares until at least August 2022. Therefore, 651,000 Rights under the 2019-2021 LTIP remain unvested.

In addition, as at 30 June 2021, 301,284 Rights were outstanding relating to the 2019-2021 LTIP, which were to be settled in cash. 150,642 Rights vested and were settled in cash and 150,642 Rights forfeited following the testing of performance hurdles as at 30 June 2021 and the Board's approval of the 2019-2021 LTIP vesting outcome on 25 August 2021. Following this there are no remaining outstanding Rights which will be cash settled.

The Rights outstanding as at 30 June 2020 included 2,969,500 Rights under the 2018-2020 LTIP. 1,134,203 Rights vested and converted to shares and 1,148,297 Rights were forfeited following the testing of performance hurdles as at 30 June 2020 and after applying service conditions and the Board's approval of the 2018-2020 LTIP vesting outcome on 21 August 2020. As noted in the Remuneration Report on page 59, the Board has agreed with the CEO to further defer the decision as to whether his Rights under the 2018-2020 LTIP will be forfeited or allowed to convert to shares until August 2022. Therefore 687,000 Rights under the 2018-2020 LTIP remain unvested.

Notes to the Financial Statements continued

For the year ended 30 June 2021

26 SHARE-BASED PAYMENTS (CONTINUED)

(A) LONG TERM INCENTIVE PLAN (LTIP) (CONTINUED)

i. Fair Value Calculation

The estimated value of Rights granted was determined at grant date using a Monte Carlo model. The weighted average fair value of Rights granted during the year was $2.33 (2020: $3.97).

	2021		2020	
Inputs into the Models	**11 September 2020**	**23 October 2020**	**4 October 2019**	**25 October 2019**
Rights granted	10,774,500	1,349,000	3,343,000	743,000
Weighted average share value	$3.82	$4.55	$6.37	$6.25
Expected volatility	35.0%	35.0%	25.0%	25.0%
Dividend yield	1.6%	1.3%	4.3%	4.4%
Risk-free interest rate	0.30%	0.30%	0.60%	0.70%

The expected volatility was determined having regard to the historical volatility of Qantas shares and the implied volatility on exchange traded options. The risk-free rate was the yield on an Australian Government Bond at the grant date matching the remaining useful lives of the plans. The yield is converted into a continuously compounded rate in the model. The expected life assumes immediate exercise after vesting.

(B) SHORT TERM INCENTIVE PLAN (STIP)

For details on the operation of the STIP see pages 49 to 51. There were nil awards of Qantas shares made under the 2019/20 STIP during the year ended 30 June 2021 (2020: 369,196 awards under the 2018/19 STIP).

(C) MANAGER INCENTIVE PLAN (MIP)

The MIP is the annual incentive plan for the broader Management group. Each year, to the extent that the plan's performance conditions are achieved, this group may receive an award that is a combination of cash and restricted shares. The scorecard performance outcomes are the same as those for STIP. For scorecard performance outcomes, refer to the details of the operation of the STIP on pages 49 to 51. The CEO retains discretion over any awards made under the MIP. There were nil awards of Qantas shares made under the 2019/20 MIP during the year ended 30 June 2021 (2020: 4,278,606 awards under the 2018/19 MIP).

Notes to the Financial Statements continued

For the year ended 30 June 2021

27 FINANCIAL RISK MANAGEMENT

(A) RISKS

The Qantas Group is subject to financial risks, which are an inherent part of the operations of an airline. The Qantas Group manages these risk exposures using various financial instruments and governed by a set of policies approved by the Board. The Qantas Group's policy is not to enter into, issue or hold derivative financial instruments for speculative trading purposes.

The Qantas Group uses different methods to assess and manage different types of financial risk to which it is exposed. These methods include correlations between risk types, sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis and sensitivity analysis for liquidity and credit risk. A summary of these risks has been presented below:

Risk	Nature of Risk	Management of Risk
Liquidity risk	Difficulty in meeting financial liability obligations.	Remaining within optimal capital structure, targeting a minimum liquidity level, ensuring long-term commitments are managed, maintaining access to a variety of additional funding sources and managing maturity profiles.
Interest rate risk	Fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates.	Floating versus fixed rate debt framework, interest rate swaps, forward rate agreements and options.
Foreign exchange risk	Fluctuations in the fair value of future cash flows or assets/liabilities denominated in a currency other than AUD because of changes in foreign exchange rates.	Forward foreign exchange contracts, currency options, cross-currency swaps and designation of non-derivative foreign currency liabilities in a cash flow hedge relationship.
Fuel price risk	Exposure of future AUD fuel to unfavourable USD-denominated price movements and foreign exchange movements.	**USD price** – options and swaps on jet kerosene, gasoil and crude oil. **Foreign exchange risk** – foreign exchange contracts and currency options.
Credit risk	Potential loss from a transaction in the event of a default by a counterparty during the term or on settlement of a transaction.	**Trade debtor counterparties** – use of International Air Transport Association (IATA) clearing mechanism which undertakes its own credit review of members, and stringent credit policies where the Group provides credit to customers directly. **Other financial asset counterparties** – transact only with counterparties that have acceptable credit ratings and counterparty limits.

i. Liquidity Risk

Nature of the risk:
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

Liquidity risk management:
The Qantas Group manages liquidity risk by targeting a minimum liquidity level, ensuring long-term commitments are managed with respect to forecast available cash inflows, maintaining access to a variety of additional funding sources, including commercial paper and standby facilities, managing maturity profiles and maintaining an unencumbered pool of assets. Qantas may from time to time seek to purchase and retire outstanding debt through cash purchases in open market transactions, privately negotiated transactions or otherwise. Any such repurchases would depend on prevailing market conditions, liquidity requirements and possibly other factors.

The Qantas Group has maintained a prudent liquidity policy during the 2020/21 financial year, ensuring adequate coverage of liquidity requirements while considering a range of adverse scenarios.

During the first half of 2020/21, $839 million of additional debt was raised through a $500 million medium-term note issuance, a $125 million tap issue of the 2026 bond and a $214 million drawdown of secured funding. Scheduled debt repayments of $132 million were made and the Group prepaid $70 million of the 2021 bond otherwise due in June 2021.

In the second half of 2020/21, a further $115 million of additional unsecured debt was raised through a term loan facility. Scheduled debt repayments of $227 million were made and the Group repaid $330 million of the remaining 2021 bond. The Group continues to have no financial covenants on any of its debt.

During the year, the Group also completed the retail Share Purchase Plan for eligible existing shareholders which raised $72 million.

As at 30 June 2021, the Group's available liquidity was $3.8 billion, including $2.2 billion of cash and cash equivalents and $1.6 billion in standby facilities maturing in financial year 2022/23 and 2023/24. In addition to this, the Group maintains an unencumbered asset base of approximately $2.5 billion, including 41 per cent of the Group's fleet, land, spare engines and other assets.

Notes to the Financial Statements continued

For the year ended 30 June 2021

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) RISKS (CONTINUED)

i. Liquidity Risk (continued)

The following table summarises the contractual timing of cash flows, including estimated interest payments, of financial liabilities and derivative instruments. The contractual amount assumes current interest rates and foreign exchange rates. The amounts disclosed in the table are undiscounted.

2021 $M	Less Than 1 Year	2 to 3 Years	4 to 5 Years	More Than 5 Years	Total
Financial liabilities					
Payables	1,813	44	-	-	1,857
Lease liabilities[1]	397	623	234	485	1,739
Bank loans – secured[2]	475	719	405	639	2,238
Bank loans – unsecured[2]	7	15	446	-	468
Other loans – secured[2]	292	772	426	1,435	2,925
Other loans – unsecured[2]	388	374	106	1,394	2,262
Derivatives – outflows	2	-	-	-	2
Net other financial assets/liabilities – inflows	(162)	(32)	-	-	(194)
Total financial liabilities	**3,212**	**2,515**	**1,617**	**3,953**	**11,297**

2020 $M	Less Than 1 Year	2 to 3 Years	4 to 5 Years	More Than 5 Years	Total
Financial liabilities					
Payables	2,351	99	-	-	2,450
Lease liabilities[1]	516	773	311	578	2,178
Bank loans – secured[2]	407	648	512	757	2,324
Bank loans – unsecured[2]	4	8	333	-	345
Other loans – secured[2]	165	726	440	1,820	3,151
Other loans – unsecured[2]	487	390	297	669	1,843
Derivatives – inflows	(1)	-	-	-	(1)
Derivatives – outflows	5	2	-	-	7
Net other financial assets/liabilities – inflows	18	10	-	-	28
Total financial liabilities	**3,952**	**2,656**	**1,893**	**3,824**	**12,325**

1. This represents the Group's contractual undiscounted cash flows relating to leases.
2. Recognised financial liability maturity values are shown pre-hedging.

ii. Interest Rate Risk

Nature of the risk:

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Qantas Group has exposure to movements in interest rates arising from its portfolio of interest rate sensitive assets and liabilities, which are predominantly in AUD and USD currencies. These principally include corporate debt, leases and cash.

Management of interest rate risk:

The Qantas Group manages interest rate risk by using a floating versus fixed rate debt framework. The relative mix of fixed and floating interest rate funding is managed by using interest rate swaps, forward rate agreements and options. As at 30 June 2021, interest-bearing liabilities amounted to $6,830 million (2020: $6,693 million). The fixed/floating split is 41 per cent and 59 per cent respectively (2020: 40 per cent and 60 per cent). As noted in Note 23(C), the Group manages its exposure to interest rate risk with reference to the Group's Financial Framework where the fixed/floating ratio is measured against Net Debt. The Group's Net Debt is a non-statutory measure and includes on balance sheet debt, cash and capitalised aircraft lease liabilities. The ratio of fixed/floating on Net Debt is 63 per cent and 37 per cent respectively, which assumes cash is treated as floating (2020: 78 per cent and 22 per cent). As at 30 June 2021, other financial assets and liabilities included derivative financial instruments relating to debt obligations and future interest payments totalling $2 million (liability) (2020: $7 million (liability)). These are recognised at fair value.

Notes to the Financial Statements continued

For the year ended 30 June 2021

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) RISKS (CONTINUED)

ii. Interest Rate Risk (continued)

Sensitivity to interest rate risk:

	Profit Before Tax		Equity (Before Tax)[1]	
$M	**2021**	**2020**	**2021**	**2020**
100bps increase in interest rates[2]				
Variable rate interest-bearing instruments (net of cash)	(20)	(8)	-	-
Derivatives designated in a cash flow hedge relationship	-	-	-	1
100bps decrease in interest rates[2]				
Variable rate interest-bearing instruments (net of cash)	20	8	-	-
Derivatives designated in a cash flow hedge relationship	-	-	-	-

1. Equity (Before Tax) does not include sensitivity recognised in Profit/(Loss) Before Tax.
2. Sensitivity analysis assumes hedge designations as at 30 June 2021 remain unchanged.

Under AASB 16, interest rate movements on lease liabilities are treated as modifications against the corresponding right of use asset and lease liability. As such, there is no immediate impact to the Consolidated Income Statement or Other Comprehensive Income and as a result, interest rate movements on lease liabilities are not included as an interest rate sensitivity.

iii. Foreign Exchange Risk

Nature of the risk:
Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the Group. The Group operates internationally and is exposed to foreign exchange risk, primarily the US dollar. The source and nature of this risk arises from operations, capital expenditure and revaluation risk. The revaluation risk primarily exists in interest bearing liabilities, lease liabilities and other financial assets and liabilities. The Group hedges foreign exchange risk with the objective of minimising volatility of the Australian currency cost of highly probable forecast purchases and disposals of property, plant and equipment and other revenue and operating expenditures.

Management of foreign exchange risk:
Forward foreign exchange contracts and currency options are used to hedge a portion of net foreign currency exposures in accordance with Qantas Group policy. Net foreign currency exposures, including foreign currency purchases and disposals of property, plant and equipment, may be hedged out to two years within specific parameters. Any hedging outside these parameters requires approval by the Board. For the year ended 30 June 2021, other financial assets and liabilities including derivative financial instruments relating to the hedging of future capital expenditure payments were nil (2020: $15 million (net asset)) and those relating to the hedging of future operating expenditure payments totalled $12 million (net asset) (2020: $15 million (net asset)). These are recognised at fair value.

Non-derivative financial liabilities including interest-bearing liabilities and lease liabilities are designated in a cash flow hedge relationship to hedge forecast foreign currency revenue. These interest-bearing liabilities and lease liabilities have a maturity between one and seven years. To the extent a foreign exchange gain or loss is incurred, and the cash flow hedge is deemed effective, this is deferred until the revenue is realised. As at 30 June 2021, total unrealised foreign exchange gains on hedges of revenue designated to non-derivative financial liabilities was $109 million (2020: $3 million losses).

Sensitivity to foreign exchange risk:

$M	Profit Before Tax		Equity (Before Tax)[1]	
	2021	**2020**	**2021**	**2020**
20% movement in Foreign Exchange Risk[2,3]				
20% (2020: 20%) USD depreciation	-	(68)	(190)	(373)
20% (2020: 20%) USD appreciation	-	99	285	610

1. Equity (Before Tax) does not include sensitivity recognised in Profit/(Loss) Before Tax.
2. Sensitivity analysis assumes hedge designations as at 30 June 21 remain unchanged. Sensitivity analysis on foreign currency pairs of 20 per cent represent reasonable volatility in market conditions.
3. Sensitivity analysis includes foreign currency interest-bearing liabilities, lease liabilities and derivatives.

Notes to the Financial Statements continued

For the year ended 30 June 2021

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) RISKS (CONTINUED)

iv. Fuel Price Risk

Nature of the risk:
Exposure of future AUD fuel costs to unfavourable USD-denominated price and foreign exchange movements.

Management of future AUD fuel costs risk:
The Qantas Group uses options and swaps on jet kerosene, gasoil and crude oil to hedge exposure to movements in the USD price of aviation fuel. Qantas considers the crude component to be a separately identifiable and measurable component of aviation fuel. In identifying this component, the Group considers long-term correlation levels between crude hedging products and the underlying jet fuel exposure. The foreign exchange risk in the total fuel cost is separately hedged using foreign exchange contracts and currency options. Hedging is conducted in accordance with Qantas Group policy. Fuel consumption out to two years may be hedged within specific parameters, with any hedging outside these parameters requiring approval by the Board. For the year ended 30 June 2021, other financial assets and liabilities included fuel and foreign exchange derivatives totalling $181 million (net asset) (2020: $57 million (net liability)). These are recognised at fair value.

Sensitivity to foreign exchange and fuel price risk:

	Profit Before Tax		Equity (Before Tax)[1]	
$M	**2021**	**2020**	**2021**	**2020**
20% movement in AUD fuel costs[2]				
20% (2020: 20%) USD depreciation, 20% (2020: 20%) increase per barrel in fuel indices	-	41	69	30
20% (2020: 20%) USD appreciation, 20% (2020: 20%) decrease per barrel in fuel indices	-	(29)	122	42

1. Equity (Before Tax) does not include sensitivity recognised in Profit/(Loss) Before Tax.
2. Sensitivity analysis assumes hedge designations as at 30 June 2021 remain unchanged. Sensitivity analysis on foreign currency pairs and fuel indices of 20 per cent represents reasonable volatility in market conditions. Sensitivity analysis assumes an offset between USD and fuel price indices based on observed market movements.

v. Credit Risk

Nature of the risk:
Credit risk is the potential loss from a transaction in the event of default by the counterparty during the term of the transaction or on settlement of the transaction. The Group has credit exposure in respect of trade receivables and other financial instruments in the ordinary course of business. The maximum exposure to credit risk is represented by the carrying value of financial assets.

Management of credit risk:
The Qantas Group conducts transactions with the following major types of counterparties:

- **Trade debtor counterparties:** The credit risk is the recognised amount, net of any impairment losses. As at 30 June 2021, trade debtors amounted to $483 million (2020: $318 million). The Qantas Group has credit risk associated with travel agents, codeshare partners, industry settlement organisations, and credit provided to direct customers, such as large airline, loyalty and freight corporate customers. A significant proportion of receivables are settled through the International Air Transport Association (IATA) clearing mechanism which undertakes its own credit review of members. The Qantas Group minimises this credit risk through the application of stringent credit policies and accreditation of travel agents through industry programs
- **Other financial asset counterparties:** The Qantas Group restricts its dealings to counterparties that have acceptable credit ratings. Should the rating of a counterparty fall below certain levels, internal policy dictates that approval by the Board is required to maintain the level of the counterparty exposure. Alternatively, Management may consider closing out positions with the counterparty or novate open positions to another counterparty with acceptable credit ratings.

The Qantas Group minimises the concentration of credit risk by undertaking transactions with a large number of customers and counterparties in various countries in accordance with Board-approved policy. As at 30 June 2021, the credit risk of the Qantas Group to counterparties in relation to other financial assets, cash and cash equivalents, and other financial liabilities amounted to $2,416 million (2020: $3,311million). Refer to Note 27(C) for offsetting disclosures of contractual arrangements. The Qantas Group's credit exposure in relation to these assets is with counterparties that have a minimum credit rating of A-/A3, unless individually approved by the Board.

Notes to the Financial Statements continued

For the year ended 30 June 2021

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) FAIR VALUE

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity. The fair value of financial assets and liabilities is determined by valuing them at the present value of future contracted cash flows. The fair value of forward foreign exchange and fuel contracts is determined as the unrealised gain/loss at balance date by reference to market exchange rates and fuel prices. The fair value of interest rate swaps is determined as the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows. The fair value of options is determined using standard valuation techniques. Other financial assets and liabilities represent the fair value of investments and derivative financial instruments recognised on the Consolidated Balance Sheet. Refer to Note 37(C) for a definition of the fair value hierarchy.

	June 2021				June 2020			
	Carrying Amount Held at				Carrying Amount Held at			
$M	Fair Value Through Profit and Loss	Fair Value Through Other Comprehensive Income[3]	Amortised Cost	Fair Value	Fair Value Through Profit and Loss	Fair Value Through Other Comprehensive Income	Amortised Cost	Fair Value
Cash and cash equivalents	-	-	2,221	2,222	-	-	3,520	3,522
Receivables	-	-	633	633	-	-	646	646
Other financial assets[1]	213	148	-	361	251	104	-	355
Financial asset	**213**	**148**	**2,854**	**3,216**	**251**	**104**	**4,166**	**4,523**
Payables	-	-	1,857	1,857	-	-	2,450	2,450
Interest-bearing liabilities[2]	-	-	6,830	7,608	-	-	6,693	7,450
Other financial liabilities[1]	22	-	-	22	285	-	-	285
Financial liabilities	**22**	**-**	**8,687**	**9,487**	**285**	**-**	**9,143**	**10,185**

1. Other financial assets and liabilities represents the fair value of equity investments and derivative financial instruments recognised on the Consolidated Balance Sheet. Derivative financial instruments have been measured at fair value using Level 2 inputs in estimating their fair values. Equity instruments have been measured at fair value using Level 1 or Level 2 inputs in estimating their fair value.
2. The fair value of interest-bearing liabilities is calculated as the present value of outstanding contractual cashflows discounted at a risk-free rate.
3. As at 30 June 2021, $146 million of the $148 million (2020: $96 million of the $104 million) of other financial assets relates to the Group's investment in Alliance Airlines Limited (ASX: AQZ), which has been accounted for as an investment held at fair value through other comprehensive income under AASB 9.

During the year, the Group recognised fair value changes in relation to listed and unlisted equity investments, net of tax in Other Comprehensive Income of $29 million gain (2020: ($16) million loss). The Group recognised fair value changes, net of tax of $35 million (2020: $7 million gain) in respect of listed equity investment using Level 1 inputs. The Group recognised fair value changes, net of tax of ($6) million loss (2020: ($23) million loss) in respect of unlisted equity investments using Level 2 inputs.

(C) DERIVATIVES AND HEDGING INSTRUMENTS

The following section summarises derivative financial instruments in the Consolidated Financial Statements:

Type of Hedge	Description	Derivative
Cash Flow Hedges	A derivative or financial instrument to hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.	Exchange derivative contracts to hedge future AUD fuel costs and foreign currency operational payments (forwards, swaps or options). Interest rate derivative contracts to hedge future interest payments (forwards, swaps or options). Foreign exchange derivative contracts to hedge future capital expenditure payments (forwards or options).

The Group's derivative assets and liabilities as at 30 June 2021 are detailed below:

	2021			2020		
$M	Current	Non-current[1]	Total	Current	Non-current[1]	Total
Derivative assets						
Designated as cash flow hedges	176	37	213	66	35	101
De-designated derivatives	-	-	-	150	-	150
Total other financial assets	**176**	**37**	**213**	**216**	**35**	**251**
Derivative liabilities						
Designated as cash flow hedges	(17)	(5)	(22)	(95)	(47)	(142)
De-designated derivatives	-	-	-	(143)	-	(143)
Total other financial liabilities	**(17)**	**(5)**	**(22)**	**(238)**	**(47)**	**(285)**
Net other financial assets/(liabilities)	**159**	**32**	**191**	**(22)**	**(12)**	**(34)**

1. Other financial assets in the balance sheet also includes investments in equity instruments of $148 million (2020: $104 million) recognised at fair value through other comprehensive income (refer to Note 27(B)).

Notes to the Financial Statements continued

For the year ended 30 June 2021

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) DERIVATIVES AND HEDGING INSTRUMENTS (CONTINUED)

i. Offsetting

The Group enters into contractual arrangements such as the International Swaps and Derivatives Association (ISDA) Master Agreement where, upon the occurrence of a credit event (such as default), a termination value is calculated and only a single net amount is payable in settlement of all transactions that are capable of offset under the terms of the contract. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet and consequently, financial assets and liabilities are recognised as gross. This is because the Group does not have any current legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events. The amounts shown as financial assets and financial liabilities would each have been $21 million lower (2020: $185 million lower) in the event of the right to offset being currently enforceable.

ii. Hedge Reserve

The effective portion of the cumulative net change in the fair value of derivative financial instruments designated as a cash flow hedge and the cumulative change in fair value arising from the time value of options are included in the hedge reserve. These options relate entirely to transaction-related hedged items. For further information on accounting for derivative financial instruments as cash flow hedges, refer to Note 37(C). For the year ended 30 June 2021, $101 million gain (2020: ($122) million loss) is expected to be released to the Consolidated Income Statement within one year and $75 million gain (2020: ($25) million loss) after one year. Other financial assets and liabilities represent the fair value of derivative financial instruments recognised on the Consolidated Balance Sheet. Refer to Note 37(C) for a definition of the fair value hierarchy.

iii. De-designated Hedging

The Group has applied judgement in assessing whether forecast purchases are still expected to occur. Given the significant decrease in flying activity compared to expectations at 30 June 2020, $21 million of hedge losses were de-designated and recognised immediately in the Consolidated Income Statement. Prospective changes in fair value of de-designated hedging were accounted for through the Consolidated Income Statement, resulting in a $33 million gain. The amount recognised in the Consolidated Income Statement also includes foreign exchange movements with a $21 million gain since de-designation. The net impact ($33m gain) has been reported in the Consolidated Income Statement as de-designation and ineffectiveness of fuel and foreign exchange hedges.

iv. Hedge Accounting

As at 30 June 2021	Nominal Amount of Hedging Instrument and Hedged Item		Hedge Rates	Carrying Amount of the Hedging Instrument[1,2] Assets	Liabilities	Change in Value of the Hedging Instrument Used for Calculating Hedge Ineffective-ness	Change in Value of the Hedged Item used for Calculating Hedge Ineffective-ness	Change in Value of the Hedging Instrument Recognised in Other Comprehensive Income	Hedge Ineffective-ness Recognised in Profit or Loss	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	De-designated Cash Flow hedges Reclassified to Profit or Loss[3]
	M		$M	$M	$M	$M	$M	$M	$M	$M	$M
Cash flow hedges											
AUD fuel costs (up to 3 years)	15	Barrels	AUD / Barrel 63-114	196	(15)	185	(185)	185	-	67	21
Operational expenditure (up to 2 years)	847	USD	AUD / USD 0.66–0.78	16	(4)	(13)	13	(13)	-	3	-
Revenue (up to 7 years)	926	USD	AUD / USD 0.69	-	(878)	111	(111)	111	-	-	-
Capital expenditure (up to 2 years)	-	USD	AUD / USD -	1	(1)	-	-	-	-	-	-
Interest (up to 2 years)	100	AUD	Fixed 4.45%-5.99%	-	(2)	4	(4)	4	-	-	-

1. Derivative cash flow hedging instruments are located within the Other Financial Assets and Other Financial Liabilities on the Consolidated Balance Sheet and include costs of hedging. The carrying amount of the hedging instrument is presented in AUD where the hedged item equals the nominal amount of the hedging instrument.
2. The revenue hedging instrument is a non-derivative financial liability with the carrying amount presented in USD and is located within Interest-bearing Liabilities and Lease Liabilities.
3. $33 million of hedge gains were de-designated and recognised to the Consolidated Income Statement for the year ended 30 June 2021. This includes ($21 million) released from Hedge Reserve and $54 million of foreign exchange movements and fair value changes since de-designation.

Notes to the Financial Statements continued

For the year ended 30 June 2021

28 AUDITOR'S REMUNERATION

	2021 $'000	2020 $'000
AUDIT AND AUDIT-RELATED SERVICES		
Audit and review of Financial Report	3,545	3,625
Regulatory assurance services	4	65
Total audit and audit-related services	**3,549**	**3,690**
OTHER SERVICES		
Other assurance services	148	323
Taxation services	269	153
Due diligence services	5	113
Other non-audit services	25	71
Total other services	**447**	**660**
Total auditor's remuneration	**3,996**	**4,350**

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

RECONCILIATION OF STATUTORY LOSS FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

	Notes	2021 $M	2020 $M
Statutory loss for the year		**(1,728)**	**(1,964)**
Adjusted for:			
Depreciation and amortisation	5	1,929	2,045
Impairment of assets and related costs	25(C)	270	1,456
Hedging-related activities		(64)	419
Share of net loss of investments accounted for under the equity method	14	129	53
Share-based payments	26	19	28
Amortisation of deferred financing fees and lease benefits		15	15
Net gain on disposal of assets	6	(26)	(7)
Discount rate changes impact on provisions	7	(4)	7
Other items		51	(49)
Dividends received from investments accounted for under the equity method	14	-	15
Changes in other items:			
Receivables		(14)	531
Inventories		19	(24)
Other assets		58	112
Payables		(416)	(196)
Revenue received in advance		402	(955)
Provisions		(403)	608
Deferred tax assets/liabilities and tax payable/receivable		(623)	(1,011)
Net cash (outflow)/inflow from operating activities		**(386)**	**1,083**

Notes to the Financial Statements continued

For the year ended 30 June 2021

30 SUPERANNUATION

The Qantas Superannuation Plan (QSP) is a hybrid defined benefit/defined contribution fund with multiple divisions that commenced operation in June 1939. In addition to the QSP, there are a number of small overseas defined benefit plans. The Qantas Group makes contributions to defined benefit plans that provide defined benefit amounts for employees upon retirement. Under the plans, employees are entitled to retirement benefits determined, at least in part, by reference to a formula based on years of membership and salary levels.

The defined benefit plans are legally separated from the Qantas Group. Responsibility for governance of the plans, including investment decisions and plan rules, rests solely with the Trustee of the plan. The Trustee of the QSP is a corporate trustee which has a Board comprising five company-appointed Directors and five member-elected Directors.

The QSP's defined benefit plan exposes the Group to a number of risks, the most significant of which are detailed below:

- **Investment risk:** The investment strategy for the assets attributable to the QSP's defined benefit liabilities is to progressively de-risk the defined benefit investment portfolio as the funding position improves over time. If investment returns underperform expectations, the Group may be required to provide additional funding to the QSP
- **Interest rate risk:** Changes in bond yields, such as a decrease in corporate bond yields, will increase defined benefit liabilities through the discount rate assumed
- **Inflation risk:** The defined benefit liabilities are linked to salary inflation, and higher salary inflation will lead to higher liabilities.

(A) FUNDING

Employer contributions to the defined benefit divisions of the QSP are based on recommendations by the QSP's plan actuary. It is estimated that $35 million of normal employer contributions will be paid by the Qantas Group to its defined benefit plans in 2021/22.

In addition, the Trustee of the QSP and the Group have in place an Additional Funding Plan (AFP), last agreed in 2019, which is an evergreen restoration plan and addresses the requirements of APRA Prudential Standard SPS 160. The determination of Qantas' additional employer contributions under the AFP is triggered if the quarterly determination of the Defined Benefit Vested Benefits Index (DB VBI) indicates that the DB VBI has been below 100 per cent for two consecutive quarters, or the value of the DB VBI has fallen from a value in excess of 100 per cent at the previous quarter to a value that is less than 96 per cent. The DB VBI is the ratio of the QSP's assets attributable to the defined benefit liabilities to the total defined benefit amount that the QSP would be required to pay if all members were to voluntarily leave the plan on the funding valuation date. Additional benefit payment top-up contributions may also be payable if after two consecutive quarters, the DB Retrenchment Benefits Index is less than 100 per cent, the DB VBI is below 105 per cent, and retrenchments occur that place a greater than VBI level of funding strain on the Plan assets. The last additional contribution required under the AFP was paid into the QSP by the Group in December 2016. The QSP's financial position is monitored by the Trustee each quarter.

(B) MOVEMENT IN NET DEFINED BENEFIT (ASSET)/LIABILITY

	Present Value of Obligation $M		Fair Value of Plan Assets $M		Net Defined Benefit (Asset)/Liability[1] $M	
	2021	2020	2021	2020	2021	2020
Balance as at 1 July	**2,442**	**2,392**	**(2,470)**	**(2,499)**	**(28)**	**(107)**
Included in the Consolidated Income Statement						
Current service cost	110	127	-	-	110	127
Interest expense/(income)	57	71	(57)	(72)	-	(1)
Contributions by plan participants	-	-	(10)	(22)	(10)	(22)
Losses on curtailments	8	-	-	-	8	-
Total amount included in manpower and staff-related expenditure	**175**	**198**	**(67)**	**(94)**	**108**	**104**
Included in the Consolidated Statement of Comprehensive Income						
Return on plan assets, excluding interest income	-	-	(252)	50	(252)	50
Losses from change in demographic assumptions	3	37	-	-	3	37
Gains from change in financial assumptions	(91)	(43)	-	-	(91)	(43)
Experience (gains)/losses	(19)	14	-	-	(19)	14
Exchange differences on foreign plans	(4)	1	4	(2)	-	(1)
Total amount recognised in other comprehensive income	**(111)**	**9**	**(248)**	**48**	**(359)**	**57**
Contributions by employer	-	-	(38)	(82)	(38)	(82)
Benefit payments	(208)	(157)	208	157	-	-
Assets distributed/liabilities extinguished on settlements from redundancies	(536)	-	536	-	-	-
Balance as at 30 June	**1,762**	**2,442**	**(2,079)**	**(2,470)**	**(317)**	**(28)**

1. The net defined benefit asset is included in non-current other assets (refer to Note 19).

Notes to the Financial Statements continued

For the year ended 30 June 2021

30 SUPERANNUATION (CONTINUED)

(C) PLAN ASSETS

The major categories of plan assets as a percentage of total plan assets of the Group's defined benefit plans are as follows:

	2021 %	2020 %
Australian equity[1,2]	13	13
Global equity[1]		
– *United States*	12	10
– *Europe*	3	3
– *Japan*	1	2
– *Other*	3	3
Private equity	6	3
Fixed interest[1]		
– *Government bonds*	13	13
– *Other*	14	12
Credit[1]		
– *Corporate debt*	12	10
– *Other*	8	6
Hedge funds	1	6
Property and infrastructure	4	5
Agriculture	4	-
Timberland	2	2
Cash and cash equivalents[1]	4	12
Total	**100**	**100**

1. The majority of these plan assets have a quoted market price in an active market.
2. As at 30 June 2021, QSP assets in shares of Qantas Airways Limited (ASX:QAN) are $2,635,470 (2020: $3,493,454).

The trustee of the QSP is responsible for setting the investment strategy and objectives for the QSP's assets to support the defined benefit liabilities. The QSP does not use any asset-liability matching strategies. It utilises traditional investment management techniques to manage the defined benefit assets.

(D) ACTUARIAL ASSUMPTIONS AND SENSITIVITY

The significant actuarial assumptions (expressed as weighted averages per annum) were as follows:

	2021 %	2020 %
Discount rate	3	3
Long-term future salary increases[1]	2	3

1. For the 30 June 2021 actuarial calculation, specific increase rates were assumed for years 1 to 5, averaging 1.5 per cent and then 2 per cent for the remaining duration of the plan (30 June 2020: salary increases of 3 per cent in years 1 to 4 and 2 per cent for the remaining duration of the plan were assumed).

The weighted average duration of the QSP's defined benefit obligation as at 30 June 2021 was 10 years (2020: 11 years). The sensitivity of the defined benefit obligation to changes in the significant assumption is as follows:

		Impact on Defined Benefit Obligation			
		30 June 2021		30 June 2020	
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 12%	Increase by 11.9%	Decrease by 10.9%	Increase by 12.9%
Future salary increase	1%	Increase by 4.5%	Decrease by 6.9%	Increase by 10.5%	Decrease by 9.1%

Defined Contribution Fund

A defined contribution expense of $107 million has been recognised for the year ended 30 June 2021 (2020: $183 million).

Notes to the Financial Statements continued

For the year ended 30 June 2021

31 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned companies) instrument 2016/785 (Instrument), the wholly-owned entities identified below are relieved from the *Corporations Act 2001* (Cth) requirements for preparation, audit, distribution and lodgement of Financial Statements and Directors' Reports:

AAL Aviation Limited	National Jet Operations Services Pty Ltd	Qantas Ground Services Pty Ltd
Airlink Pty Ltd	Network Aviation Holdings Pty Ltd	Qantas Group Flight Training (Australia) Pty Ltd
Australian Air Express Pty Ltd	Network Aviation Pty Ltd	Qantas Group Flight Training Pty Ltd
Australian Airlines Limited	Network Holding Investments Pty Ltd	Qantas Information Technology Limited
Australian Regional Airlines Pty Ltd	Network Turbine Solutions Pty Ltd	Qantas Road Express Pty Ltd
Eastern Australia Airlines Pty Ltd	Osnet Jets Pty Ltd	Qantas Ventures Pty Limited
Express Freighters Australia (Operations) Pty Ltd	Q H Tours Limited	QF Cabin Crew Australia Pty Ltd
Express Freighters Australia Pty Ltd	Qantas Asia Investment Company Pty Ltd	Regional Airlines Charter Pty Ltd
Impulse Airlines Holdings Pty Ltd	Qantas Courier Limited	Sunstate Airlines (Qld) Pty Ltd
Jetstar Airways Pty Ltd	Qantas Domestic Pty Ltd	The Network Holding Trust
Jetstar Asia Holdings Pty Ltd	Qantas Freight Enterprises Limited	The Network Trust
Jetstar Group Pty Ltd	Qantas Frequent Flyer Limited	Vii Pty Limited
Jetstar Services Pty Ltd	Qantas Frequent Flyer Operations Pty Ltd	
National Jet Systems Pty Ltd	Qantas Group Accommodation Pty Ltd	

It is a condition of the Instrument that Qantas and each of the controlled entities eligible to obtain relief under the Instrument enter into a Deed of Cross Guarantee (Deed). Under the Deed, Qantas guarantees to each creditor payment in full of any debt upon the winding up under certain provisions of the *Corporations Act 2001* (Cth) of any of the controlled entities that are party to the Deed. If the winding up occurs under other provisions of the *Corporations Act 2001* (Cth), Qantas will only be liable if, six months after a resolution or order for the winding up of the controlled entity, any debt of a creditor of that controlled entity has not been paid in full. Each controlled entity that is party to the Deed has given similar guarantees in the event that Qantas is wound up.

Qantas and its eligible controlled entities first entered into a Deed on 4 June 2001. Subsequently, additional controlled entities became party to the Deed by way of Assumption Deeds dated 17 June 2002, 26 June 2006, 29 June 2007, 30 June 2008, 29 June 2009, 16 June 2010, 25 November 2010, 4 April 2011, 13 October 2011, 20 November 2012, 26 November 2015, 26 June 2017, 2 November 2017 and 31 July 2020.

The Consolidated Condensed Income Statement and Consolidated Condensed Balance Sheet for Qantas and each of its controlled entities that are party to the Deed are set out below. The principles of consolidation are:

- Transactions, balances and unrealised gains and losses on transactions between entities that are party to the Deed are eliminated
- Investments in entities that are not party to the Deed are carried at cost less any accumulated impairment
- Dividends received from entities that are not party to the Deed are recognised as income.

(A) CONSOLIDATED CONDENSED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	2021 $M	2020 $M
Revenue and other income	5,894	13,882
Expenditure	(7,560)	(14,743)
Impairment of assets and related costs	(346)	(1,575)
Statutory loss before income tax benefit and net finance costs	**(2,012)**	**(2,436)**
Finance income	15	21
Finance costs	(307)	(281)
Net finance costs	**(292)**	**(260)**
Statutory loss before income tax benefit	**(2,304)**	**(2,696)**
Income tax benefit	624	745
Statutory loss for the year	**(1,680)**	**(1,951)**
(Accumulated losses)/Retained earnings as at 1 July	(1,465)	1,060
Dividends paid	-	(204)
Share buy-back	-	(348)
Capital raising, net of tax	(6)	-
Shares vested and transferred to employees/ shares vested and lapsed	4	(22)
Accumulated Losses loss as at 30 June	**(3,147)**	**(1,465)**

Notes to the Financial Statements continued

For the year ended 30 June 2021

31 DEED OF CROSS GUARANTEE (CONTINUED)

(B) CONSOLIDATED CONDENSED BALANCE SHEET AS AT 30 JUNE 2021

	2021 $M	2020 $M
CURRENT ASSETS		
Cash and cash equivalents	2,183	3,472
Receivables	1,266	1,354
Other financial assets	176	216
Inventories	279	306
Assets classified as held for sale	1	58
Income tax receivables	-	137
Other	161	179
Total current assets	**4,066**	**5,722**
NON-CURRENT ASSETS		
Receivables	425	515
Other financial assets	185	139
Investments in subsidiaries	19	7
Investments accounted for under the equity method	55	59
Property, plant and equipment	10,774	11,664
Right of use assets	1,091	1,389
Intangible assets	828	1,029
Deferred tax assets	665	166
Other	687	446
Total non-current assets	**14,729**	**15,414**
Total assets	**18,795**	**21,136**
CURRENT LIABILITIES		
Payables	2,487	3,059
Revenue received in advance	3,270	2,764
Interest-bearing liabilities	1,097	989
Lease liabilities	380	518
Other financial liabilities	17	238
Provisions	1,054	1,522
Total current liabilities	**8,305**	**9,090**
NON-CURRENT LIABILITIES		
Payables	44	99
Revenue received in advance	2,154	2,256
Interest-bearing liabilities	6,191	6,283
Lease liabilities	1,015	1,317
Other financial liabilities	5	47
Provisions	660	627
Total non-current liabilities	**10,069**	**10,629**
Total liabilities	**18,374**	**19,719**
Net assets	**421**	**1,417**
EQUITY		
Issued capital	3,186	3,104
Treasury shares	(18)	(51)
Reserves	400	(171)
Accumulated losses	(3,147)	(1,465)
Equity attributable to members of Qantas	**421**	**1,417**
Non-controlling interests	-	-
Total equity	**421**	**1,417**

Notes to the Financial Statements continued

For the year ended 30 June 2021

32 RELATED PARTIES

(A) REMUNERATION OF KEY MANAGEMENT PERSONNEL

The aggregate remuneration of the KMP of the Qantas Group is set out below:

	2021 $'000	2020 $'000
Short-term employee benefits	8,744	7,333
Post-employment benefits[1]	657	611
Other long-term benefits[2]	351	27
Share-based payments	6,302	6,308
	16,054	**14,279**

1. Post-employment benefits include superannuation and post-employment travel benefits.
2. Other long-term benefits include movements in annual leave and long service leave balances. The accounting value of other long-term benefits may be negative, for example, where an Executive's annual leave balance decreases as a result of taking more than the 20 days' annual leave they accrue during the year.

Further details in relation to the remuneration of KMP are included in the Directors' Report from pages 36 to 62.

(B) NON-EXECUTIVE DIRECTOR FEE SACRIFICE SHARE ACQUISITION PLAN

In December 2019, a Non-Executive Director Fee Sacrifice Share Acquisition Plan was introduced whereby Non-Executive Directors can elect to sacrifice a percentage of their Board or Board and Committee fees in return for a grant of Rights to the equivalent value of the same number of Qantas ordinary shares. Each Right granted will convert automatically to one fully-paid Qantas ordinary share at the conversion date, which is six months from the grant date subject to the individual remaining as a Non-Executive Director on the conversion date. The plan is designed to provide Non-Executive Directors the opportunity to build their shareholding in a tax effective manner and to further align their interests with the interests of shareholders.

Non-Executive Director Fee Sacrifice Share Acquisition Plan - Rights Reconciliation	2021 Number of Rights	2020 Number of Rights
Rights outstanding as at 1 July	-	-
Rights acquired during the year by Fee Sacrifice	64,487	-
Rights converted to ordinary shares during the year	(20,462)	-
Rights outstanding as at 30 June	**44,025**	**-**

(C) OTHER RELATED PARTY TRANSACTIONS – ASSOCIATES

Transactions with associates are conducted on normal terms and conditions.

Material transactions between the Qantas Group and associates include:

- The Qantas Group provides airline seats on domestic and international routes to Helloworld Ltd for sale through its travel agency network
- The Qantas Group has established a business service agreement with a Jetstar-branded airline in Japan (Jetstar Japan). As part of the business service agreement, amongst other services, Qantas allows Jetstar Japan's credit card transactions to be acquired through the Qantas Group's contractual arrangements
- The Qantas Group as part of shareholder arrangements co-guarantees the finance lease obligations for two A320 aircraft on behalf of Jetstar Japan to the external lessors in exchange for guarantee fees to the Qantas Group. The Qantas Group with other shareholders of Jetstar Japan provides limited guarantees to support unsecured debt of Jetstar Japan which was raised to increase liquidity in response to COVID-19.

Notes to the Financial Statements continued

For the year ended 30 June 2021

33 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED

(A) CONDENSED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	2021 $M	2020 $M
Revenue and other income	2,639	9,229
Expenditure	(4,256)	(10,523)
Impairment of assets and related costs[1]	(334)	(1,455)
Statutory loss before income tax benefit and net finance costs	**(1,951)**	**(2,749)**
Net finance costs	(266)	(221)
Statutory loss before income tax benefit	**(2,217)**	**(2,970)**
Income tax benefit	674	833
Statutory loss for the year	**(1,543)**	**(2,137)**

1. Impairment of assets and related costs includes the impairment of investments in subsidiaries and intercompany loans of $105 million (2020: $220 million).

(B) CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	2021 $M	2020 $M
Statutory loss for the year	**(1,543)**	**(2,137)**
Effective portion of changes in fair value of cash flow hedges, net of tax	201	(205)
Transfer of hedging losses/(gains) from hedge reserve to the Condensed Income Statement, net of tax	49	(123)
De-designation of fuel and foreign exchange hedges to the Condensed Income Statement, net of tax	15	425
Recognition of effective cash flow hedges on capitalised assets, net of tax	4	(42)
Net changes in hedge reserve for time value of options, net of tax	42	(232)
Fair value gains on investments, net of tax	251	(16)
Foreign currency translation of investments accounted for under the equity method	(2)	-
Defined benefit actuarial gains/(losses), net of tax	29	(38)
Total other comprehensive income/(loss) for the year	**589**	**(231)**
Total comprehensive loss for the year	**(954)**	**(2,368)**

Notes to the Financial Statements continued

For the year ended 30 June 2021

33 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED (CONTINUED)

(C) CONDENSED BALANCE SHEET AS AT 30 JUNE 2021

	2021 $M	2020 $M
CURRENT ASSETS		
Cash and cash equivalents	2,194	3,569
Receivables	374	264
Intercompany receivables	5,961	5,626
Other financial assets	176	216
Inventories	165	189
Assets classified as held for sale	1	58
Income tax receivable	-	137
Other	136	148
Total current assets	**9,007**	**10,207**
NON-CURRENT ASSETS		
Receivables	85	123
Intercompany receivables	330	597
Investments in subsidiaries	432	420
Other financial assets	185	139
Investments accounted for under the equity method	19	18
Property, plant and equipment	9,444	10,238
Right of use assets	1,009	1,254
Intangible assets	591	765
Deferred tax assets	596	153
Other	687	368
Total non-current assets	**13,378**	**14,075**
Total assets	**22,385**	**24,282**
CURRENT LIABILITIES		
Payables	1,204	1,790
Intercompany payables	6,396	5,914
Revenue received in advance	2,495	2,258
Interest-bearing liabilities	1,097	988
Lease liabilities	312	449
Other financial liabilities	17	238
Provisions	829	1,296
Total current liabilities	**12,350**	**12,933**
NON-CURRENT LIABILITIES		
Payables	44	99
Revenue received in advance	2,148	2,186
Interest-bearing liabilities	6,191	6,284
Lease liabilities	971	1,245
Other financial liabilities	5	47
Provisions	334	285
Total non-current liabilities	**9,693**	**10,146**
Total liabilities	**22,043**	**23,079**
Net assets	**342**	**1,203**
EQUITY		
Issued capital	3,186	3,104
Treasury shares	(18)	(51)
Other reserves	400	(169)
Profit reserves	1,774	1,774
Retained losses	(5,000)	(3,455)
Total equity	**342**	**1,203**

Notes to the Financial Statements continued

For the year ended 30 June 2021

33 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED (CONTINUED)

(D) DIVIDENDS DECLARED AND PAID

During the year ended 30 June 2021, Qantas Airways Limited did not declare or pay any dividends. No dividend will be paid in relation to the year ended 30 June 2021.

(E) CAPITAL EXPENDITURE COMMITMENTS

The capital expenditure commitments held by the parent entity are the same as those held by the Group as disclosed in Note 15(C).

(F) CONTINGENT LIABILITIES

The contingent liabilities held by the parent entity are the same as those held by the Group as disclosed in Note 34.

(G) PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 31.

The parent entity related parties in respect to the provision of guarantees are primarily the same as those held by the Group, which are disclosed in Note 32.

(H) INTEREST-BEARING LIABILITIES

The parent entity has total interest-bearing liabilities of $7,288 million (2020: $7,272 million), of which $1,035 million (2020: $1,253 million) represents secured loans payable to controlled entities. Of the $6,253 million (2020: $6,019 million) payable to other parties, $4,055 million (2020: $4,154 million) represents secured bank loans and other secured loans, with the remaining balance representing unsecured loans.

34 CONTINGENT LIABILITIES

Details of contingent liabilities are set out below. The Directors are of the opinion that provisions are not required with respect to these matters, as it is not probable that a future outflow of economic benefits will be required or that the amount is not capable of reliable measurement.

(C) GUARANTEES

The Qantas Group co-guarantees the finance lease obligations for two A320 aircraft on behalf of Jetstar Japan to the external lessors in exchange for guarantee fees to the Qantas Group. The Qantas Group, in conjunction with Japan Airlines, provided a joint guarantee to support the unsecured debt of Jetstar Japan to increase liquidity in response to COVID-19.

As part of the business service agreements, the Qantas Group has extended support to the Jetstar-branded airline in Japan (Jetstar Japan) by allowing its credit card transactions to be acquired through the Qantas Group's contractual arrangements.

Qantas has also entered into guarantees in the normal course of business to secure a self-insurance licence under the *Safety, Rehabilitation and Compensation Act 1988*, the *New South Wales Workers' Compensation Act*, the *Victorian Accident Compensation Act* and the *Queensland Workers' Compensation Act and Rehabilitation Act*, to support non-aircraft lease commitments and other arrangements entered into with third parties. Due to specific self-insurance provisions raised, the Directors are of the opinion that the probability of having to make a payment under these guarantees is remote.

(D) LITIGATION

From time to time Qantas is subject to claims and litigation during the normal course of business. The Directors have given consideration to such matters, which are or may be subject to litigation at year end and, subject to specific provisions raised, are of the opinion that no material contingent liability exists.

35 POST-BALANCE SHEET DATE EVENTS

Subsequent to 30 June 2021, various Australian state governments reimposed certain restrictions on interstate travel or imposed localised or state-wide lockdowns of various durations. In addition, the Trans-Tasman 'travel bubble' was paused. These government restrictions impacted demand for domestic and Trans-Tasman travel and the Group responded by adjusting capacity.

The Group's Recovery Plan is a three-year plan, and while these non-adjusting post-balance sheet date events have impacted the timing of demand recovery, this is expected to have a short-term impact and not change materially the overall recovery strategy of the Three-Year Recovery Plan.

On 30 July 2021, the Federal Court handed down its decision in favour of the Transport Workers Union (TWU) regarding the Group's outsourcing of the remaining ground handling functions. The decision has not considered any implications of this judgement around requirements to reinstate workers or pay compensation or penalties. In addition, the Group has appealed this judgement, which will now proceed to the Full Federal Court. The Federal Court decision and the outcome of the appeal are considered a contingent liability and no adjustment has been recognised in the financial statements for the year ended 30 June 2021.

On 16 September 2021, the Group completed a seven-year $500 million unsecured bond, which will be used to boost liquidity, repay maturing debt and help in the balance sheet repair program.

Notes to the Financial Statements continued

For the year ended 30 June 2021

36 MATERIAL BUSINESS RISKS

The aviation industry is subject to numerous inherent risks that can impact operations if left untreated. In rare circumstances 'black swan' risk events can materialise, resulting in unexpected consequences such as those that the aviation industry is experiencing due to COVID-19. The COVID-19 pandemic has impacted Qantas' operations significantly, including its strategic and financial objectives.

Material business risks arising from COVID-19, notably liquidity risks, are being critically managed to ensure the ongoing sustainability of the Group. The Recovery Plan delivered $650 million of cost restructuring benefits in financial year 2020/21 and is on track to deliver the targeted $1 billion of ongoing structural cost benefits by financial year 2022/23. As the impact of COVID-19 evolves, the Group continues to plan for a wide range of scenarios and risks to ensure the Group is well-positioned to achieve the required level of transformation to support target outcomes.

Other inherent risks that can impact the Group's operations include exposure to changes in economic conditions, changes in government regulations, fuel and foreign exchange volatility and other exogenous events such as aviation incidents, natural disasters or international conflicts.

COVID-19 outbreak management: Although Australia has recorded low levels of community transmission of COVID-19 when compared with other jurisdictions, outbreaks have occurred in most states, with the risk of future outbreaks ever present given the new virus variants and the status of the vaccine roll out in Australia. Through its 'Fly Well' and 'Work Well' programs, Qantas has introduced initiatives aimed at preventing the introduction and spread of COVID-19 in workplaces and aircraft for the protection of our people and our customers. COVID-19 community transmission case numbers are closely monitored by the Group with a layered response framework in place to ensure controls are rapidly deployed in line with the level of risk posed. These controls not only seek to protect health but also support business continuity.

General economic conditions post-crisis: As air travel is closely linked with economic growth, the Qantas Group's operating and financial performance is influenced by a variety of general economic and business conditions in Australia and overseas. A sustained decline in consumer and business demand as part of a broader deterioration of economic conditions is likely to have a materially adverse effect on the financial condition and business of the Qantas Group.

COVID-19 has created considerable uncertainty and volatility surrounding these macroeconomic factors, and any further deterioration may have a materially adverse impact on the business, financial condition and prospects of the Qantas Group.

Employee relations: The Qantas Group operates in a highly regulated employment market and a portion of the Qantas Group's employees are represented by unions and are party to collective bargaining arrangements. Any significant enterprise bargaining dispute between the Qantas Group and its employees, including in relation to the Recovery Plan, could lead employees to take industrial action, including work stoppages. This could disrupt the Qantas Group's day-to-day operations and adversely affect business performance, potentially leading to reputational damage.

The slower rate of vaccine roll out and the prolonged closure of the Australian border due to the COVID-19 crisis has necessitated the extended stand down of the majority of the Qantas and Jetstar International workforce. In addition, the domestic lockdowns and the knock-on impact of border closures by states and territories due to the Delta variant has resulted in the stand down of certain Domestic work groups. The Group recognises that this situation requires increased efforts to ensure that our people remain connected to the organisation, and their health and wellbeing is supported. Relevant information continues to be communicated to our people through a series of channels, including regular Town Hall meetings hosted by the Group Executive Committee, with several thousand employees remotely joining these sessions. Employee mental health continues to be a key area of focus, with enhanced services provided through our Employee Assistance Program as well as manager toolkits to assist with increasing awareness, identification, support and monitoring of employee mental health.

The Qantas Group also has certain key management personnel whose institutional knowledge, expertise, relationships and experience are considered important to the continued success of the business. The loss of key personnel could adversely impact the Qantas Group's business and future performance.

Customer risk: The ongoing success of the Qantas Group depends to a large degree on customer satisfaction and loyalty, particularly in light of the significant competition for passengers that characterises the aviation industry.

The significant financial and operational challenges posed by COVID-19, the impact of the pandemic on the travel industry, the opening and closing of domestic and international borders and the response of the Qantas Group to these challenges could also impact customer satisfaction and loyalty. In particular, a diminution of customer satisfaction due to the cancellation and refund policies of the Qantas Group in the context of COVID-19 may impact the Qantas Group's reputation and its ability to attract customers in the future, exacerbated by a potential decline in customer confidence in travelling due to border restrictions and health risks.

In addition, the Qantas Group is vulnerable to longer-term changes in consumer preferences in relation to its service offerings, the markets in which it operates, and consumer and business sentiment towards travel, including environmental considerations. Any failure by the Qantas Group to predict or respond to such changes in a timely and cost-effective manner may adversely impact the Qantas Group's future operating and financial performance.

Climate change: The Qantas Group is subject to short-term and long-term climate-related physical and transition risks (including both increasing customer and investor climate change expectations and government climate change policy risks). These risks are an inherent part of the operations of an airline and are managed by undertaking scenario analysis, strengthening governance, technology, operational and market-based controls, including proactive consideration of how changing factors (including global climate policies) impact the proximity of climate-related risks. The Qantas Group has also set ambitious but achievable targets to reduce our emissions by capping emissions at 2019 levels and achieving net-zero emissions by 2050, while also investing in the development of sustainable aviation fuels. The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning our corporate disclosures with the Taskforce on Climate-Related Financial Disclosures (TCFD).

These disclosures are available at https://www.qantas.com/au/en/qantas-group/acting-responsibly/our-planet.html.

Notes to the Financial Statements continued

For the year ended 30 June 2021

36 MATERIAL BUSINESS RISKS (CONTINUED)

Competitive intensity: Ordinarily, the international and domestic aviation markets in which the Qantas Group operates are highly competitive, and growth in market capacity ahead of underlying demand impacts profitability on an industry-wide basis. Its competitors include many major foreign airlines (including government-owned or controlled airlines), some with more financial resources or lower cost structures than Qantas. This competition may increase with the expansion of existing airlines, the consolidation of existing airlines and/or the creation of alliances between airlines, or new airlines entering the market.

Australia's aviation policies favour the creation of a more competitive environment, including more liberal rights of entry into Australian domestic and international markets. These policies have attracted offshore competitors (predominantly state-sponsored airlines) to the Australian international aviation market, which has further increased competition for passengers on international routes. Additionally, the Qantas Group ordinarily faces high levels of price competition in the markets in which it operates, which places significant pressure on the Qantas Group to price match by offering heavily discounted fares. Aggressive pricing by competitors seeking to gain market share can adversely affect the Qantas Group's revenues and yield performance. The financial impact of any discounting of fares as a result of competitive pressures is exacerbated by the high fixed costs and low profit margins that characterise the aviation industry. The combined effect of these factors may have a materially adverse effect on the revenue and financial condition of the Group.

Brand reputation: The Qantas brand carries significant commercial value, and the continued success of the Qantas Group relies on the maintenance of a positive reputation and brand recognition among customers, suppliers, strategic partners and governments. Any negative publicity (for example, due to a safety incident, labour dispute, regulatory investigation or public customer complaint) may damage Qantas' reputation and have a negative impact on its business operations and financial performance. The Customer Insights team constantly monitors customer satisfaction through post-flight surveys and regularly monitors trust in the Qantas Group brands alongside ongoing research and development of Qantas Group products to mitigate this risk.

Fuel and foreign exchange volatility: The Qantas Group is subject to fuel and foreign exchange risks. These risks are an inherent part of the operations of an airline. The continued focus on forecasting and the operational agility of our aviation operations are supporting the Group to manage the residual uncertainty. Accordingly, the size of the Group's fuel and foreign exchange risk will vary in line with operational changes. The Qantas Group manages fuel and foreign exchange risks through a comprehensive hedging program. Qantas will continue to hedge its fuel and foreign exchange risk in line with this program. The Group has a mix of collars and outright options in place to cover fuel price risk and is actively managed for changes in capacity due to border closures.

Cyber security and data governance: As cyber breaches and attacks surge globally and remote ways of working continue due to COVID-19, the Qantas Group remains focused on embedding cyber security, privacy and data governance into business processes, taking a security and privacy by design approach and creating a cybersafe and privacy orientated culture that builds on an established safety culture. The Group is also enhancing its Data Governance Framework to ensure ethical and commercial data risks are managed in addition to data protection and privacy. Qantas has a defined Risk and Control Framework, aligned with industry standards, which is designed to protect the confidentiality, integrity, availability and privacy of data and to maintain compliance with regulatory requirements. The Qantas Group's cyber security and data privacy-related controls operate to reduce the likelihood and severity of cyber security and data privacy related incidents and related impacts. The Group's cyber and data privacy risks are continuously monitored by the Group Cyber and Privacy Committee and are subject to independent assurance including for material third-party suppliers.

Key business partners and alliances: The Qantas Group has relationships with a number of key business partners. In order to continue to maximise mutual benefit from both a financial and customer proposition perspective, governance structures are in place to track and report performance against common strategic objectives. The Qantas Group continues to proactively build relationships with existing and new industry partners through ongoing dialogue with relevant authorities and stakeholder groups.

Key supplier risk: The Qantas Group is dependent on third-party providers for some principal business processes that are integral to its business. The failure of these providers to adequately perform their service obligations, or other unexpected interruptions of services, may cause significant disruption to the Group's operations and have an adverse impact on financial performance. Qantas uses its Business Continuity Plans to cover the risk of supply failures and has contingency plans in place to respond to key supplier interruption.

Risk of increase in airport services-related costs or change in availability of airport facilities: The Qantas Group is exposed to the risk of increases in airport services-related costs (including air traffic control, airport, transit, take-off and landing fees and security charges). The availability and cost of airport facilities are fundamental to the ability of the Qantas Group to operate.

These costs represent a significant portion of the Qantas Group's operating costs. Most Australian airports are privately owned, and owners have flexibility to increase charges to airlines. There can be no assurance that major airport operators will not continue to increase their fees or that the Qantas Group will not incur new costs in Australia or elsewhere (for example, additional fees assessed against environmental criteria such as emissions levels or noise pollution). Further, it is likely that security and health measures around the world will continue to be increased in response to the COVID-19 experience and the perceived threat of terrorism, which may lead to increases in airport clearance and security charges. To the extent that the Qantas Group is unable to pass on any fee increases to its customers, these developments could have a material adverse effect on the Qantas Group's operational results and financial position.

In addition, health concerns during the COVID-19 crisis and in the period following it are likely to impact the availability of airport slots and facilities in ways that are difficult to predict. This could have a materially adverse effect on the Qantas Group's operations and Recovery Plan.

An overview of the Group Risk Management Framework is contained in the Qantas Group Business Practices Document available at www.qantas.com.au.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION

i. Controlled Entities

Controlled entities are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of controlled entities are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

ii. Non-Controlling Interests

Non-controlling interests in the results and equity of controlled entities are shown separately in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Balance Sheet.

iii. Equity Accounted Investments

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of an entity. Significant influence is evidenced through, but not limited to, the voting power of the Group, representation on the Board of Directors and participation in policy-making processes. Interests in associates are accounted for under the equity accounting method and initially recognised at cost, including transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence ceases. Dividends received or receivable reduce the carrying amount of the equity accounted investment.

When the Group's share of total comprehensive losses exceeds the equity accounted carrying value of an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations to fund an associate's operations or has made payments on behalf of an associate, which are recognised within Provisions.

When an associate is disposed of in its entirety or partially such that significant influence is lost or classified as an asset held for sale, the cumulative amount in the foreign currency translation reserve related to that associate is reclassified to the Consolidated Income Statement as part of the gain or loss on disposal. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount in the foreign currency translation reserve related to that associate is reclassified to the Consolidated Income Statement.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in Note 37(G).

iv. Transactions Eliminated on Consolidation

Intra-group transactions, balances and unrealised gains and losses on transactions between controlled entities are eliminated in the Consolidated Financial Statements. Unrealised gains and losses arising from transactions with investments accounted for under the equity method are eliminated to the extent of the Group's interest in the associate.

(B) FOREIGN CURRENCY

i. Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group's companies at the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the Consolidated Income Statement.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transactions.

ii. Foreign Operations

The assets and liabilities and the income and expenditure of foreign operations that have a functional currency other than AUD are translated into AUD as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost or classified as an asset held for sale, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to the Consolidated Income Statement as part of the gain or loss on disposal. If the Group disposes of part of its interests in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the Consolidated Income Statement.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS

Non-Derivative Financial Instruments

i. Recognition, Measurement and Derecognition of Non-Derivative Financial Assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs related to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed.

The Group subsequently classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through the Consolidated Income Statement or the Consolidated Statement of Comprehensive Income)
- Those to be measured at amortised cost.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, are settled or the Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership are transferred.

ii. Recognition, Measurement and Derecognition of Non-Derivative Financial Liabilities

At initial recognition, the Group measures a non-derivative financial liability at its fair value, less transaction costs.

The Group subsequently measures non-derivative financial liabilities at amortised cost, with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest rate method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, where there is a extinguishment/substantial modification or transfer, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the profit or loss.

Derivative Financial Instruments

Derivative financial instruments are recognised at fair value both initially and on an ongoing basis. The accounting for subsequent changes in fair value depends on whether the derivative is a designated hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. The Group designates derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or as hedges of a particular risk associated with the cash flows of recognised assets and liabilities or of highly probable forecast transactions (cash flow hedges). At the inception of the transactions, the Qantas Group documents the economic relationship between hedging instruments and hedged items, including the risk management objective and strategy for undertaking each transaction. The Qantas Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedge transactions have been and will continue to be highly effective.

From time to time, certain derivative financial instruments do not qualify for hedge accounting, notwithstanding that the derivatives are held to hedge identified exposures. Any changes in the fair value of a derivative instrument or part of a derivative instrument that do not qualify for hedge accounting are classified as ineffective and recognised immediately in the Consolidated Income Statement.

i. Fair Value Hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability or firm commitment attributable to the hedged risk.

ii. Cash Flow Hedges

Where a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the Consolidated Statement of Comprehensive Income and accumulated within hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Consolidated Income Statement.

The amount accumulated in equity is retained in the Hedge Reserve and reclassified to the Consolidated Income Statement in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. Where the hedged item is capital in nature, the cumulative gain or loss recognised in the hedge reserve is transferred to the carrying amount of the asset when the asset is recognised.

If the forecast transaction is no longer highly probable, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is de-designated prospectively. In this instance, the amounts accumulated in the Hedge Reserve are recognised in the period in which the original hedged item transaction ultimately occurs or reclassified to the Consolidated Income Statement immediately if the forecast transaction is subsequently considered no longer probable. If the forecast transaction is no longer probable, hedge accounting is de-designated and the amount accumulated in the Hedge Reserve is reclassified to the Consolidated Income Statement immediately.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

iii. Cost of Hedging

The time value of an option, the forward element of a forward contract and any foreign currency basis spread is excluded from the designation of a financial instrument and accounted for as a cost of hedging. The fair value changes of these elements are recognised in other comprehensive income and depending on the nature of the hedged item, will either be transferred to the Consolidated Income Statement in the same period that the underlying transaction affects the Consolidated Income Statement or capitalised into the initial carrying value of the asset.

iv. Fair Value Calculations

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is estimated using valuation techniques consistent with accepted market practice. The Qantas Group uses a variety of methods and input assumptions that are based on market conditions existing at the balance sheet date. The different methods of estimating the fair value of these items have been defined in the Consolidated Financial Statements as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

v. Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under AASB 9 *Financial Instruments*, and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(D) REVENUE RECOGNITION

i. Net Passenger and Net Freight Revenue

Net passenger revenue primarily arises within the Qantas Domestic, Qantas International and Jetstar Group segments. Net freight revenue primarily arises within the Qantas International segment except where belly space is utilised in Qantas Domestic and the Jetstar Group.

Passenger, freight revenue, capacity hire and air charter revenue are recognised when the travel or service is provided. Revenue recognised on travel is net of sales discounts, passenger and freight interline/IATA commission and the Goods and Services Tax. Net freight revenue includes amounts the Group receives as operating lease income in relation to freighters leased to customers.

At the time of expected travel, revenue is also recognised in respect of tickets that are not expected to be used. Unused tickets are recognised as revenue using estimates based on the terms and conditions of the ticket, experience, historical and expected future trends. The Group generally does not recognise revenue in respect of unredeemed travel credits due to the extended redemption conditions and typically, the ability for the passenger to request a refund.

Passenger travel and freight services are generally paid for in advance of travel and are deferred on the balance sheet as revenue received in advance. Travel credits are classified as revenue received in advance where they are available for future flights or in certain circumstances for refund, if requested. Where customers have made refund claims these are classified as payables, where the balance of refunds is material in aggregate.

Where the passenger is also a Qantas Frequent Flyer member and earns Qantas Points on travel, the allocation of revenue is on a proportional basis using relative stand-alone selling prices and the consideration allocated to Qantas Points is deferred as unrecognised redemption revenue.

Consideration received in relation to certain ancillary services regarding passenger travel such as credit card fees and change fees are not considered to be distinct from the passenger flight. Revenue relating to these ancillary services is deferred until uplift to align with the related passenger travel. These amounts are included within net passenger revenue.

Passenger recoveries (including fuel surcharge on passenger tickets) are included in net passenger revenue. Freight fuel surcharge is included in net freight revenue.

ii. Frequent Flyer Marketing Revenue and Other Qantas Loyalty Businesses

Marketing revenue associated with the issuance of Qantas Points is recognised within the Qantas Loyalty segment as the service is performed over time (typically this approximates the timing of the issuance of Qantas Points). Marketing revenue is measured as the difference between the stand-alone selling price of a Qantas Point and the consideration received, using the residual approach. The stand-alone selling price of a Qantas Point is determined using estimation techniques based on the value of redemption options for which Qantas Points could be redeemed and considers the proportion of Qantas Points not expected to be redeemed. The consideration for Qantas Points is typically received within normal credit terms following the issuance of points.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) REVENUE RECOGNITION (CONTINUED)

ii. Frequent Flyer Marketing Revenue and Other Qantas Loyalty Businesses (continued)

Marketing revenue on inter-segment Qantas Point issuances is eliminated on consolidation.

Revenue from other Qantas Loyalty businesses includes commission revenue where Qantas Loyalty is acting as a sales agent. Commission revenue is measured based on its relative stand-alone selling price and is recognised on satisfaction of the performance obligation which is typically the transfer of the underlying good or service to the customer.

iii. Frequent Flyer Redemption Revenue

The consideration for issuance of Qantas Points is typically received in advance of redemption and is deferred as unrecognised redemption revenue. Redemption revenue is recognised within the Qantas Loyalty segment when Qantas Points are redeemed.

Redemption revenue is measured based on the weighted average value of the points redeemed. Redemption revenue arising from Qantas Group flight redemptions is recognised when the passenger is uplifted and within net passenger revenue on consolidation.

Redemption revenue in relation to products provided by suppliers outside the Group, such as Qantas Reward Store redemptions and other carrier redemptions, is recognised in the income statement net of related costs where the Group is an agent. For the purposes of segment reporting, the Qantas Loyalty segment reports these redemptions on a gross basis. Adjustments are made within consolidation eliminations to present these redemptions on a net basis at a Group level within other revenue. Obligations for returns or refunds in relation to redemptions from the Qantas Rewards Store are recognised where material.

Significant changes in issued Qantas Points expected to expire unredeemed are recognised within other income. The Group uses estimates based on terms and conditions of the Frequent Flyer program, experience, historical and expected future trends to determine any amount recognised.

iv. Other Carrier Commissions and Commissions from Third Parties

The Group considers whether it is a principal or agent in relation to services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for services to be provided by a third party, such as another carrier or a third party. Other carrier commission revenue is included within third party services revenue and is generally recognised on uplift by the other carrier. Consideration for other carrier commissions is received within normal credit terms through IATA. Commissions from third parties are typically recognised when the underlying good or service has been transferred to the end-customer.

v. Freight Terminal Fees

Revenue from Freight terminal fees is measured based on its stand-alone selling price and is recognised on satisfaction of the performance obligation, which is typically the transfer of the underlying service to the customer. Invoices are issued according to contractual terms.

vi. Qantas Club Membership

Qantas Club Membership revenue is measured based on its stand-alone selling price and is recognised on satisfaction of the performance obligation, which is typically straight-line over the membership period. The deferred revenue is included in other revenue received in advance.

vii. Incremental Costs of Obtaining a Contract

The incremental cost of obtaining a contract is capitalised and amortised over the expected period of benefits to the Group and in line with the pattern those benefits are expected to arise. The Group recognises the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would have been recognised is one year or less.

(E) GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group expects to comply with the conditions. Note 24 provides further information on how the Group accounts for government grants.

(F) TAXES

i. Tax Compliance

The Qantas Group is committed to embedding risk management practices to support the achievement of compliance objectives and fulfil corporate governance obligations. Tax risk management is governed by both the Qantas Group Risk Management Policy and the Qantas Group Tax Risk Management Policy, ensuring corporate governance obligations with respect to tax risks are met. The Qantas Group has paid all taxes that it owes and all tax compliance obligations are up to date. The Australian Taxation Office (ATO) has advised that the Qantas Group is a key taxpayer, continuing to have a 'low' likelihood of non-compliance. The ATO also acknowledged Qantas' continued commitment to engage cooperatively and transparently to mitigate tax risks, including obtaining tax certainty on key transactions through the use of binding Private Rulings and entering into a multi-tax Annual Compliance Arrangement (ACA).

Tax Treaties
Due to the operation of income tax treaties and specific rules dealing with airlines, the Qantas Group appropriately reports the majority of its income in Australia, with only a small component being reported in foreign jurisdictions (for the purpose of determining liability to company tax).

Current Income Tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable with respect to previous years. It is measured using tax rates enacted or substantially enacted at the balance sheet date where the Group and its subsidiaries operate and generate taxable income or loss.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) TAXES (CONTINUED)

i. Tax Compliance (continued)

Deferred Tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss
- Temporary differences relating to investments in controlled entities and associates and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. Qantas provides for income tax in both Australia and overseas jurisdictions where a liability exists.

Income Tax
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

ii. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Consolidated Balance Sheet. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

iii. Tax Consolidation

Qantas and its Australian wholly-owned controlled entities, trusts and partnerships are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity.

(G) IMPAIRMENT

i. Non-Financial Assets

The carrying amounts of non-financial assets such as equity accounted investments, property, plant and equipment, goodwill and intangible assets and other assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. For the purpose of assessing impairment, goodwill and indefinite lived intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets which primarily generate cash flows as a group, such as aircraft, are typically assessed on a cash generating unit (CGU) basis, inclusive of related infrastructure and intangible assets and compared to net cash inflows for the CGU. Where assets are no longer expected to contribute to the cash flows of a CGU, they are tested for impairment separately. Identification of an asset's CGU requires significant judgement, as it requires identification of the lowest aggregation of assets that generate largely independent cash inflows. In Management's judgement, the lowest aggregation of assets which give rise to CGUs as defined by AASB 136 *Impairment of Assets* are the Qantas Domestic CGU, Qantas International CGU, Qantas Loyalty CGU, Qantas Freight CGU, Jetstar Asia CGU, Jetstar Japan CGU and the Jetstar Australia/New Zealand CGU. Estimated net cash flows used in determining recoverable amounts are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

An impairment loss is recognised for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The maximum amount of any impairment reversal is the lower of:

- The amount necessary to bring the carrying amount of the asset to its recoverable amount (if it is determinable), and
- The amount necessary to restore the assets of the CGU to their pre-impairment carrying amounts less subsequent depreciation or amortisation that would have been recognised.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) IMPAIRMENT (CONTINUED)

ii. Financial Assets

The carrying value of financial assets is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Where necessary, the Group recognises provisions for expected credit loss (ECL) at amortised cost, based on 12-month or lifetime losses depending on whether there has been a significant increase in credit risk, including risk of default occurring, since initial recognition. For significant customers, the Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgment. For other customers, ECL is assessed based on credit risk characteristics and the days past due. It is then measured based on actual historical credit loss experienced over the past years, along with other factors, to reflect differences between the economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of macroeconomic conditions over the expected lives of the receivables. The Group considers a financial asset to be in default when the counterparty is unlikely to pay its credit obligations in full.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. A financial asset is written off when there is no reasonable expectation of recovery, such as the debtor failing to engage in a repayment plan with the Group.

(H) PROPERTY, PLANT AND EQUIPMENT

i. Recognition and Measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Items of property, plant and equipment are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Costs to dismantle and remove assets
The cost of acquired assets includes the initial estimate of costs of dismantling and removing the items and restoring the site on which they are located. Changes in the measurement of existing liabilities resulting from changes in foreign exchange rates, timing or expected outflow of resources required to settle the obligation, or from changes in the discount rate are recognised as an adjustment to the asset recognised. The unwinding of the discount is treated as a finance expense in the Consolidated Income Statement.

Gains or losses on cash flow hedges of the purchase of assets
The cost also may include transfers from the hedge reserve of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment in accordance with Note 37(C).

Capitalisation of interest
Interest attributed to progress payments made on account of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset. All other borrowing costs are recognised in the Income Statement in the year in which they are incurred.

ii. Subsequent Expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. Depreciation

Depreciation is provided on a straight-line basis on all items of property, plant and equipment except for freehold land, which is not depreciated. The depreciation rates of owned assets are calculated to allocate the cost or valuation of an asset, less any estimated residual value, over the asset's estimated useful life to the Qantas Group. Assets are depreciated from the date of acquisition or, with respect to internally constructed assets, from the time an asset is available for use. The costs of improvements to assets are depreciated over the shorter of the remaining useful life of the asset or the estimated useful life of the improvement.

The principal asset depreciation periods and estimated residual value percentages applied where material are:

	Years	Residual Value (%)
Buildings and leasehold improvements	0 – 40	0
Plant and equipment	2.5 – 20	0
Passenger aircraft and engines	2.5 – 25	0 – 10
Freighter aircraft and engines	2.5 – 20	0 – 10
Aircraft spare parts	15 – 20	0 – 10

Useful lives and residual values are reviewed annually and adjusted where appropriate, having regard to commercial and technological developments, the estimated useful life of assets to the Qantas Group and the long-term fleet plan.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

iv. Maintenance and Overhaul Costs

Embedded Maintenance
An element of the cost of an acquired aircraft is attributed to its service potential, reflecting the maintenance condition of its engines and airframe. This cost is depreciated over the shorter of the period to the next major inspection event, the remaining life of the asset or the remaining lease term.

Subsequent Maintenance Expenditure
The costs of subsequent major cyclical maintenance checks for owned and leased aircraft are recognised as an asset and depreciated over the shorter of the scheduled usage periods to the next major inspection event, the remaining life of the aircraft or lease term (as appropriate to their estimated residual value). Maintenance checks which are covered by third-party maintenance agreements where there is a transfer of risk and legal obligation are expensed on the basis of hours flown. All other maintenance costs are expensed as incurred.

Modifications
Modifications that enhance the operating performance or extend the useful lives of aircraft are capitalised and depreciated over the remaining estimated useful life of the asset or remaining lease term (as appropriate to their estimated residual value).

v. Manufacturers' Credits

The Qantas Group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction to the cost of the related aircraft and engines, when the credits are utilised by the Group.

(I) LEASES

The Group predominantly leases passenger aircraft and engines, freighter aircraft, domestic and international properties, and equipment. Lease contracts are typically entered into for fixed periods but may have extension options.

i. Initial Recognition

Leases (other than those described below) are recognised as a lease liability with a corresponding right of use asset at the date at which the leased asset is available for use by the Group.

Scope
AASB 16 applies to contracts which convey the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from the use of the asset throughout the period of use.

Short-term leases (expected lease term of 12 months or less from the commencement date and that do not contain a purchase option) and leases of low-value assets are not recognised as lease liabilities. Lease payments on short-term leases and leases of low-value assets are recognised as an expense in the Consolidated Income Statement as incurred.

For contracts that include lease components and non-lease components, these are separated based on their relative stand-alone selling prices. The lease component is recognised as a lease under AASB 16 and the non-lease component is recognised as an expense in the Consolidated Income Statement as incurred. This includes, for example, certain capacity hire arrangements where a third party provides aircraft (lease component) to the Group, together with other services such as crew and maintenance (non-lease components), which are recognised within capacity hire expense.

Lease liability
At the lease commencement date, lease liabilities are initially measured at the present value of lease payments over the lease term.

Lease payments include fixed payments (less any lease incentives receivable), variable payments that are based on an index or a rate (initially measured using the index or rate as at the commencement date) and, where relevant, the exercise price of a purchase option (where it is reasonably certain that option will be exercised).

The lease term includes the non-cancellable period for which the Group has contracted to lease the asset, together with any option terms to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. When determining the lease term for cancellable leases or renewable leases, the Group considers both the broader economics of the contract (and not only contractual termination payments) and whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty. Such leases include, for example, leases which have expired and are legally cancellable by both the lessor and lessee and/or leases which contain holdover arrangements which allow the lessee to continue to occupy the property beyond the lease end date until the arrangement is cancelled by either the lessee or the lessor.

Lease payments are discounted using the Group's incremental borrowing rate where the implicit interest rate in the lease is not readily determined. The Group's incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value or the right to use an asset in an economic environment with similar terms and conditions.

Right of use asset
At the lease commencement date, right of use assets are measured at an amount equal to the initial measurement of the lease liability (adjusted for any lease payments made at or before the commencement date), and an initial estimate of the present value of restoration or return costs that arise at lease commencement (with the corresponding amount recognised as a provision under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*), less any lease incentives received.

ii. Subsequent Measurement

Lease liability
Lease payments are allocated between principal and interest payments. The interest expense is recognised in the Consolidated Income Statement over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) LEASES (CONTINUED)

ii. Subsequent Measurement (continued)

Lease liabilities denominated in currencies other than the Group's functional currency are translated to Australian dollars at each reporting date, however, the right of use asset is recognised at the foreign exchange rate at initial recognition.

In accordance with the Group's Treasury Risk Management Policy, certain foreign currency lease liabilities (for example, aircraft leases denominated in US dollars) have been designated as a hedging instrument of future corresponding foreign currency revenues (for example, US dollar revenues) in a cash flow hedge relationship. The effective portion of the foreign exchange revaluation of the lease liability is recognised in other comprehensive income and is recycled to the Consolidated Income Statement within net passenger revenue when the hedged item is realised.

The lease liability is remeasured where there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of amounts expected to be payable under a residual value guarantee, or if there is a change in the lease term, including the Group's assessment of whether it will exercise a purchase, extension or termination option within the lease contract (reassessed where there is a significant event or change in circumstances that is within the Group's control and affects the ability to exercise, or not to exercise, an option). Where the lease liability is remeasured in this way, a corresponding adjustment is recognised to the right of use asset or is recorded in the Consolidated Income Statement if the carrying amount of the right of use asset has been reduced to zero.

Right of use asset
Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right of use asset is adjusted for certain changes in the lease liability. The right of use asset is also adjusted for changes in the measurement of the restoration provision recognised for return costs that arise at lease commencement.

iii. Amendment to AASB 16

In May 2020, the IASB issued amendments to AASB 16 to provide an optional relief to lessees from applying AASB 16's guidance on lease modification accounting for rent concessions if they are a direct consequence of COVID-19 and meet certain conditions specified in the amendment. The practical expedient allows the lessee to recognise a forgiveness or waiver of lease payments as a variable lease payment in the income statement and a corresponding derecognition of the part of the lease liability that has been extinguished by the forgiveness or waiver of lease payments. The practical expedient also provides guidance on accounting for rent deferrals whereby a change in lease payment that reduces the payment in one period and proportionally increases the payment in another does not extinguish the lessee's lease liability nor changes the consideration for the lease. The lessee would continue to recognise lease payment deferrals within the lease liability.

The Group has determined that it meets the conditions to apply the practical expedient and has applied the practical expedient in accounting for rent concessions. The impact of the application of this practical expedient is disclosed in Note 16.

iv. Lease revenue

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Where the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right to use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term within net freight revenue and other revenue and income.

(J) INTANGIBLE ASSETS

i. Recognition and Measurement

Goodwill	Goodwill has an indefinite useful life and is stated at cost less any accumulated impairment losses. With respect to investments accounted for under the equity method, the carrying amount of goodwill is included in the carrying amount of the investment.
Airport landing slots	Airport landing slots have an indefinite useful life. Airport landing slots are not amortised and are stated at cost less any accumulated impairment losses.
Brand names and trademarks	Brand names and trademarks have an indefinite useful life and are carried at cost less any accumulated impairment losses.
Software	Software is stated at cost less accumulated amortisation and impairment losses. Software development expenditure, including the cost of materials, direct labour and other direct costs, is only recognised as an asset when the Qantas Group controls future economic benefits as a result of the costs incurred and it is probable that those future economic benefits will eventuate and the costs can be measured reliably.
Contract intangible assets	Contract intangible assets are stated at cost less accumulated amortisation. Amortisation commences when the asset is ready for use.

The Group considers that there are no individual intangible assets that are material for additional disclosure within the financial statements.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) INTANGIBLE ASSETS (CONTINUED)

ii. Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill and brands, is recognised in the Consolidated Income Statement as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Consolidated Income Statement. Goodwill, brand names and trademarks and airport landing slots are indefinite lived intangible assets and are allocated to the relevant CGU. These indefinite lived intangible assets are not amortised but tested annually for impairment. Contract intangible assets are not amortised until such time as the intangible asset is ready for use but are tested annually for impairment.

The principal amortisation periods and estimated residual value percentages applied where material is:

	Years	Residual Value %
Software	2 – 10 years	0%
Contract intangible assets	0 – 40 years	0%

(K) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost is determined by the weighted average cost method. Inventories include mainly engineering expendables, consumable stores and work-in-progress.

(L) PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, if the effect of discounting is material.

(M) PROVISIONS

A provision is recognised if, as a result of a past event, there is a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognised for future operating losses.

If the effect is material, a provision is determined by discounting the best estimate of the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as a finance expense in the Consolidated Income Statement.

Obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Wages, salaries and annual leave	Liabilities for wages, salaries and annual leave vesting to employees are recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as workers' compensation insurance, superannuation and payroll tax. The annual leave provision is discounted using corporate bond rates which most closely match the expected settlement dates of the provision.
Long service leave	The liability for long service leave is recognised as a provision for employee benefits and measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on expected employee usage. The provision is discounted using corporate bond rates which most closely match the expected settlement dates of the provision. The unwinding of the discount is treated as a finance expense in the Consolidated Income Statement. Remeasurements as a result of experience adjustments and changes in assumptions are recognised in the Consolidated Income Statement.
Redundancies and other employee benefits	Redundancy provisions are recognised as an expense at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. These benefits are expected to be settled wholly within 12 months of the end of the reporting period. Other employee benefits such as discretionary bonus amounts due to non-executive employees are recognised as a provision where the Group has a legal or constructive obligation to make the payment to non-executive employees and the amount can be reliably measured.
Onerous contracts	An onerous contract is a contract in which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefit expected to be received. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) PROVISIONS (CONTINUED)

Make good on leased assets	**Aircraft:** An initial estimate of the present value of restoration or return costs that arise at lease commencement are recognised as a provision with a corresponding amount recognised as part of the initial recognition of the right of use asset and depreciated over the lease term. Changes in this provision are recognised as an adjustment to the right of use asset. Provisions for return costs that occur over the lease term through usage or the passage of time are recognised as an expense when they occur. The determination of provisions for return costs requires significant judgement and is estimated in USD based on the forecast costs expected to be incurred when the aircraft is returned to or purchased from the lessor, calculated using expected future increases in costs and discounted to present value using the Group's incremental borrowing rate. The expense is recognised pro-rata over the period to an expected lease return date. Movements in the provision due to changes in foreign exchange rates and discount rates as well as changes in estimates of forecast return costs expected to be incurred or expected lease return dates are recognised in the Consolidated Income Statement. **Property and environment:** An initial estimate of the present value of restoration costs that arise at lease commencement are recognised as a provision with a corresponding amount recognised as part of the initial recognition of the right of use asset and depreciated over the lease term. Changes in this provision are recognised as an adjustment to the right of use asset. Where the usage of property or land gives rise to an obligation for rehabilitation, the Group recognises a provision for the costs associated with restoration.
Insurance, legal and other	**Insurance:** The Qantas Group self-insures for risks associated with workers' compensation in certain jurisdictions. Qantas has made a provision for all notified and assessed workers' compensation liabilities, together with an estimate of liabilities incurred but not reported, based on an independent actuarial assessment. The provision is discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liabilities and which have maturity dates approximating the terms of Qantas' obligations. Workers' compensation for all remaining employees is commercially insured. **Legal and other provisions:** These are recognised where they are incurred as a result of a past event, there is a legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(N) OTHER EMPLOYEE BENEFITS

Employee share plans

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market performance conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of equity-based entitlements settled in cash is recognised as an employee expense with a corresponding increase in liability over the period during which employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value. Any changes in the fair value of the liability are recognised as an employee expense in the Consolidated Income Statement.

Defined contribution superannuation plans

The Qantas Group contributes to employee defined contribution superannuation plans. Contributions to these plans are recognised as an expense in the Consolidated Income Statement as incurred.

Defined benefit superannuation plans

The Qantas Group's net obligation with respect to defined benefit superannuation plans is calculated separately for each plan. The Qantas Superannuation Plan has been split based on the divisions which relate to accumulation members and defined benefit members. Only defined benefit members are included in the Qantas Group's net obligation calculations. The calculation estimates the amount of future benefit that employees have earned in return for their service in the current and prior periods, which is discounted to determine its present value, and the fair value of any plan assets is then deducted.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling, are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Consolidated Income Statement.

The discount rate used is the corporate bond rate which has a maturity date that approximates the expected terms of Qantas' obligations. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the Consolidated Income Statement as past service costs. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) NET FINANCE COSTS

Net finance costs comprise interest payable on borrowings calculated using the effective interest method, unwinding of the discount rate on lease liabilities, provisions and receivables, interest receivable on funds invested and gains and losses on mark-to-market movements in fair value hedges.

Finance income is recognised in the Consolidated Income Statement as it accrues, using the effective interest method.

Finance costs are recognised in the Consolidated Income Statement as incurred, except where interest costs relate to qualifying assets, in which case they are capitalised to the cost of the assets. Qualifying assets are assets that necessarily take a substantial period of time to be made ready for intended use. Where funds are borrowed generally, borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's debt facilities.

(P) CAPITAL AND RESERVES

i. Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of tax.

ii. Repurchase of Share Capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

iii. Treasury Shares

Shares held by the Qantas-sponsored Employee Share Plan Trust are recognised as treasury shares and deducted from equity.

iv. Employee Compensation Reserve

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against treasury shares when the underlying shares vest and transfer to the employee at the fair value. The difference between the fair value at grant date and the cost of treasury shares used is recognised in retained earnings (net of tax).

v. Hedge Reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments and the cumulative change in fair value arising from the time value of options related to future forecast transactions. Gains or losses relating to ineffective portions are recognised immediately in the Consolidated Income Statement.

The amounts within Hedge Reserve are reclassified to the Consolidated Income Statement in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. Where the hedged item is capital in nature, the cumulative gain or loss recognised in the hedge reserve is transferred to the carrying amount of the asset when the asset is recognised.If the forecast transaction is no longer highly probable, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is de-designated prospectively. In this instance, the amounts accumulated in the Hedge Reserve are recognised in the period in which the original hedged item transaction ultimately occurs or reclassified to the Consolidated Income Statement immediately if the forecast transaction is subsequently considered no longer probable. If the forecast transaction is no longer probable, hedge accounting is de-designated and the amount accumulated in the Hedge Reserve is reclassified to the Consolidated Income Statement immediately.

vi. Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign controlled entities and investments accounted for under the equity method.

vii. Other Reserves

Other reserves includes the defined benefit reserve, comprising the remeasurements of the net defined benefit asset/(liability), which is recognised in other comprehensive income in accordance with AASB 119 *Employee Benefits,* and the fair value reserve, comprising the fair value gains/(losses) on investments at fair value through other comprehensive income.

viii. Dividends

A provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Where the Group has revoked a declared dividend, it is no longer recognised as a provision.

(Q) COMPARATIVES

Where applicable, comparative balances have been reclassified to align with current year presentation.

Notes to the Financial Statements continued

For the year ended 30 June 2021

37 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, being the Chief Executive Officer, Group Management Committee and the Board of Directors.

Underlying EBIT is the primary reporting measure used by the CODM for the purpose of assessing the performance of the operating segments, with the exception of the Corporate segment which is assessed using Underlying PBT. Underlying EBIT of the Qantas Group's operating segments is prepared and presented on the basis that it reflects the revenue earned and the expenses incurred by each operating segment. The significant accounting policies applied in implementing this basis of preparation are set out below. These accounting policies have been consistently applied to all periods presented in the Consolidated Financial Statements.

Segment Performance Measure	Basis of Preparation
External segment revenue	External segment revenue is reported by operating segments as follows: – Net passenger revenue is reported by the operating segment that operated the relevant flight or provided the relevant service. For Qantas Airlines, where a multi-sector ticket covering international and domestic travel is sold, the revenue is reported by Qantas International and Qantas Domestic on a pro-rata basis using an industry standard allocation process – Other revenue is reported by the operating segment that earned the revenue.
Inter-segment revenue	Inter-segment revenue for Qantas Domestic, Qantas International and Jetstar Group operating segments primarily represents: – Net passenger revenue arising from the redemption of Frequent Flyer points for Qantas Group flights by Qantas Loyalty – Net freight revenue from the utilisation of Qantas Group's aircraft belly space. Inter-segment revenue for Qantas Loyalty primarily represents marketing revenue arising from the issuance of Frequent Flyer points to Qantas Domestic, Qantas International and Jetstar Group. Inter-segment revenue transactions, which are eliminated on consolidation, occur in the ordinary course of business at prices that approximate market prices. The inter-segment arrangements with Qantas Loyalty are not designed to derive a net profit from inter-segment Frequent Flyer point issuances and redemptions.
Share of net profit/(loss) of investments accounted for under the equity method	Share of net profit/(loss) of investments accounted for under the equity method is reported by the operating segment that is accountable for the management of the investment. The share of net profit/(loss) of investments accounted for under the equity method for Qantas Airlines' investments has been equally shared between Qantas Domestic and Qantas International.
Underlying EBITDA	The significant expenses impacting Underlying EBITDA are as follows: – Manpower and staff-related costs are reported by the operating segment that utilises the manpower. Where manpower supports both Qantas Domestic and Qantas International, costs are reported by using an appropriate allocation methodology – Fuel expenditure is reported by the segment that consumes the fuel in its operations – Aircraft operating variable costs are reported by the segment that incurs these costs – All other expenditure is reported by the operating segment to which it is directly attributable or, in the case of Qantas Airlines, between Qantas Domestic and Qantas International using an appropriate allocation methodology. To apply this accounting policy, where necessary, expenditure is recharged between operating segments as a cost recovery. The impact of discount rate changes on provisions, and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation.
Depreciation and amortisation	Qantas Domestic, Qantas International and Jetstar Group report depreciation expenses for passenger and freight aircraft owned or leased by the Qantas Group and flown by the segment. Other depreciation and amortisation is reported by the segment that uses the related asset.

Notes to the Financial Statements continued

For the year ended 30 June 2021

38 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

A number of new accounting amendments and interpretations have been issued that are not yet effective and not yet adopted by the Group for the financial year ended 30 June 2021. The Group intends to adopt the following new or amended standards and interpretations, if applicable, when they become effective, with no significant impact being expected on the Consolidated Financial Statements of the Group:

– Amendments to AASB 9, AASB 7, AASB 4 and AASB 16 *Interest Rate Benchmark Reform phase 2*

– Amendments to AASB 101 *Classification of Liabilities as Current or Non-current*

– Amendments to AASB 3 *Reference to Conceptual Framework.*

In April 2021, IFRIC issued a final agenda decision regarding configuration or customisation costs in a cloud computing arrangement. The decision provides additional guidance on how to determine whether configuration or customisation expenditure relating to cloud computing arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is recognised in the Income Statement. Where material, the application of this agenda decision could result in the reclassification of intangible assets to prepayments in the Statement of Financial Position or the immediate recognition of an expense in the Consolidated Income Statement.

The agenda decision has no formal effective date, however, the International Accounting Standards Board expects that preparers are entitled to sufficient time to determine and implement any change. Given the agenda decision was finalised in April 2021 and the complexity of the assessment criteria and implementation on a full retrospective basis, the Group has not adopted this agenda decision in the financial statements for the year ended 30 June 2021. The Group has developed an analysis and impact assessment plan of software capitalised within intangible assets and upon completion will adopt the agenda decision as soon as practicable with any material adjustments required to be recognised retrospectively as a change in accounting policy.

Directors' Declaration

For the year ended 30 June 2021

1. In the opinion of the Directors of Qantas Airways Limited (Qantas):
   a. The Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001* (Cth), including:
      i. Giving a true and fair view of the financial position of the Qantas Group as at 30 June 2021 and of its performance for the financial year ended on that date
      ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*
   b. There are reasonable grounds to believe that Qantas will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that Qantas and the controlled entities will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between Qantas and those controlled entities pursuant to ASIC Corporations (Wholly-owned companies) instrument 2016/785 (Instrument).
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and the Chief Financial Officer for the year ended 30 June 2021.
4. The Directors draw attention to Note 1(A) which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a Resolution of the Directors:

Richard Goyder
Chairman

17 September 2021

Alan Joyce
Chief Executive Officer

17 September 2021

Independent Auditor's Report

For the year ended 30 June 2021

To the Shareholders of Qantas Airways Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the Financial Report of Qantas Airways Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Group** consists of the Company and the entities it controlled at the year end and from time to time during the financial year.

The Financial Report comprises the:

- Consolidated Balance Sheet as at 30 June 2021
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Cash Flow Statement for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The Key Audit Matters we identified are:

- Recoverability of non-current assets, in particular aircraft and related assets
- Passenger revenue recognition
- Frequent Flyer revenue recognition
- Derivative financial instrument accounting

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

For the year ended 30 June 2021

Recoverability of non-current assets, in particular aircraft, and other related assets

Refer to Notes 12, 15, 17 and 25 to the Financial Report

THE KEY AUDIT MATTER

Assessment of the recoverability of non-current assets, including aircraft, related spare parts and inventory was a key audit matter due to:

- the significant cumulative value and long-lived nature of these assets;
- the inherent uncertainty regarding the duration and severity of COVID-19 related domestic and international travel restrictions and resultant decrease in travel demand;
- the estimates and assumptions used in the cashflow projections which form the basis of the recoverable amounts attributable to the Group's Cash Generating Units ("CGUs") require significant judgement; and
- the recognition of an impairment of $228m related to A380 and A320 aircraft, spare parts and inventory, determined by estimating fair value less costs of disposal with reference to external valuations.

We focused on significant forward-looking assumptions and judgements, specifically:

- the Group's Board approved Recovery Plan and terminal year growth rate used in the Group's CGU discounted cash flow models; and
- the fair value less costs of disposal (FVLCD) model, the application of external valuations, and adjustments to reflect remaining maintenance life for the A380 and A320 aircraft and related assets.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures for assessing the CGU value in use models included:

- meeting with management to understand the impact of COVID-19 on the Group, the mitigation strategies the Group is adopting in response and how these are reflected in the Board approved Recovery Plan.
- comparing the assumptions in the Recovery Plan relating to the easing of international and domestic travel restrictions and return of travel demand to Australian Federal and State Government announcements and published views of market commentators, and publicly available aviation industry reports relating to the impact COVID-19 pandemic has on global passenger demand.
- analysing the Group's monitoring and management of activities based on internal reporting and the Recovery Plan to assess the allocation of assets to CGUs and the identification of idle assets.
- considering the appropriateness of and assessing the integrity of the value in use model applied by the Group for CGU impairment testing against the requirements of the accounting standards.
- comparing the forecast cash flows and capital expenditure contained in the value in use models to the Board approved Recovery Plan.
- considering the sensitivity of the models by varying key assumptions, such as expected profile of recovery for the Group, terminal growth rates and discount rates, within a reasonably possible range. We considered the interdependencies of key assumptions and what the Group considers to be reasonably possible.
- we challenged the Group's forecast cash flow and growth assumptions. We compared the recovery period and terminal growth rates to authoritative published studies from external sources. We used our knowledge of the Group and our industry experience. We sourced authoritative and credible inputs from our specialists.
- working with our valuation specialists, we independently developed a discount rate range using market data for comparable entities, adjusted by risk factors specific to the Group.

Working with our global aviation valuation specialists, our procedures for assessing the fair value less costs of disposal (FVLCD) model used for estimating the recoverable value of A380 and A320 aircraft, spare parts and inventory included:

- meeting with appraisers from the two independent international aircraft valuation specialists to understand their valuation methodology, key assumptions, outlook for the aircraft type and to discuss the reasonableness of the Group's adjustments to reflect the remaining maintenance life of the aircraft.
- assessing the competence, capability and objectivity of the independent aircraft valuation specialists.
- comparing key inputs in the model to the relevant internal or external sources, including the Group's accounting records, engineering records, invoices for maintenance activity, external price lists, Airbus fact sheets and foreign currency translation rates.
- assessing the integrity of the modelling used, including the accuracy of the underlying calculation and formulae.

We assessed the disclosures in the Financial Report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards, including those made with respect to judgements and estimates.

Independent Auditor's Report continued

For the year ended 30 June 2021

Passenger revenue recognition

Refer to Note 4(A) and 37(D)(i) to the Financial Report

THE KEY AUDIT MATTER

Recognition of passenger revenue is a key audit matter due to:

- its financial significance to the Group;
- the high volume of relatively low value passenger tickets;
- judgement within the estimate for the proportion of unused tickets which are expected to expire (breakage); and
- audit effort arising from a variety of ticket conditions and points of sale.

Travel restrictions as a result of the COVID-19 pandemic have resulted in a significant decline in global and domestic travel demand, which resulted in a significant number of cancelled flights during the reporting period. These flight cancellations have caused a significant reduction in passenger revenue and forward bookings and also necessitated the payment of certain customer refunds. Historical trend information which has been used in the past to estimate breakage, has been supplemented by forward-looking estimation with regard to the current conditions and changes to conditions of carriage to determine breakage at 30 June 2021.

Given the dependence on IT systems and controls, we involved our IT specialists in addressing this key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures included:

- for key revenue streams, we assessed the Group's identification of performance obligations and revenue recognised by comparing to the relevant features of the underlying contracts.
- with the assistance of our IT specialists, we analysed the end to end flow of ticket information through multiple passenger revenue IT systems and interfaces to evaluate the recognition of revenue against accounting standards.
- with the assistance of our IT specialists, we tested the key controls restricting access to authorised users and preventing unauthorised changes to the IT systems. We tested key controls within the system relating to ticket validation and the recognition of revenue at flight date.
- testing key controls related to management review and approval of manual changes to revenue accounting records where tickets have been identified as exceptions to automated validation.
- checking a sample of passenger revenue transactions to underlying records including evidence of payment and flight records to assess the accuracy of the revenue recognised.
- checking a sample of passenger revenue received in advance to underlying records to assess the completeness of revenue recognised.
- assessing the Group's ability to reliably estimate ticket breakage by comparing previous estimates to actual outcomes. We met with senior management to understand the Group's responses regarding ticket holders impacted by cancelled flights from the COVID-19 pandemic. Through these discussions, reviews of the Group's external announcements and documented internal policies, we understood the effects of cancelled flights on breakage estimates.
- checking the calculation and IT system reports in the Group's expectation of the proportion of tickets which will expire unused. We evaluated the Group's breakage assumptions against historical trends, adjusting for the forecast impact of COVID-19 on customer behaviour, and assessed for indicators of bias, using our industry knowledge.

Independent Auditor's Report continued

For the year ended 30 June 2021

Frequent Flyer revenue recognition

Refer to Note 4(B) to the Financial Report

THE KEY AUDIT MATTER

Recognition of Frequent Flyer revenue is a key audit matter due to the high level of audit effort and judgement required by us in assessing the Group's assumptions underpinning the amount deferred as Unredeemed Frequent Flyer revenue. We focused on the Group's assumptions used in their estimation of the:

- stand-alone selling price of the Qantas Points: this is based on the observable price of available rewards weighted in proportion to the expected redemptions, based on historical experience, and impacted by future uncertain customer behaviour; and
- expected proportion of Qantas Points to be redeemed by members in the future (breakage): the Group uses actuarial experts to estimate the expected proportion of Qantas Points to be redeemed by members in the future, also based on future unpredictable customer behaviour.

The Group was impacted by global travel restrictions implemented in response to the COVID-19 pandemic which resulted in a significant reduction in the volume of Qantas Points earned and redeemed for flights and resulted in revisions to the program. The increased uncertainty relating to the future volume of Qantas Points earned and redeemed for flights and other changes to the Frequent Flyer program required additional audit effort in the current year.

Given the complex judgements, we involved our actuarial specialists to supplement our senior team members in addressing this key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures included:

- we assessed the Group's methodology used to estimate the stand-alone selling price of the Qantas Points against the requirements of AASB 15 *Revenue from Contracts with Customers* and the Group's accounting policy.
- we tested the integrity of the calculation used to estimate the stand-alone selling price of Qantas Points, including the accuracy of the underlying calculation formulas.
- we assessed the key inputs of the various redemption channels used to estimate the stand-alone selling price of expected future redemptions. We did this by comparing a sample to observable market values, such as comparable market air fares. We compared the weighting used in the calculation to historic redemption patterns, taking into consideration the estimated future volume of Qantas Points redeemed for flights and our understanding of other changes in the Frequent Flyer program.
- involving our actuarial specialists, we assessed the appropriateness of the Group's breakage calculation by developing an independent model using our understanding of the Frequent Flyer program, accounting standard requirements and comparing it to the Group's calculation.
- involving our actuarial specialists, we assessed key breakage assumptions against historical experience, recent trends and the estimated future volume of Qantas Points earned and redeemed for flights based on the Board approved Recovery Plan and our understanding of other changes in the Frequent Flyer program.
- we compared the forecast easing of international and domestic travel restrictions and return of travel demand in the Recovery Plan to Australian Federal and State Government announcements and published views of market commentators seeking authoritative and credible sources.
- we checked the accuracy of points activity data used in the calculation of breakage to source Qantas Point's system and reports.

Independent Auditor’s Report continued

For the year ended 30 June 2021

KPMG

Derivative financial instrument accounting

Refer to Note 27 to the Financial Report

THE KEY AUDIT MATTER

Cash flow hedge accounting and valuation of financial instruments is a key audit matter due to:

- the complexity inherent in the Group’s estimation of the fair value of derivative financial instruments. The Group uses market standard valuation techniques to determine the fair value of options, swaps and cross-currency swaps not traded in active markets;
- the impact of changes in the underlying market price of fuel and foreign exchange rates which are key inputs to the derivative valuations;
- the complexity in the Group’s cash flow hedge accounting relationships driven by an active financial risk management strategy, including the restructuring of specific exposures over time;
- the volume of transactions and counterparties;
- the hedging of a high proportion of forecast future cash flows; and
- the significance of the Group’s financial risk management program on the financial results.

The Group continued to be impacted by COVID-19, resulting in greater uncertainty in forecasting flying activity and fuel consumption. This has resulted in the de-designation of hedge relationships and release of deferred gains and losses to the income statement where hedged items were no longer considered probable. This required additional audit effort due to estimation uncertainty in consumption forecasts and identifying the appropriate derivatives for de-designation within restructured positions.

In assessing this key audit matter, we involved our valuation specialists to supplement our senior team members, who understand methods, inputs and assumptions relevant to the Group’s derivative portfolio.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures included:

- testing the Group’s key internal controls. These included the Group’s controls associated with:
  - assessment and approval of the details of trades to counterparty confirmations;
  - assessment of hedge accounting designation; and
  - assessment of the volume of hedged exposures compared to total exposures.
- we compared financial instrument fair values in the Group’s accounting records to the records in the treasury risk management system.
- with the assistance of our valuation specialists, we independently estimated the fair values of the Group’s financial instruments as at 30 June 2021 using recognised market valuation methodologies and inputs. We adjusted these fair values for the range of acceptable market valuation techniques in estimating fair values of instruments not traded in active markets. We compared the Group's valuations recorded in the general ledger to these fair value ranges.
- we tested a sample of cash flow hedge accounting designations against the requirements of the accounting standard. This included a sample of the restructured positions involving multiple derivatives.
- we compared the Group’s forecast fuel consumption against the Board approved Recovery Plan and ensured consistency with other key forward looking assumptions.
- we tested the Group’s derecognition of hedge relationships where the hedged item is no longer considered probable.
- we evaluated the appropriateness of the classification and presentation of derivative financial instruments and related financial risk management disclosures against accounting standard requirements.

Independent Auditor's Report continued

For the year ended 30 June 2021

KPMG

Other Information

Other Information is financial and non-financial information in Qantas Airways Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Independent Auditor's Report continued

For the year ended 30 June 2021

REPORT ON THE REMUNERATION REPORT

Opinion

In our opinion, the Remuneration Report of Qantas Airways Limited for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in pages 36 to 62 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Andrew Yates
Partner
Sydney
17 September 2021

Caoimhe Toouli
Partner
Sydney
17 September 2021

Shareholder Information

For the year ended 30 June 2021

The shareholder information set out below was applicable as at 13 August 2021.

TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares Held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	593,934,164	31.49
J P Morgan Nominees Australia Limited	286,821,886	15.21
Citicorp Nominees Pty Limited	160,480,758	8.51
National Nominees Limited	125,725,571	6.67
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	47,087,209	2.50
Citicorp Nominees Pty Limited (Colonial First State INV A/C)	35,772,282	1.90
HSBC Custody Nominees (Australia) Limited – A/C 2	27,537,766	1.46
BNP Paribas Noms Pty Ltd (DRP)	24,864,595	1.32
HSBC Custody Nominees (Australia) Limited (NT-CTH S C A/C)	10,710,384	0.57
Pacific Custodians Pty Limited (QAN Plans Ctrl)	9,614,058	0.51
CS Third Nominees Pty Limited (HSBC Cust Nom AU Ltd 13 A/C)	9,568,079	0.51
Maxfill Australia Pty Ltd	8,020,000	0.43
UBS Nominees Pty Ltd	7,721,210	0.41
HSBC Custody Nominees (Australia) Limited-GSCO ECA	7,532,086	0.40
BNP Paribas Nominees Pty Ltd Six Sis Ltd (DRP A/C)	7,149,206	0.38
Pacific Custodians Pty Limited (Emp Share Plan Tst)	3,080,533	0.16
BNP Paribas Nominees Pty Ltd (IB AU Noms Retail Client DRP)	3,035,427	0.16
Warbont Nominees Pty Ltd	2,952,836	0.16
Alan Joyce Pty Ltd	2,728,924	0.14
Mutual Trust Pty Ltd	2,576,772	0.14
Total	**1,376,913,746**	**73.03**

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shareholders by size of shareholding:

Number of Shares	Ordinary Shares Held	Number of Shareholders	% of Issued Shares
1–1,000[1]	48,426,255	116,290	57.24
1,001–5,000	164,876,292	69,083	34.00
5,001–10,000	77,310,686	10,795	5.31
10,001–100,000	146,838,227	6,758	3.33
100,001 and over	1,448,593,238	245	0.12
Total	**1,886,044,698**	**203,171**	**100.00**

1. 9,384 shareholders hold less than a marketable parcel of shares in Qantas, as at 13 August 2021.

SUBSTANTIAL SHAREHOLDERS

The following organisation has disclosed a substantial shareholding notice to ASX. Qantas has received no further update in relation to this substantial shareholding:

Shareholders	Ordinary Shares Held	% of Issued Shares
Pendal Group Limited[1]	82,037,038	5.22

1. Substantial shareholding as at 4 November 2019, as per notice dated 6 November 2019.

Financial Calendar and Additional Information

2021		2022	
25 February	Half year results announcement	24 February	Half year results announcement
30 June	Year end	8 March	Record date for interim dividend*
26 August	Preliminary final results announcement	12 April	Interim dividend payable*
5 November	Annual General Meeting	30 June	Year end
		25 August	Preliminary final results announcement
		13 September	Record date for final dividend*
		18 October	Final dividend payable*
		4 November	Annual General Meeting

*Subject to a dividend being authorised by the Board.

2021 ANNUAL GENERAL MEETING

The 2021 AGM of Qantas Airways Limited will be held virtually at 11am AEDT (Sydney time) on Friday 5 November 2021.

Further details are available in the Annual General Meeting section on the Qantas Investor website: investor.qantas.com/home/

COMPANY PUBLICATIONS

In addition to the Annual Report, the following publications can be accessed from www.qantas.com/au/en/qantas-group/acting-responsibly/our-reporting-approach.html

- Code of Conduct and Ethics
- Corporate Governance Statement
- Inclusion and Diversity Policy
- Workplace Gender Equality Reports.

REGISTERED OFFICE

Qantas Airways Limited ABN 16 009 661 901
10 Bourke Road, Mascot NSW 2020 Australia

Telephone +61 2 9691 3636
Facsimile +61 2 9490 1888

www.qantas.com

QANTAS SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000 Australia, or
Locked Bag A14, Sydney South NSW 1235 Australia

Telephone 1800 177 747 (toll free within Australia)
International +61 2 8280 7390
Facsimile +61 2 9287 0309

Email registry@qantas.com

SECURITIES EXCHANGE

Australian Securities Exchange
Exchange Centre, 20 Bridge Street,
Sydney NSW 2000 Australia

ADDITIONAL SHAREHOLDER INFORMATION

Using your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode of your registered address, you are able to view your holding online through Qantas' share registry, Link Market Services. Log on at www.linkmarketservices.com.au, where you will have the option to:

- View your holding balance
- Retrieve holding statements
- Review your dividend payment history
- Access shareholder forms.

The Investor Centre also allows you to update or add details to your shareholding, including the following:

- Change or amend your address if you are registered with an SRN
- Nominate or amend your direct credit payment instructions
- Set up or amend your DRP instructions
- Sign up for electronic communications
- Add/change TFN/ABN details.

COMPANY SECRETARIES

Andrew Finch

Benjamin Elliott

Benjamin Jones

An electronic copy of this Annual Report is available in the Annual Report section on the Qantas Investor website: investor.qantas.com/home/

Further information about the Qantas Group can be found on our corporate site at www.qantas.com/qantas-group

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ABN 16 009 661 901