QANTAS ANNUAL REPORT 2022

QANTAS

Contents

Financial Snapshot[1]

($1.86) billion
UNDERLYING LOSS BEFORE TAX

($1.19) billion
STATUTORY LOSS BEFORE TAX

$281 million
UNDERLYING EBITDA

$3.94 billion
NET DEBT

$920 million
ANNUALISED STRUCTURAL COST BENEFITS DELIVERED SINCE 30 JUNE 2020

$4.6 billion
TOTAL LIQUIDITY

Other Highlights

47%
OF JETSTAR CUSTOMERS PAID LESS THAN $100 FOR DOMESTIC FARES

1 million
MORE QANTAS FREQUENT FLYER MEMBERS SINCE START OF PANDEMIC

19
INTERNATIONAL PORTS RESTARTED, EIGHT NEW ROUTES ANNOUNCED

20+
NEW DOMESTIC ROUTES ADDED DURING THE YEAR

1 Refer to the Review of Operations section in the Qantas Annual Report 2022 for definitions and explanations of non-statutory measures. Unless otherwise stated, amounts are reported on an underlying basis.

Five-Year History

FINANCIAL PERFORMANCE[1]

		2022	2021[2]	2020	2019[2]	2018[2]
Revenue and other income	$M	9,108	5,934	14,257	17,966	17,128
Statutory (Loss)/Profit Before Tax	$M	(1,191)	(2,299)	(2,708)	1,192	1,352
Statutory (Loss)/Profit After Tax	$M	(860)	(1,692)	(1,964)	840	953
Underlying (Loss)/Profit Before Tax	$M	(1,859)	(1,774)	124	1,326	1,565
Underlying Earnings Before Interest and Tax (EBIT)	$M	(1,558)	(1,473)	395	1,608	1,747
Operating Margin	%	(17.1)	(24.8)	2.8	9.0	10.2
Underlying Earnings Per Share	cents	(71.2)	(69.4)	5.9	57.3	63.0
Statutory Earnings Per Share	cents	(45.6)	(89.9)	(129.6)	51.5	54.4
Return on Invested Capital (ROIC)	%	(31.6)	(21.4)	5.8	19.2	21.4
Share price at 30 June	$	4.47	4.66	3.78	5.40	6.16
Dividend per share[3]	cents	–	–	–	25	17
Cash flow from operations	$M	2,670	(386)	1,083	3,164	3,413
Net Free Cash Flow	$M	2,430	(1,108)	(488)	1,601	1,442
Net on balance sheet debt	$M	2,617	4,609	3,173	2,980	3,054
Net Debt	$M	3,937	5,890	4,734	4,710	4,903
Net capital expenditure	$M	398	693	1,571	1,563	1,971
Shareholder distributions[3]	$M	–	–	647	1,000	1,000
Unit Revenue (RASK)	c/ASK	9.48	9.72	8.99	8.85	8.40
Total unit cost[4]	c/ASK	(13.16)	(15.76)	(8.87)	(7.97)	(7.37)
Ex-fuel unit cost[4]	c/ASK	(9.64)	(12.62)	(4.41)	(4.23)	(5.37)

STATISTICS

		2022	2021	2020	2019	2018
Available Seat Kilometres (ASK)	M	50,633	29,374	111,870	151,430	152,428
Revenue Passenger Kilometres (RPK)	M	34,363	18,557	92,027	127,492	126,814
Passengers carried	'000	21,257	15,866	40,475	55,813	55,273
Revenue Seat Factor	%	67.9	63.2	82.3	84.2	83.2
Aircraft at end of period[5]		322	315	314	314	313

1 Refer to the Review of Operations section in the Qantas Annual Report 2022 for definitions and explanations of non-statutory measures. Unless otherwise stated, amounts are reported on an underlying basis.
2 2021 has been restated for the impact of the adoption of the IFRIC agenda decision in relation to Cloud Computing. 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*.
3 Dividend per share is calculated as the interim and final dividend in relation to the relevant financial year. Shareholder distributions includes dividends paid and share buy-backs and are reported in the year cash distributions are made.
4 The comparative period has been adjusted for foreign exchange movements to make it comparable to the current year. 2021 and 2022 reflect the foreign exchange rates as presented in the 2022 Annual Report. The same applies for 2020, 2019 and 2018 which have been adjusted for foreign exchange in line with the 2021, 2020 and 2019 Annual Reports respectively. 2020 and 2019 have also been adjusted for the impact of the sale of domestic terminal leases and depreciation and amortisation.
5 2021 has been restated to include the embedded lease and related financing of Embraer E190s. Group Fleet now includes embedded lease and related financing of Embraer E190s and 747 Atlas Freighters as they have been recognised as debt in accordance with the Financial Framework. The Financial Framework recognises lease arrangements that serve permanent capacity.

Chairman's Message

'Before COVID-19, we safely flew more than 50 million passengers each year and had a well-earned global reputation for premium service; as we recover, we're all working hard to return to those heights.'

I want to start by recognising the efforts of the entire Qantas team over the past year. Across the Group, our people have shown incredible resilience and professionalism as we've restarted our operations and safely carried millions of customers.

The past year has, in many ways, provided a sober reflection of the full impact of the pandemic on the aviation industry, with the stop-start nature of the recovery proving exceptionally challenging for our operations, tough for our people and frustrating for our customers.

Even as the industry began the year with optimism about lockdowns and restrictions easing domestically and with international travel returning, the Delta and Omicron waves once again closed borders and supressed travel demand.

But, as we all adjusted to living with COVID-19, travel rebounded in the fourth quarter with a speed and scale that was extraordinary, resulting in the highest sustained levels of travel demand since the start of the pandemic. While this rapid increase brought its own challenges for the industry both in Australia and globally, it marked a turning point from crisis to sustained recovery.

The Qantas Group has emerged from the pandemic a structurally different but fundamentally stronger and more resilient company. The progress that we've made on our three-year Recovery Plan — with more than $920 million of cost benefits already delivered — meant we were able to endure the challenges and recover quickly.

Beyond the cost benefits our Recovery Plan delivers, it's the competitiveness, agility and resilience we've built into the Group that gives us confidence in our future. Recovering quickly also means we're able to reduce debt built up during the pandemic and invest for growth and future success.

During the year, the Board approved what is cumulatively the largest aircraft order in the Qantas Group's history. Airbus A321XLR and A220 aircraft will drive the renewal of the Group's domestic fleet over the next decade and open up new direct routes across Australia, including in regional areas. The A350 and Project Sunrise will make any city just one flight from Australia, overcoming the last frontier and resolving the tyranny of distance.

These next-generation aircraft will reduce emissions by at least 15 per cent if running on traditional jet fuel, and significantly better when run on sustainable aviation fuel, helping us meet our commitment on cutting emissions.

Even as we navigated the impacts of the pandemic, we've kept focus on our sustainability commitments. During the year we launched the first Qantas Group Climate Action Plan, providing a roadmap for the Group to reach its net zero goal by 2050 and interim targets for 2030.

The Board is incredibly grateful for the efforts of employees across the Qantas Group during the challenging period of the pandemic and our restart. We've invested in a number of initiatives designed to recognise their contribution to our recovery and retain the talent we need for future growth. These initiatives include around $10,000 of incentives and share rights as we reach important milestones in our recovery, and a significant boost to Staff Travel, which we know our people value.

I want to recognise the Qantas Group Management Committee led by Alan Joyce. The fact the Group has come through the pandemic in such a strong position is remarkable. The decisions made during that period were not easy — and not always popular — but they were necessary to ensure our iconic company not only survives, but can grow into its next century.

I'd also like to thank my fellow Directors for their stewardship as the Company navigated the depths of the crisis and positioned for recovery and growth. Their high level of commitment brought experience and insight to bear on the significant issues that the Qantas Group faced.

Also key to surviving the pandemic was the incredible support of Qantas' shareholders, with $1.4 billion raised to help fund the Group's recovery program. With that recovery well underway and net debt reduced to below our target range, the Company is able to return capital to investors. In line with the Company's financial framework, the Board has approved an on-market share buy-back of up to $400 million.

Before COVID-19, we safely flew more than 50 million passengers each year and had a well-earned global reputation for premium service; as we recover, we're all working hard to return to those heights.

This past year has seen us navigate the depths of the COVID-19 crisis, but also the turning point that gives us all so much confidence in the future of the Qantas Group.

Richard Goyder AO

CEO's Message

'The impact of the pandemic on the Qantas Group has been staggering. But the support of our people, our customers and our shareholders has meant we've come through the other side.'

Looking back on the past year brings into focus both the depths of the pandemic and the bright signs of recovery. We experienced three quarters where our business was severely impacted by COVID-19 lockdowns and restrictions, followed by a fourth quarter that showed the resilience of air travel and our Company.

The Qantas Group's 2022 financial results show the full impact of the Delta and Omicron lockdowns and border closures across Australia and around the world, supressing travel for much of the year. However, what they don't capture is the resilience of our people, the agility and capability of our operations, and the loyalty of our customers.

The pandemic has been incredibly challenging for our people. We announced in December 2021 that all of our Australian-based employees were able to come back to work. For many of our international crew members this was six months ahead of schedule and well ahead of demand returning, but it meant we could deliver training and other preparations for our restart.

Our people are extraordinary — and it's wonderful to see them back doing the jobs they love. As the Qantas Group has always done when we're able, we're sharing the benefits of the recovery with our employees, including offering around $10,000 in incentives and share rights as we reach important milestones in our recovery.

As the national carrier, Qantas is proud of its role in supporting Australians in times of crisis. Roughly half of what is often classed as government support received by Qantas during the pandemic was, in fact, fee for service to operate important flights on the nation's behalf. The remaining half largely went direct to our people.

In the past year, we operated more than 220 repatriation flights for the Australian Government to bring people home, including from Buenos Aires, Chennai and Istanbul. We also supported critical government missions to repatriate Australians fleeing civil unrest in Afghanistan, with 16 flights between Dubai and Australia.

Additionally, the Group conducted more than 2,000 freight charters under the International Freight Assistance Mechanism, uplifting almost 33,000 tonnes of freight to keep Australian businesses connected to international markets and transport millions of doses of COVID-19 vaccine.

I'm incredibly proud of the role our people have played in supporting Australian businesses during the pandemic, protecting hundreds of thousands of jobs across Australia and keeping vital trade links open.

Since borders reopened and restrictions around the world eased, millions of our customers have returned to flying. The restart hasn't happened as smoothly as we would have liked, with COVID-19 and the winter flu season driving increases in sick leave of around 50 per cent. All airlines have faced similar issues. We've apologised to our customers for falling short of their expectations as we managed through those challenges. Our performance has continued to get better and better, and everyone across the Qantas Group is working to get the airline back to its best.

In the past 12 months, we added more than 20 new routes to our domestic network to meet customer demand. We also restarted flights to 19 international ports and announced eight new international routes. We're investing in new and more efficient aircraft, new lounges and new technology to making flying even easier and more enjoyable for our customers.

The impact of the pandemic on the Qantas Group has been staggering. But the support of our people, our customers and our shareholders has meant we've come through the other side stronger, more resilient and with great plans for the future.

Alan Joyce AC

Supporting Australian Businesses

As the Australian Government's International Freight Assistance Mechanism (IFAM) draws to a close, we would like to express our sincere appreciation to Qantas for your partnership.

Your support has enabled IFAM to reconnect Australia's crucial global supply chains that collapsed as a result of the COVID-19 pandemic.

Maintaining air connectivity has retained Australia's reputation as a reliable global trading partner and preserved the economic future of many of our farmers, fishermen and primary producers.

IFAM has helped to protect 35,000 direct jobs and 120,000 indirect jobs in these industries, as well as aviation and logistics services, which were dependent on airfreight supply chains.

The entire Qantas team have significantly contributed to IFAM's success in supporting Australian businesses through extraordinarily challenging times.

Air Vice-Marshal Marg Staib, AM, CSC
Australian Government Freight Controller

Michael Byrne
International Freight Co-ordinator General

Excerpts from Australian Trade and Investment Commission letter to Alan Joyce, 27 July 2022

DURING THE YEAR

On outbound IFAM charter flights, the Qantas Group uplifted goods such as:

- Around **2.9 million** kilograms of meat
- Around **3 million** kilograms of salmon
- Around **1.9 million** kilograms of mail
- Around **1.3 million** kilograms of fruit and vegetables

Similarly, on inbound IFAM charter flights, the Qantas Group uplifted goods such as:

- Around **7.3 million** kilograms of general freight
- Around **0.9 million** kilograms of fruit and vegetables
- Around **3.9 million** kilograms of electronic goods
- Around **0.4 million** kilograms of clothing
- Around **0.6 million** kilograms of mail

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 Chair of the Nominations Committee.

Mr Goyder is Chairman of Woodside Energy Group Ltd, the Australian Football League Commission, 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) and JDRF Australia.

Age: 62

ALAN JOYCE AC

BSc, MSc, MA, FRAeS, FTSE

Chief Executive Officer and Managing Director

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, and the Museum of Contemporary Art Australia. He is also a Director of a number of controlled entities of the Qantas Group. Between June 2009 and October 2021, Mr Joyce was a Member of the International Air Transport Association's Board of Governors, having served as Chairman from 2012 to 2013.

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

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: 56

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 Chair 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: 60

JACQUELINE HEY

BCom, Grad Cert (Mgmt), GAICD

Independent Non-Executive Director

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

She is Chair of the Remuneration Committee, a Member of the Audit Committee, and a Member of the Nominations Committee.

Ms Hey is Chair of Bendigo and Adelaide Bank Limited, and a Director of the Commonwealth Superannuation Corporation.

Ms Hey was also formerly a Director of AGL Energy Limited from 2016 to 2022, 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, Ireland, and the Middle East. Ericsson is a global technology and telecommunications company, headquartered in Sweden. Her executive career with Ericsson spanned more than 20 years, in which she held finance, marketing, sales and leadership roles.

Age: 56

BELINDA HUTCHINSON AC

BEc, FCA, FAICD

Independent Non-Executive Director

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

She is Chair of the Audit Committee, a Member of the Nominations Committee and a Member of 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: 69

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 a Member of 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. Prior to that, he was 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: 69

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 and a Member of the Audit 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: 52

ANTONY TYLER

BA (Jurisprudence)

Independent Non-Executive Director

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

He is Chair 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: 67

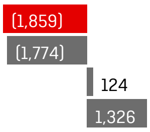
Review of Operations

For the year ended 30 June 2022

RESULTS HIGHLIGHTS

Underlying (Loss)/Profit Before Tax

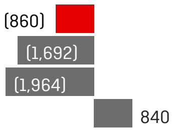
(1,859) $M



FY22	**(1,859)**
FY21	(1,774)
FY20	124
FY19	1,326

Statutory (Loss)/Profit After Tax

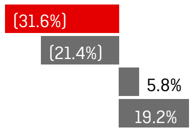
(860) $M



FY22	**(860)**
FY21	(1,692)
FY20	(1,964)
FY19	840

Return on Invested Capital

(31.6) %



FY22	**(31.6%)**
FY21	(21.4%)
FY20	5.8%
FY19	19.2%

For the financial year 2021/22, the operations of the Qantas Group continued to be impacted by the global COVID-19 pandemic. The performance of the Group and individual segments have been compared to the corresponding prior period (financial year 2020/21) and the financial year 2018/19, which represents a proxy for 'pre-COVID' operations.[1] This 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.

Border restrictions and lockdowns due to both the Delta and Omicron variants of COVID-19 limited mobility and impacted consumer confidence and Group operations throughout the year. This resulted in a Statutory Loss Before Tax for the Group of $1.19 billion. Since the start of the pandemic the Group has lost approximately $25 billion in revenue and accumulated $7 billion in losses.

Lockdowns responding to the emergence of the Delta variant of COVID-19 started in July 2021, resulting in the closure of domestic borders for much of the first half. During this period, domestic airlines suffered stranded costs because of the sudden implementation of restrictions. From November 2021, domestic borders were progressively reopened, supported by Australia's vaccination program. International borders continued to be closed for much of the first half of 2022, with Australia only reopening in selected states from November. This was the first time Australian citizens were able to freely travel overseas since March 2020. From December 2021, just as travel appeared to be resuming, outbreaks of the new Omicron variant emerged. These became widespread and impacted travel in the third quarter as the uptick in cases delayed re-opening and return to office activities.

From March 2022, domestic restrictions, including office mask mandates, began to ease. At this point the Group saw a rapid return in travel, with domestic operations recovering to pre-COVID levels by the fourth quarter. Recovery of international passenger operations was slower, constrained by ongoing restrictions in key markets, delays in delivery of B787s and the lead time required to safely return the fleet of A380s from long-term storage. Pent-up demand was particularly evident in markets with open borders and minimal travel restrictions. The demand strength drove booking intakes, with revenue received in advance rebuilding considerably. Together with the sale of surplus land in Mascot for $789 million in net proceeds, the Group saw Net Debt reduce below the target range to $3.94 billion by 30 June 2022.

At an Underlying EBITDA level, the Qantas Group reported a $281 million profit, down $129 million compared to financial year 2020/21. Contributing to the result were readiness and restart costs as the Group's operations came out of hibernation and prepared for a return of capacity in calendar year 2022. Readiness activities included the significant decision in December 2021 to stand up and return all Australian-based employees who had been stood down during the pandemic. In the second half, the rapid recovery of operations resulted in stronger earnings performance, particularly in quarter four. This resulted in an Underlying EBITDA of $526 million for the second half of the year.

While the reopening of borders led to a significant increase in travel demand, the Group and its industry peers experienced significant operational challenges. Record levels of sick leave from COVID-19, difficulties in recruitment due to tight labour markets and a surge in demand impacted airline performance globally. Airports have faced similar challenges, with some, such as London Heathrow, implementing operating restrictions on airlines.

In Australia, unique circumstances complicated the return of travel. In the second half of the year, the winter period experienced a 'double peak' of influenza and COVID-19 infections, resulting in significant levels of sick leave, particularly seven-day isolation requirements, affecting airlines, airports, ground handlers and air traffic control. A lack of migration slowed recruitment and unusually poor weather also played a role, with runway capacity limitations at key Australian ports.

The Qantas Group has taken steps to restore operational performance. During the year, contact centre resources were increased, with average wait times returning to below pre-COVID levels by June 2022. The Group recruited 1,500 employees (primarily in operational roles), worked closely with suppliers to ensure sufficient labour supply, and built increased resilience into flying schedules. It also temporarily increased employees on reserve, raising the coverage ratio in critical operational workgroups. The Group will continue to manage capacity, recruitment and training and invest in operations as it returns to its normal industry-leading service levels.

[1] The Group adopted International Financial Reporting Interpretations Committee (IFRIC) agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 39 for further information. However, the results for the financial years 2019/20 and 2018/19 have not been restated.

Review of Operations continued

For the year ended 30 June 2022

RESULTS HIGHLIGHTS (CONTINUED)

The Underlying Loss Before Tax[2] (Underlying LBT) was ($1,859) million for financial year 2021/22, a decrease of $3,185 million compared to financial year 2018/19 pre-COVID (increased loss of $85 million compared to financial year 2020/21). The Group's Statutory Loss Before Tax of ($1,191) million was adverse $2,383 million from financial year 2018/19 pre-COVID (improved $1,108 million compared to financial year 2020/21). The Statutory Loss Before Tax for the 2021/22 financial year included a net gain on sale of $686 million as a result of the sale of surplus Mascot land.

Group total revenue was $9,108 million, down $8.9 billion or 49 per cent compared with financial year 2018/19 pre-COVID (up $3.2 billion or 53 per cent compared to financial year 2020/21). Operating expenses[3] have reduced by 38 per cent compared with financial year 2018/19 pre-COVID. This has driven the Group's Recovery Plan, which delivered restructuring benefits of $920 million by 30 June 2022. The Group is on track to deliver $1 billion in structural benefits by financial year 2022/23.

Over the period, the Group's Domestic airlines flew 63 per cent of their pre-COVID network. While Group Domestic saw an Underlying EBITDA loss of ($194) million for financial year 2021/22, the rapid recovery in demand and full return of domestic operations to pre-COVID levels resulted in Group Domestic Underlying EBIT being positive in the fourth quarter. The Group's International operations contributed an Underlying EBITDA of $167 million for financial year 2021/22, with Qantas Freight continuing to provide a natural hedge for decreased passenger flying and delivering a record performance in the year. This was underpinned by record international freight yields due to constrained freight belly space and continued growth in e-commerce penetration in Australia. The resilience of the Qantas Loyalty business continued as it generated a third consecutive year of gross cash billing above $1 billion and Underlying EBITDA of $351 million for financial year 2021/22 (Underlying EBIT of $292 million). The contributions of Qantas Freight and Qantas Loyalty during the COVID-19 period continue to demonstrate the benefits of the diversified portfolio of businesses that the Group has built.

Key financial metrics for the 2021/22 financial year include:

- Statutory Earnings Per Share loss of 45.6 cents per share
- Operating cash flow of $2,670 million, driven by strong rebuild of passenger revenue received in advance
- Net capital expenditure[4] of $398 million reflecting primarily capitalised maintenance activity offset by proceeds from the sale of surplus land
- Positive Statutory Net Free Cash Flow[5] of $2,430 million
- Net Debt reduced to $3.94 billion as at 30 June 2022.

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:

- International Aviation Support (IAS) Package, including the International Readiness Payment (IRP) provided as support to employees
- Retaining Domestic Airline Capability (RDAC), including a portion provided as support to employees.

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

The Group provided vital services to conduct various charter repatriation flights to return Australians home. Along with other Australian domestic airlines, the Group performed domestic and regional flights as part of the Regional Airline Network Support (RANS) and Domestic Aviation Network Support (DANS) programs to maintain vital air transport links during the pandemic. It also participated in the Tourism Aviation Network Support (TANS) scheme, which offered discounted fares to key tourist regions in Australia. Qantas Freight was contracted to conduct freight services under the International Freight Assistance Mechanism (IFAM), operating 2,000 IFAM charters and moving approximately 32,000 tonnes of freight to ensure critical export freight routes remained open. The majority of these programs ended during the financial year, with IFAM concluding in June 2022.

Given ongoing COVID-19 disruptions, the Group continued to maintain a prudent stance to funding and liquidity. During the year, $491 million in new debt funding was raised and $1,441 million of debt was repaid. This included a prepayment of $450 million in secured debt raised during COVID-19, which released unencumbered aircraft back to the balance sheet. The Group remains on track to achieve its revised target of reducing gross debt by $1.3 billion under its Recovery Plan. The Group also continued to maintain access to undrawn liquidity facilities totalling $1.3 billion, with maturities extended to financial year 2023/24, financial year 2025/26 and financial year 2026/27.

At 30 June 2022, cash and cash equivalents totalled $3.3 billion with total liquidity at $4.6 billion, including $1.3 billion in committed undrawn facilities. The Group also maintains an unencumbered asset base of more than $3.5 billion. This ensures that the Group has significant financial flexibility to manage throughout various operating conditions.

2 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 23.

3 Group gross underlying 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.

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.

Review of Operations continued

For the year ended 30 June 2022

RESULTS HIGHLIGHTS (CONTINUED)

At the end of financial year 2021/22, Net Debt[6] was $3.94 billion, below the Financial Framework optimal Net Debt target range of $4.2 billion to $5.2 billion. The reduction over the year was driven by Recovery Plan benefits, the surplus land sale in the first half of the year and a strong rebuild of revenue received in advance. In May 2022, the Group, which is one of only six airlines to retain an investment grade credit rating during the COVID-19 period, received an upgrade to its Baa2 rating from Moody's Investor Services, with the outlook moving from 'negative' to 'stable'.

THREE-YEAR RECOVERY PLAN

● Complete
○ On track

Focus area	Target	Financial year 2020/21	Financial year 2021/22	Financial year 2022/23	Status
Cash flow	Sustainable positive Net Free Cash Flow		●		Achieved – three consecutive quarters of Net Free Cash Flow in financial year 2021/22
	~$0.75 billion capex for financial year 2020/21	●			Complete
Fleet management	Defer deliveries of A321neo and 787-9 aircraft	●			Complete
	Retire 6 x 747s and hibernate A380s	●			Complete
Qantas Loyalty	Return to double digit growth by calendar year 2022		●		Achieved – 12 per cent growth from 2H21 to 2H22
Deleverage the balance sheet	Gross debt reduction of $1.3 billion by financial year 2022/23[7]			○	On track
	Net Debt/EBITDA < 2.5 times by financial year 2022/23			○	On track
Cost savings	8,500 exits by financial year 2020/21 (9,800 exits by financial year 2021/22)	●	●		Complete – ~9,800 exits
	Restructuring cost benefits of $0.6 billion in financial year 2020/21, $0.8 billion by financial year 2021/22, $1 billion by financial year 2022/23	●	●	○	On track – $1 billion in cost benefits expected by financial year 2022/23 with all initiatives now commenced and greater than 90 per cent of initiatives completed; $920 million delivered at the end of financial year 2021/22
	FY23 Group Unit Cost (excluding fuel and depreciation) 10 per cent less than financial year 2019/20			○	On track
Customer, brand and employee engagement	Maintain customer advocacy (NPS) premium to domestic competitor	●	●	○	On track – NPS at a premium to domestic competitor although impacted by operational issues; initiatives in place to improve
	Maintain brand and reputation	●	●	Recovery plan in progress	Long-term brand preference metrics have remained stable despite operational disruptions
	Employee sentiment	●	●		Operational issues have impacted employee sentiment, with initiatives in place to improve

The Recovery Plan delivered $920 million in savings since the start of the program. It is on track to deliver $1 billion by the end of financial year 2022/23, with all initiatives now commenced and over 90 per cent completed. Consistent with long-standing practice, the Group is also committed to offsetting CPI costs through additional transformation comprising both cost and revenue initiatives.

6 Net Debt under the Group's Financial Framework includes net on balance sheet debt and capitalised aircraft lease liabilities.
7 Resized in line with forecast earnings and cash liquidity levels, with competitive cost of existing debt in rising interest rate environment.

Review of Operations continued

For the year ended 30 June 2022

FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES

Qantas' Financial Framework aligns our objectives with those of our shareholders. With the launch of the Qantas Group Climate Action Plan in March 2022, an Environmental, Social and Governance (ESG) perspective has now been incorporated into the Financial Framework, with the aim of targeting industry-leading ESG credentials and a maintainable Earnings Per Share (EPS) growth over the cycle. This reflects the importance of ESG considerations in the Group's target of achieving Total Shareholder Returns (TSR) in the top quartile of the ASX100 and among a basket of global airlines.[8] The Financial Framework is built on 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 $4.2 billion to $5.2 billion[9]	Deliver ROIC > 10 per cent[11]	Grow Invested Capital with disciplined investment and return surplus capital
Deliver against Climate Action Plan Targets	ESG included in all business decisions	Prioritise projects that exceed both ESG and ROIC targets

INDUSTRY-LEADING ESG CREDENTIALS | MAINTAINABLE EPS GROWTH OVER THE CYCLE

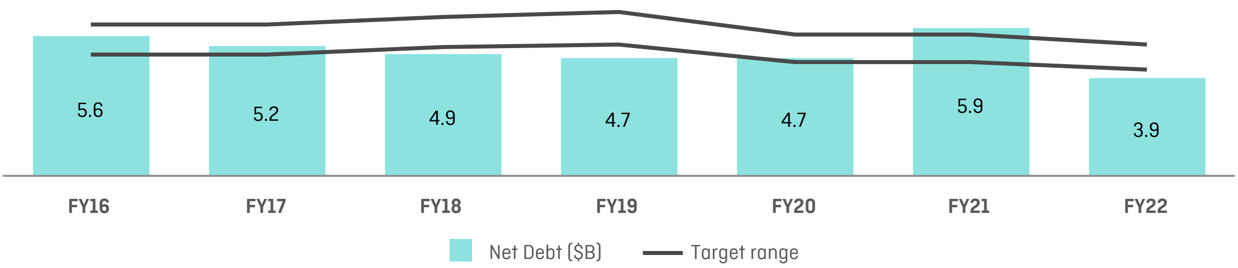
TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE

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 $4.2 billion to $5.2 billion, based on the average Invested Capital for the 12 months ending 30 June 2022 of $4.9 billion. The range is based on a 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 and the Group maintains an investment grade Baa2 rating with Moody's Investor Services.

At 30 June 2022, Net Debt was $3.94 billion, below the Net Debt target range.

Net Debt Profile FY19 to FY22 ($ billion)



ROIC > WACC Through the Cycle

Return on Invested Capital (ROIC) for the 12 months to 30 June 2022 was (31.6%), below the Group's target for value creation of 10 per cent. This was due primarily to the impact of COVID-19 on earnings, including government-imposed travel restrictions and border closures.

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 forward-looking earnings permit. Upon considering the forward outlook for the business and the restoration of financial strength under its Financial Framework, the Board has resolved to announce an on-market buyback up to the value of $400 million.

Maintainable EPS Growth Over the Cycle

Statutory Earnings Per Share was a loss of (45.6) cents per share due to the significant Statutory Loss After Tax.

8 Target Total Shareholder Returns within the top quartile of the ASX100 and the global listed airline peer group as stated in the 2021 Annual Report, with reference to the 2021-2023 Long Term Incentive Plan (LTIP).
9 Based on Invested Capital of $4.9 billion as at 30 June 2022.
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.

Review of Operations continued

For the year ended 30 June 2022

GROUP PERFORMANCE

The Underlying Profit Before Tax for the 2021/22 financial year was a loss of ($1,859) million compared with an Underlying Profit Before Tax of $1,326 million in financial year 2018/19 pre-COVID and a loss of ($1,774) million in financial year 2020/21. Net passenger revenue declined by 62 per cent compared to financial year 2018/19 pre-COVID levels as the domestic airlines operated at 63 per cent of pre-COVID capacity and the international scheduled passenger businesses operated at only 17 per cent of pre-COVID capacity. Net freight revenue increased due to a surge in e-commerce and a significant reduction in available international belly space, driving yields higher. Other revenue declined primarily due to decreased third-party service revenues.

Group Underlying Income Statement Summary[12]	June 2022 $M	June 2021 (restated) $M	June 2019 (pre-COVID)[13] $M
Net passenger revenue	5,951	3,766	15,696
Net freight revenue	1,963	1,316	971
Other	1,194	852	1,299
Revenue	**9,108**	**5,934**	**17,966**
Operating expenses (excluding fuel)[12]	(6,853)	(4,560)	(10,599)
Fuel	(1,848)	(835)	(3,846)
Impairment[12]	(38)	(13)	—
Depreciation and amortisation[12]	(1,801)	(1,870)	(1,936)
Share of net (loss)/profit of investments accounted for under the equity method	(126)	(129)	23
Total underlying expenditure	**(10,666)**	**(7,407)**	**(16,358)**
Underlying EBIT	**(1,558)**	**(1,473)**	**1,608**
Net finance costs	(301)	(301)	(282)
Underlying PBT	**(1,859)**	**(1,774)**	**1,326**

Operating Statistics		June 2022	June 2021 (restated)	June 2019 (pre-COVID)
Available Seat Kilometres (ASK)[14]	M	50,633	29,374	151,430
Revenue Passenger Kilometres (RPK)[15]	M	34,363	18,557	127,492
Passengers carried	000	21,257	15,866	55,813
Revenue Seat Factor[16]	%	67.9	63.2	84.2
Operating Margin[17]	%	(17.1)	(24.8)	9.0
Unit Revenue (RASK)[18]	c/ASK	9.48	9.72	8.85
Total Unit Cost[19]	c/ASK	(13.16)	(15.76)	(7.97)

Group capacity for the year (ASK) decreased by 67 per cent compared to financial year 2018/19 pre-COVID. Revenue Passenger Kilometres decreased by 73 per cent compared to financial year 2018/19 pre-COVID due to lower capacity levels and the Group's Revenue Seat Factor falling to 68 per cent. Group Unit Revenue increased to 9.48 c/ASK due to the increased weighting of domestic to international revenue compared to pre-COVID. The Group's Total Unit Cost increased to 13.16 c/ASK as a result of the Group's fixed cost base, including depreciation and amortisation being spread across a significantly lower number of ASKs compared to financial year 2018/19 pre-COVID.

12 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 23.
13 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decisions") retrospectively. June 2019 (pre-COVID) has not been restated. Refer to Note 39 for further information.
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 2022

CASH GENERATION

Cash Flow Summary	June 2022 $M	June 2021 $M	Change $M	Change %
Operating cash flows	2,670	(386)	3,056	792
Investing cash flows	(240)	(722)	482	67
Net Free Cash Flow	**2,430**	**(1,108)**	**3,538**	**319**
Financing cash flows	(1,310)	(181)	(1,129)	(624)
Cash at the beginning of the year	2,221	3,520	(1,299)	(37)
Effect of foreign exchange on cash	2	(10)	12	120
Cash at the end of the year	**3,343**	**2,221**	**1,122**	**51**

Debt Analysis		June 2022 $M	June 2021 $M	Change $M	Change %
Net on balance sheet debt[20]	$M	2,617	4,609	(1,992)	(43)
Capitalised operating lease liabilities[21]	$M	1,320	1,281	39	3
Net Debt[22]		**3,937**	**5,890**	**(1,953)**	**(33)**

Operating cash outflows for financial year 2021/22 were $2,670 million, with the rebuild of Revenue Received in Advance and continued strength in Freight and Loyalty billings generating significant positive cash flow.

Investing cash outflows for financial year 2021/22 were $240 million, with gross cash outflows of ($1,041) million offset by the proceeds from the sale of land at Mascot and other assets of $801 million. Net capital expenditure[23] was $398 million, including the impact of capitalised aircraft leases relating to Embraer E190s and Boeing 747 freighters in the Group's Financial Framework. Capital expenditure was primarily directed to capitalised maintenance.

Net financing cash outflows of ($1,310) million included a $491 million drawdown of debt offset by debt repayments of $1,441 million and $360 million in net aircraft, non-aircraft lease repayments and other financing cash outflows.

At 30 June 2022, the Group's unencumbered asset base was greater than $3.5 billion,[24] including 49 per cent of the Group's fleet[25] as well as 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. They are 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 are 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 market values as at 30 June 2022.
25 Based on number of aircraft as at 30 June 2022. The Group's fleet totalled 322 aircraft, including Jetstar Asia (Singapore) owned fleet and excluding Jetstar Japan.

Review of Operations continued

For the year ended 30 June 2022

FLEET

The Group's strategic priorities for fleet planning are centred on three key principles: the right aircraft for the right route, maintaining flexibility and maintaining competitiveness. The determination of the optimal fleet plan balances a number of factors, including the availability of new technology, the level of capacity growth required in the markets, the competitive landscape and whether the investment is earnings accretive. At all times, the Group retains significant flexibility in its fleet to respond to changes in market conditions through fleet redeployment, refurbishment, lease extension or return and retirement.

With the launch of its Climate Action Plan in March 2022, the Group has more formally integrated ESG considerations into its fleet planning. As part of its plan to reduce net emissions by 25 per cent by 2030 and to net zero by 2050, the Group has an average 1.5 per cent per annum operational fuel efficiency target, with fleet renewal being a key driver. In addition, the integration of ESG into the Financial Framework means new fleet investments are factoring the expected future cost of carbon through an internal carbon price. Further details will be available as part of the Qantas Sustainability Report to be released in September 2022.

During financial year 2021/22, one A320-200 was transferred from Jetstar Australia to QantasLink to support the growing resource market, two Jetstar Group A321ceos were converted to freighter aircraft to support Qantas Freight, one A320-200 from Jetstar Asia was returned to the lessor and four of Jetstar Japan's A320-200 aircraft (not included in the fleet summary below) were repositioned to Australia to support Jetstar Domestic. Qantas International also announced that two A380s in storage would not return to operations.

The Group also announced two significant fleet investment programs during the year. Domestically, Qantas will start the renewal of its narrow body jet fleet with firm orders for 20 Airbus A321XLRs and 20 A220-300s to replace its Boeing 737s and 717s as they are retired. The first of these will arrive in 2023 and thereafter over the next decade. Combined with an existing Jetstar order with Airbus, the Group now has 299 narrow body aircraft, half of which are firm and half of which are purchase right options. Embedded contract flexibility allows either brand to select any variant from the A320 and A220 families, providing significant planning flexibility.

In addition, the Group also confirmed its decision to proceed with 'Project Sunrise' and operate non-stop ultra-long-haul flights from Australia to cities including New York and London. Qantas International has ordered 12 Airbus A350-1000 aircraft that will feature market-leading passenger comfort in each travel class, with services from Sydney scheduled to start by the end of calendar year 2025.

All of these next generation aircraft, through their lower emissions, longer range, reduced noise and better economics, will improve how customers travel around Australia and overseas.

At 30 June 2022, the Qantas Group fleet[26] totalled 322 aircraft. The fleet summary includes 12 Embraer E190s and two Boeing 747 freighters operated on the Group's behalf by third parties, which have met the requirements of capitalised operating leases under the Group's Financial Framework.

Fleet Summary (Number of Aircraft)	June 2022	June 2021 (restated)[27]
A380[28]	10	12
A330-200/300	28	28
737-800	75	75
787-9	11	11
717-200	20	20
Q200/300/400	50	50
F100	18	18
A320-200	11	10
E190	12	4
Total Qantas (including QantasLink and Network Aviation)	**235**	**228**
A320/A321-200	65	67
787-8	11	11
Total Jetstar Group	**76**	**78**
737-300/400F	5	5
767-300F	1	1
A321-200P2F	3	3
747-8F[29]	2	0
Total Freight	**11**	**9**
Total Group	**322**	**315**

26 Includes Qantas Airways, Jetstar Australia and New Zealand, Jetstar Asia (Singapore), Qantas Freight and Network Aviation and excludes aircraft operated by Jetstar Japan.
27 2020/21 financial year has been restated to include the embedded lease and related financing of Embraer E190s. Group Fleet now includes embedded lease and related financing of Embraer E190s and 747 Atlas Freighters as they have been recognised as debt in accordance with the Financial Framework. The Financial Framework recognises lease arrangements that serve permanent capacity.
28 Of the fleet of 12 A380s in June 2021, 10 are expected to be returned to service. At 30 June 2022, three A380s are in service.
29 Two 747-8F operated as at 30 June 2022.

Review of Operations continued

For the year ended 30 June 2022

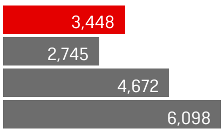
SEGMENT PERFORMANCE

Segment Performance Summary	June 2022 $M	June 2021 (restated) $M	June 2019 (pre-COVID) $M
Qantas Domestic	(765)	(575)	778
Qantas International	(238)	(548)	323
Jetstar Group	(796)	(541)	400
Qantas Loyalty	292	272	376
Corporate	(129)	(98)	(171)
Unallocated/Eliminations	78	17	(98)
Underlying EBIT	**(1,558)**	**(1,473)**	**1,608**
Net finance costs	(301)	(301)	(282)
Underlying PBT	**(1,859)**	**(1,774)**	**1,326**

QANTAS DOMESTIC

Revenue

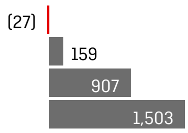
3,448 $M



FY22	**3,448**
FY21	2,745
FY20	4,672
FY19	6,098

Underlying EBITDA

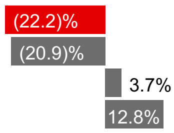
(27) $M



FY22	**(27)**
FY21	159
FY20	907
FY19	1,503

Operating Margin

(22.2) %



FY22	**(22.2%)**
FY21	(20.9%)
FY20	3.7%
FY19	12.8%

Metrics		June 2022	June 2021	June 2019
ASKs	M	21,233	16,951	33,866
Seat factor	%	60.9	58.3	77.8

Qantas Domestic reported an Underlying EBITDA loss of ($27) million and an Underlying EBIT loss of ($765) million for the year.

The result was impacted by COVID-19 lockdowns, unwinding of COVID-19 relief measures and the restart of activities. Demand was impacted by the Delta and Omicron outbreaks which delayed the full reopening of domestic borders until March 2022.

For the financial year 2021/22, Qantas Domestic operated 63 per cent of pre-COVID flying, returning to an average capacity of 98 per cent of pre-COVID levels in the fourth quarter. Leisure demand continued to lead the recovery, with leisure revenue intakes significantly above pre-COVID levels. Business purpose travel returned strongly in the fourth quarter, driven by resource and Small and Medium-sized Enterprise (SME) demand. The recovery in demand saw a steady rise in seat factors, with seat factors reaching 74 per cent for the month of June 2022.

Qantas Domestic increased its number of routes to 132 at the end of the 2021/22 financial year supported by the growth of the E190 fleet to 12 aircraft operated by Alliance Airlines in a wet-lease arrangement. The Group also announced an agreement to acquire the remaining 80 per cent of shares it does not already own in Alliance Aviation Services Ltd (ASX: AQZ), improving its ability to serve Western Australian and Queensland resource customers. The agreement is subject to Australian Competition and Consumer Commission clearance and Alliance shareholder approval.

As part of the wider Recovery Plan, Qantas Domestic has delivered approximately $450 million in annualised recovery cost benefits since the start of the three-year program.

During the second half of the year, Qantas Domestic experienced operational challenges due to record sick leave and tight labour markets, which coincided with a rapid recovery of demand as travel restrictions eased. These challenges resulted in cancellations, disrupted bags and on time performance being below service standards. Steps have been taken to address performance, including recruitment and building increased resilience in flying schedules. In addition, investments in customer initiatives such as streamlined self-service check-in kiosks and improved contact centres were undertaken to support the return to travel.

Through its multi-gauge fleet, network breadth, frequency and superior product offering (including Wi-Fi and lounges), Qantas Domestic is well-positioned to serve the premium segment of the domestic market.

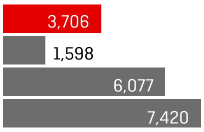
Review of Operations continued

For the year ended 30 June 2022

QANTAS INTERNATIONAL

Revenue

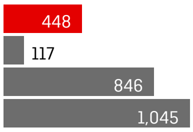
3706 $M



FY22	**3,706**
FY21	1,598
FY20	6,077
FY19	7,420

Underlying EBITDA

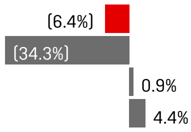
448 $M



FY22	**448**
FY21	117
FY20	846
FY19	1,045

Operating Margin

(6.4) %



FY22	**(6.4%)**
FY21	(34.3%)
FY20	0.9%
FY19	4.4%

Metrics		June 2022	June 2021	June 2019
ASKs	M	12,187	640	69,571
Seat factor	%	75.4	42.8	86.0

Qantas International commenced its recovery as Australian travel restrictions eased, with freight operations continuing to act as a natural hedge for the grounded passenger business. The result for the year was an Underlying EBITDA of $448 million on passenger capacity at 18 per cent of pre-COVID levels. Underlying EBIT was a loss of ($238) million. Despite the challenging environment, the Recovery Plan focus continued, with approximately $360 million in permanent cost benefits delivered by the end of the year.

Qantas International's passenger business restarted late in the first half of the year. Routes to London, Los Angeles and Singapore opened from November and were part of 19 ports restarted during the year. As the business mobilised quickly, it was able to capture high levels of pent-up demand where borders opened earlier than expected. This also extended to new opportunities, with eight new routes announced including Sydney and Melbourne to Delhi, Perth to Rome and Sydney to Seoul.

Overall International market capacity was slow to return due to border closures in some markets, aircraft availability due to manufacturer delays and long lead times to return aircraft from COVID-19 storage. This impacted numerous airlines and resulted in market capacity lagging behind demand. In this environment, international passenger yields rose strongly, providing an important offset to the significant increase in jet fuel prices seen during the quarter.

Freight continued to offset the losses of the International passenger operations and played an important role in the IFAM program, providing critical flights to Australian suppliers to keep export markets open. The performance in Freight was driven by strong international yields resulting from constrained belly space availability. Combined with surging e-commerce demand, this drove Freight to a record performance for the full year. Underpinned by the e-commerce trends, Qantas Freight announced plans to grow its fleet, with two existing A330 passenger aircraft identified for freighter conversions. This adds to three A321 aircraft converted to freighters already in operation. Subsequent to year end the Group announced it will procure an additional six A321 freighters to replace several smaller ageing aircraft.

Building on its significant cost transformation, the full recovery of its flying by financial year 2023/24 and future initiatives like 'Project Sunrise', the Qantas International business is well-positioned to capture demand for premium international travel.

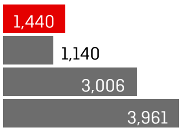
Review of Operations continued

For the year ended 30 June 2022

JETSTAR GROUP

Revenue

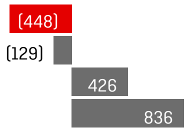
1,440 $M



FY22	**1,440**
FY21	1,140
FY20	3,006
FY19	3,961

Underlying EBITDA

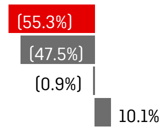
(448) $M



FY22	**(448)**
FY21	(129)
FY20	426
FY19	836

Operating Margin

(55.3) %



FY22	**(55.3%)**
FY21	(47.5%)
FY20	(0.9%)
FY19	10.1%

Metrics		June 2022	June 2021	June 2019
ASKs	M	17,213	11,783	47,993
Seat factor	%	71.2	71.3	86.1

The Jetstar Group reported an Underlying EBITDA loss of ($448) million and an Underlying EBIT loss of ($796) million.

All businesses relaunched operations, with all Jetstar Australia and New Zealand fleet deployed. All domestic and most international destinations also restarted although key markets, like Bali, reopened late in the financial year. The recovery profile of Jetstar was similar to Qantas, with domestic travel leading the international recovery.

Jetstar's Australian Domestic business delivered an Underlying EBITDA loss of ($167) million. The result was impacted by reduced demand primarily due to Delta and Omicron, stranded costs linked to sudden border restrictions, unwinding of COVID-19 relief measures and restart costs. Earnings performance improved in the final quarter as restrictions eased and demand returned, with Jetstar's Australian business returning to Underlying EBITDA profit in the fourth quarter. Jetstar Group capacity for the year was 36 per cent of pre-COVID levels and the average seat factor for the group was 71 per cent.

Jetstar Australia, New Zealand and Jetstar Asia (Singapore) international operations reported an Underlying EBITDA loss of ($157) million, impacted by the slow return of key markets. The late opening of key markets saw RASK momentum improve in the final months of the year, which was important to offset rising fuel prices. Jetstar Asia commenced flying on vaccinated travel lane routes in December 2021, providing a connecting passenger feed onto Qantas International services in Singapore.

Jetstar Group's result includes a ($124) million loss attributable to the share of statutory losses for Jetstar Japan. The operating environment in Japan was particularly challenging and the loss included a ($52) million negative impact from the balance sheet revaluation of USD-denominated aircraft leases due to a depreciation in the Yen against the US dollar.

Jetstar remains well-positioned to maintain a low fares advantage, with cost and scale advantages to its domestic competitors. From financial year 2022/23, deliveries will commence for the first of 18 A321LR aircraft. This significant investment in new technology will lower operating costs, reduce emissions and provide greater network reach, leaving the Jetstar Group well-placed to capitalise on the leisure-led recovery.

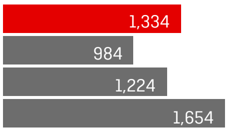
Review of Operations continued

For the year ended 30 June 2022

QANTAS LOYALTY

Revenue

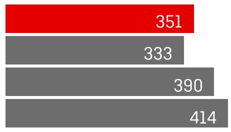
1,334 $M



FY22	**1,334**
FY21	984
FY20	1,224
FY19	1,654

Underlying EBITDA

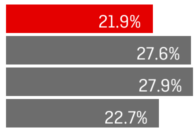
351 $M



FY22	**351**
FY21	333
FY20	390
FY19	414

Operating Margin

21.9 %



FY22	**21.9%**
FY21	27.6%
FY20	27.9%
FY19	22.7%

Metrics		June 2022	June 2021	June 2019
QFF members	M	14.1	13.6	12.9
Points earned	B	118	94	156
Points burned	B	121	82	135

Qantas Loyalty has continued to provide an important source of earnings and cash flow diversification for the Group. Underlying EBITDA for the year was $351 million, with Underlying EBIT of $292 million and a return to double digit growth in the second half of the year. Despite negative impacts from COVID-19 lockdowns, it was a strong result given limited flying from the airline segments to drive member activity. Cash billings remained strong, with external sales greater than $1 billion for the third year in a row.

Earnings momentum improved through the year as restrictions eased and travel demand resumed. Activity peaked in the fourth quarter, with airline redemptions returning to pre-COVID levels and points earned on financial services products exceeding pre-COVID levels. During the lockdowns periods retail businesses such as Qantas Wine and Qantas Rewards Store performed well and saw redemptions rise above pre-COVID levels. The strength of the program was also reflected in membership growth, with 0.5 million new members by the end of the year.

Qantas Loyalty maintained its strong presence in the Australian credit card market, with approximately 35 per cent of consumer credit spend occurring on credit cards earning Qantas Points. The spend on such cards returned to pre-COVID levels, with 50 per cent growth in new credit cards acquired during the year.

Agreements were renewed with key coalition partners including Woolworths and all five major financial services providers and new strategic partnerships announced with Accor, Optus and Zip. Qantas Loyalty also launched Qantas Business Money, a global payments platform for members to make international business payments in a cost-effective and rewarding way.

Despite reduced flying opportunities, the program maintained strong member engagement through initiatives to improve generosity. These included the largest ever release of Classic Reward seats (resulting in a record day for flight redemptions), increased member value in Hotels and Holidays redemptions as well as the launch of Green Tier, a new tier for members who make sustainable choices.

In May 2022, Qantas Loyalty secured a 51 per cent stake in TripADeal, an online travel business, continuing its investment in adjacent businesses and complementing its own Hotels and Holidays brands to capture anticipated strong growth as travel recovers.

With a strong future pipeline of new initiatives, Qantas Loyalty remains focused on growing program value, providing confidence in achieving its $500-600 million Underlying EBIT target by financial year 2023/24.

Review of Operations continued

For the year ended 30 June 2022

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

The Statutory Loss Before Tax of ($1,191) million for financial year 2021/22 compares to a Statutory Loss Before Tax of ($2,299) million for financial year 2020/21 and a Statutory Profit Before Tax of $1,192 million for financial year 2018/19.

Underlying PBT

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 financial year 2021/22 as recognised within Underlying PBT is down $8.9 billion compared to the financial year 2018/19 (pre-COVID), 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 reducing flight capacity domestically and internationally (with associated reductions in fuel and other variable costs), workforce stand downs and operational cost reduction 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 IAS, RDAC, RANS, DANS, TANS, government repatriation flights and IFAM payments, together with costs to operate or payments to employees, is 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/transformation 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 resulted in items not included in Underlying PBT, including asset impairments, and Recovery Plan restructuring costs, including redundancies and de-designated hedging due to a significant decrease in flying activity. De-designations or ineffectiveness relating to hedging which were designated subsequent to the impact of COVID-19 is considered to have occurred within the ordinary course of business and is recognised within Underlying PBT.

RECONCILIATION OF UNDERLYING PBT TO STATUTORY LOSS BEFORE TAX	June 2022 $M	June 2021 (restated) $M	June 2019 (pre-COVID) $M
Underlying PBT	**(1,859)**	**(1,774)**	**1,326**
Items not included in Underlying PBT			
– Transformation costs[30]	—	—	(260)
– Recovery Plan restructuring costs[31]	(21)	(319)	—
– Reversal of impairment/(Impairment) of assets and related costs	3	(257)	39
– De-designation of pre-COVID fuel and foreign exchange hedges	—	33	—
– Net gain on Mascot land and buildings	686	—	192
– Net gain on disposal of assets	—	18	—
– 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	**668**	**(525)**	**(134)**
Statutory Loss Before Income Tax Expense	**(1,191)**	**(2,299)**	**1,192**

In the 2021/22 financial year, the items outside of Underlying PBT included:

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$21 million primarily relates to $14 million of restructuring costs resulting from fleet and people restructuring as a result of the Recovery Plan and $7 million acquisition and launch costs for new businesses.
Reversal of impairment of assets and related costs	$3 million of reversal of impairment relates to $1 million net reversal of impairment relating to the Group's investment in Helloworld and $2 million other impairment reversals.
Net gain on disposal of assets	The net gain on disposal of assets of $686 million arose from the sale of land in Mascot, Sydney that was not core to the Group's long-term strategy.

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

30 Costs incurred under the Transformation Program in previous years are reported under Transformation costs.
31 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 2022

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, operational and financial objectives.

Material business risks arising from the ongoing impact of COVID-19 are being critically managed to ensure a sustained recovery for the Group. The Recovery Plan is on track to deliver the targeted $1 billion of ongoing structural cost benefits by financial year 2022/23. With the prolonged impact of COVID-19, 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 and meet travel demand and customer expectations.

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

COVID-19 outbreak management: Through its 'Fly Well' and 'Work Well' programs, Qantas has continued implementing initiatives aimed at preventing the introduction and spread of COVID-19 in workplaces and aircraft for the protection of our people and our customers. These controls not only seek to protect health but also support business continuity. The Qantas Group continues to adapt its risk mitigations to changing circumstances and government regulations and restrictions and will adapt its policies, processes and practices as appropriate. Given the Group's geographic footprint, these changes are often jurisdiction-specific, requiring a multi-layered framework to ensure compliance.

Operational Ramp-up: The Group has seen a faster than expected return of travel demand, for both domestic and international travel, following the rapid easing of travel restrictions in the second half of financial year 2021/22. Supported by a successful vaccination program, this includes signs of renewed customer confidence following the delay in travel recovery resulting from Delta and Omicron. Despite this, the operational challenges presented in the second half of financial year 2021/22 demonstrate that whilst demand may be more resilient to COVID-19, the operational disruptions created by COVID-19 sickness, tight labour market, and adverse weather and airport infrastructure events, may continue and particularly if government mandated restrictions return. As such, the Group continues to retain flexibility in planning its capacity settings, recruiting and training employees to support capacity growth and investing in operations to respond to sudden changes in demand should further waves of the pandemic occur.

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. COVID-19 and the geopolitical tensions, including the ongoing war in Ukraine and strained relations between China and Taiwan, have 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. In more recent times, some macroeconomic risks have emerged as central banks normalise interest rates following an extensive period of accomodative monetary policy, which may impact future economic demand. To address these risks, the Group retains flexibility to adjust capacity and has developed and identified responses to address a range of scenarios, including multi-year high fuel prices, low exchange rate, high inflation rate, and weak Australian dollar, to protect the Group's financial position.

Fuel and foreign exchange volatility: The Qantas Group is subject to fuel price (including refining margin) and foreign exchange risks. These risks are an inherent part of the operations of an airline and as such, are an industry-wide risk. For the Qantas Group, the size of the Group's fuel and foreign exchange risk will vary with operational capacity, size of fleet renewals and the routes the Group operates. The Qantas Group manages its fuel and foreign exchange risks through a comprehensive hedging program which provides time for the business to ultimately adjust its capacity to reflect the new operating environment. This was evident during the second half of financial year 2021/22, with hedging placed during the COVID-19 period providing some protection against record high fuel prices resulting from the Ukraine war, before necessary reductions in capacity to generate RASK increases occurred. Qantas will continue to hedge its fuel and foreign exchange risks in line with this program. The Group normally uses a mix of fuel derivative collars and outright options to cover underlying fuel price risk and is actively managed for changes in capacity.

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 can impact upon industry profitability. 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 a highly competitive environment, including more liberal rights of entry into Australian domestic and international markets. These policies have historically 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 and 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 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.

Review of Operations continued

For the year ended 30 June 2022

MATERIAL BUSINESS RISKS (CONTINUED)

Employee relations: The Qantas Group operates in a highly regulated employment market and a large 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 Group has developed business continuity planning arrangements, including testing and rehearsal (to the extent possible), to provide continuity of operations in the event of an industrial action.

In the first half of financial year 2021/22, the Group focused on returning stood down employees to work in response to planned increases in demand for air travel. These plans were impacted by significant COVID-19 outbreaks which led to widespread lockdowns in New South Wales and Victoria. The Group recognises that future outbreaks of COVID-19 due to new variants may lead to employees having to further self-isolate. These periods of self-isolation have also led to operational disruption as frontline staff are unable to attend their workplace resulting in operational challenges and schedule disruption. This has been amplified as our suppliers and other parts of the aviation industry are experiencing similar COVID-19-driven resource constraints. This situation requires increased efforts to ensure that our people remain connected to the organisation, and their health and wellbeing are 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. 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 prolonged impact of COVID-19 on the airline industry continues to negatively impact the ability to attract and retain appropriate talent and technical/specialist resources. The labour market's constrained environment will continue to put pressure on planned capacity given the need to ramp-up the workforce to support operations over the next few months. Management continues to develop and implement contingency/action plans to manage the impact of the ongoing labour shortage on the Group.

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, credit 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. The Group continues to provide customers with flexibility and options to utilise their flight credits, vouchers, and TravelPass and is actively encouraging customer usage. Loss of brand preference due to prolonged operational issues is also a key customer risk and ensuring on time performance and reliability remains a key priority for the Group.

In addition, the Qantas Group is vulnerable to long-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. As customer preferences shifted significantly due to COVID-19, as well as ensuring operational resilience, the Group is looking to transform the customer experience through a multi-year program of work aimed at adapting to new customer journey requirements, market learnings and business need, to ensure the Group's strong market position is maintained.

Climate change: The Group recognises that human-induced climate change is a significant issue for the aviation industry and is committed to reducing its greenhouse gas (GHG) emissions in line with the Paris Climate Agreement to limit warming to well below 2 degrees Celsius above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. Climate-related risks include both physical risks (such as increased extreme weather events) and transition risks (including development of alternative fuel and changes to government policy, law and regulation). The Group will manage these risks through mechanisms including, but not limited to, scenario analysis to inform the Group's strategy; robust governance; adopting lower-GHG emissions technology; operational and market-based controls; and monitoring government policy. More detail will be provided in the 2022 Sustainability Report. In 2019, the Group announced its ambition to achieve net zero GHG emissions by 2050 and to cap net GHG emissions at 2019 levels. In March 2022, the Qantas Group's Climate Action Plan was released with targets for: a 25 per cent reduction in net emissions from 2019 levels by 2030; 10 per cent sustainable aviation fuel in fuel mix by 2030; and an average of 1.5 per cent fuel efficiency improvements to 2030.[32] The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning its corporate disclosures with the Taskforce on Climate-related Financial Disclosures (TCFD). These disclosures will be available in the 2022 Sustainability Report.

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, public customer complaints or operational performance) 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.

[32] An average 1.5 per cent per annum fuel efficiency improvement starting from 2023, baselined to 2019.

Review of Operations continued

For the year ended 30 June 2022

MATERIAL BUSINESS RISKS (CONTINUED)

Cyber security and data governance: As cyber breaches and attacks surge globally and remote ways of working continue, 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's Data Governance Framework has been enhanced 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.

The Group continues to work with its key suppliers to improve resource capacity and implement contingency plans to address the labour shortage challenges driven by the influenza season and recent spike in COVID-19 cases and the corresponding isolation requirements, coupled with the ongoing tight labour market. The Group has implemented dedicated account management protocols with structured engagement and Group governance to provide oversight of third-party service providers' performance to enable the uplift of the Group's performance and meet customers' expectations.

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. The majority of 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). Furthermore, 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 2022

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 2021/22.

Accordingly, Qantas Airways Limited (Qantas) has disclosed its 2022 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 agreeing 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 eight Directors. Seven 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 9 to 11 of the Qantas Annual Report 2022.

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 2021/22 Board and Committee meetings are detailed on page 30 of the Qantas Annual Report 2022.

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, its 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.

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. 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 rotated its lead external audit partner during the 2021/22 financial year. The next rotation of audit signing partner for KPMG will take place following the finalisation of the audit for the 2025/26 financial year. Notwithstanding there are no service, quality or independence issues with the current auditor, in consideration of best practice, the Qantas Group has decided to undertake a competitive external audit tender process during the 2024/25 financial year for appointment in relation to the 2026/27 financial 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 2022 Corporate Governance Statement.

Condensed Corporate Governance Statement continued

For the year ended 30 June 2022

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. Qantas is focused on reducing our carbon footprint whilst providing timely corporate updates and disclosures, as such Qantas will no longer send physical meeting documents unless a shareholder requests a copy to be mailed.

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, including that the Group is operating with due regard to the risk appetite set by the Board, 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 2021/22, the Audit Committee undertook its 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 34 to 62 of the Qantas Annual Report 2022.

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 2022).

Directors' Report

For the year ended 30 June 2022

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 2022. 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 (retired 5 November 2021)

Todd Sampson

Antony Tyler

Barbara Ward AM (retired 5 November 2021)

Details of the Directors' qualifications, experience and any special responsibilities, including Qantas committee memberships, are set out on pages 9 to 11.

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 2022 (2021: nil final dividend). No interim dividend or other shareholder distributions were paid during the year. In August 2022, the Directors announced an on-market share buy-back of up to $400 million.

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 12 to 26.

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, detail 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 116 for events which occurred subsequent to balance date. Other than the matters disclosed on page 116, 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 2022

DIRECTORS' MEETINGS

The number of Directors' meetings held (including meetings of Committees of Directors) and attendance of Directors during 2021/22 is as follows:

	Qantas Board										Remuneration Committee[1]					
	Scheduled Meetings		Unscheduled Meetings		Sub-Committee Meetings[2]		Audit Committee[1]		Safety, Health, Environment and Security Committee[1]		Scheduled Meetings		Unscheduled Meetings		Nominations Committee[1]	
Directors	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]
Richard Goyder[4]	10	10	2	2	3	3[5]	-	-	-	-	-	-	-	-	2	2
Alan Joyce	10	10	2	2	3	3[5]	-	-	5	5	-	-	-	-	-	-
Maxine Brenner	10	10	2	2	-	-	5	5	-	-	3	3	1	1	-	-
Jacqueline Hey[6]	10	10	2	2	-	-	5	5	-	-	2	2	1	1	1	1
Belinda Hutchinson[7]	10	10	2	2	2	2[4]	5	5	5	5	-	-	-	-	1	1
Michael L'Estrange	10	10	2	2	-	-	-	-	5	5	3	3	1	1	-	-
Paul Rayner[8]	4	5	1	1	-	-	-	-	-	-	1	1	0	1	1	1
Todd Sampson[9]	10	10	1	2	-	-	4	4	-	-	3	3	1	1	-	-
Antony Tyler	10	10	2	2	-	-	-	-	5	5	-	-	-	-	2	2
Barbara Ward[10]	5	5	1	1	1	1[4]	1	1	1	1	-	-	-	-	1	1

1 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.
2 Sub-Committee meetings convened for specific Board-related business.
3 Number of meetings held during the period that the Director held office.
4 The Chairman attends all Committee meetings.
5 Number of meetings held and requiring attendance.
6 Jacqueline Hey was appointed Chair of the Remuneration Committee and Member of the Nominations Committee on 5 November 2021.
7 Belinda Hutchinson was appointed Chair of the Audit Committee on 5 November 2021.
8 Paul Rayner retired as Non-Executive Director on 5 November 2021.
9 Todd Sampson was appointed a Member of the Audit Committee on 5 November 2021.
10 Barbara Ward retired as Non-Executive Director on 5 November 2021.

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2022 – FOR THE PERIOD 1 JULY 2019 TO 30 JUNE 2022

Richard Goyder	Qantas Airways Limited	Current, appointed 17 November 2017
	Woodside Energy Group Ltd	Current, appointed 1 August 2017
Alan Joyce	Qantas Airways Limited	Current, appointed 28 July 2008
Maxine Brenner	Qantas Airways Limited	Current, appointed 29 August 2013
	Origin Energy Limited	Current, appointed 15 November 2013
	Orica Limited	Current, appointed 8 April 2013
	Woolworths Group Limited	Current, appointed 1 December 2020
	Growthpoint Properties Australia Limited	Ceased, appointed 19 March 2012 and ceased 30 November 2020
Jacqueline Hey	Qantas Airways Limited	Current, appointed 29 August 2013
	Bendigo and Adelaide Bank Limited	Current, appointed 5 July 2011
	AGL Energy Limited	Ceased, appointed 21 March 2016 and ceased 30 May 2022
Belinda Hutchinson	Qantas Airways Limited	Current, appointed 12 April 2018
	Future Generation Global Investment Company Limited	Ceased, appointed 28 May 2015 and ceased 17 June 2021
Michael L'Estrange	Qantas Airways Limited	Current, appointed 7 April 2016
	Rio Tinto Limited	Ceased, appointed 1 September 2014 and ceased 6 May 2021
	Rio Tinto plc	Ceased, appointed 1 September 2014 and ceased 6 May 2021
Todd Sampson	Qantas Airways Limited	Current, appointed 25 February 2015
Antony Tyler	Qantas Airways Limited	Current, appointed 26 October 2018

Directors' Report continued

For the year ended 30 June 2022

QUALIFICATIONS AND EXPERIENCE OF EACH PERSON WHO HELD OFFICE AS A COMPANY SECRETARY OF QANTAS BETWEEN 1 JULY 2021 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
Benjamin Jones – Company Secretary	– LLM (Usyd), LLB, BsocSci (Policy) (UNSW) – Appointed as 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 Member – 2013 to present – Football NSW, General Purposes Tribunal (Deputy Chair 2018 to present)
Benjamin Elliott – Company Secretary	– BBC, GIA (Affiliated) – Appointed as 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 2022

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	**2022**	**2021[1]**
Richard Goyder	193,537[2]	157,780[2]
Alan Joyce	2,990,243	2,990,243
Maxine Brenner	39,498	39,498
Jacqueline Hey	64,827[2]	57,115[2]
Belinda Hutchinson	55,578[2]	40,727[2]
Michael L'Estrange	33,945	29,445
Todd Sampson	36,879[2]	30,706[2]
Antony Tyler	52,000	52,000

1 Shares held as at date of 2021 Annual Report (17 September 2021).
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	**2022[2]**	**2021[3]**
Richard Goyder	17,525	17,823
Jacqueline Hey	-	4,616
Belinda Hutchinson	7,879	6,472
Todd Sampson	3,208	3,077

1 Refer to page 62 for information regarding the operation of the Non-Executive Director Fee Sacrifice Share Acquisition Plan.
2 Rights held as at date of 2022 Annual Report (9 September 2022).
3 Rights held as at date of 2021 Annual Report (17 September 2021).

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 Rights	
Rights granted under:	**2022**	**2021**
2018-2020 Long Term Incentive Plan	687,000[1]	687,000[1]
2019-2021 Long Term Incentive Plan	651,000[1]	651,000[1]
2020-2022 Long Term Incentive Plan	743,000[1]	743,000[1]
2021-2023 Long Term Incentive Plan	1,349,000[2]	1,349,000[2]
2022-2024 Long Term Incentive Plan	861,000[3]	-
Total Rights	**4,291,000**	**3,430,000**

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 2023.
2 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.
3 Shareholders approved the award of these Rights on 5 November 2021. Performance hurdles will be tested as at 30 June 2024 to determine whether any Rights vest to Mr Joyce.

Directors' Report continued

For the year ended 30 June 2022

PERFORMANCE RIGHTS

Performance Rights are awarded to select Qantas Group Executives under the Qantas Long Term Incentive Plan (LTIP). Additionally, the Recovery Retention Plan (RRP) was announced in the second half of the 2021/22 financial year and includes the issue of Performance Rights to eligible employees (both non-executive and executive). Refer to pages 50 to 52 for further details.

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

Performance Rights Reconciliation	Number of Rights 2022	2021
Rights outstanding as at 1 July	16,568,569	9,607,136
Rights granted	47,181,572	12,123,500
Rights forfeited	(871,097)	(2,879,567)
Rights exercised	(827,568)	(1,134,203)
Rights lapsed	(857,432)	(1,148,297)
Rights outstanding as at 30 June	**61,194,044**[1]	**16,568,569**[1]

1 The movement of Rights outstanding as at 30 June 2022 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 2022:

				Number of Rights					
Name	Testing Period	Grant Date	Value at Grant Date	2022 Net Vested	2022 Unvested	2022 Total	2021 Net Vested	2021 Unvested	2021 Total
2018–2020 Long Term Incentive Plan	30 Jun 20[1]	27 Oct 17	$3.30	-	687,000	**687,000**	-	687,000	**687,000**
2019–2021 Long Term Incentive Plan	30 Jun 21[2]	5 Sept 18	$3.35	-	-	**-**	-	1,694,000	**1,694,000**
2019–2021 Long Term Incentive Plan	30 Jun 21[2]	26 Oct 18	$2.33	-	651,000	**651,000**	-	693,000	**693,000**
2020–2022 Long Term Incentive Plan	30 Jun 22[3]	4 Oct 19	$4.06	-	2,292,834	**2,292,834**	-	2,401,892	**2,401,892**
2020–2022 Long Term Incentive Plan	30 Jun 22[3]	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	-	8,408,138	**8,408,138**	-	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**	-	1,349,000	**1,349,000**
2022–2024 Long Term Incentive Plan	30 Jun 24	17 Sep 21	$3.90	-	3,271,000	**3,271,000**	-	-	**-**
2022–2024 Long Term Incentive Plan	30 Jun 24	5 Nov 21	$3.85	-	861,000	**861,000**	-	-	**-**
2022–2023 Recovery Retention Plan	30 Jun 23	28 Feb 22[4]	$4.98	-	42,931,072	**42,931,072**	-	-	**-**
Total				**-**	**61,194,044**	**61,194,044**	**-**	**16,568,569**	**16,568,569**

1 For the CEO, the CEO offered, and the Board agreed, to further defer the decision until at least August 2023 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 as to whether his Rights will be forfeited or allowed to convert to shares. The decision has been deferred until at least August 2023.
3 Following the testing of performance hurdles as at 30 June 2022 and the Board's approval of the 2020-2022 vesting outcome on 24 August 2022, 50 per cent of Rights vested and converted to shares on the day of the release of the 2022 Annual Report for Executives other than the CEO. For the CEO, the CEO offered, and the Board agreed, to defer the decision until at least August 2023 as to whether his Rights will be forfeited or allowed to convert to shares.
4 Eligible employees were advised of their participation in the RRP on 28 February 2022. Performance Rights were issued on 9 June 2022.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED)

REMUNERATION REPORT

Directors' Report continued

For the year ended 30 June 2022

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 who are Key Management Personnel (KMP). It describes the Qantas Executive Remuneration Framework (Remuneration Framework) and pay outcomes for 2021/22, and the intended Remuneration Framework for 2022/23, in a way that I believe is simple and transparent.

Qantas is committed to operating efficiently and flexibly in responding to the challenges that COVID-19 presents, to position the Group for future profitability and success as Australia and the rest of the world recovers from the pandemic. In 2021/22, the Group's flying operations were severely impacted by widespread domestic lockdowns and continued international restrictions, particularly during the first half of the year. Despite ongoing and unpredictable border restrictions, the Group has remained agile in our response as we move into the next phase of our Three-Year Recovery Plan (Recovery Plan). Forward demand for both domestic and international services improved from February, helped by Australia's reopening to all visa holders and the opening of all domestic borders.

The skill, experience, resourcefulness and dedication of our people are extraordinary and have enabled the Group to navigate the most testing period in its 100-year history. However, the entire global aviation sector has been challenged by the continuation of COVID-19, the prevalence of flu-related sickness and an extremely tight labour market. As a result, the Group did not deliver the service our customers expect, and in acknowledgement of this, the Board exercised discretion to record no achievement against Customer in the Short Term Incentive Plan (STIP) Scorecard. Management has apologised for this outcome and is undertaking a number of steps to proactively address the situation and restore operational performance to our expected standards.

Recovery Retention Plan (RRP)

COVID-19 is the biggest challenge ever faced by global aviation. We understood this early and took drastic measures to enable the business to survive. We then focused on our Recovery Plan. With the prolonged impact of COVID-19 on the aviation industry, the Group had to plan for an extremely wide range of scenarios and risks to ensure it was well-positioned to achieve the required level of transformation to support target outcomes.

Aligned with shareholder and customer expectations, our people have shared the burden of the financial performance of the business over the period of COVID-19. However, as the Group moved into the second year of the pandemic, the Board became particularly concerned as attrition reached three times pre-pandemic levels that further loss of capability and experience would materially inhibit the Group's ability to deliver the Recovery Plan and position the Group for success beyond the pandemic.

All of our people have encountered unprecedented challenges and uncertainty over the past two years. They have undertaken, and continue to undertake, elevated workloads and demands while experiencing significant restraint on remuneration, including a general wage freeze for two years, long periods of stand downs, and the exercise of Board discretion to forfeit incentives for 2019/20 and 2020/21 as the Group battled to remain viable and moved to repair the damage done by COVID-19.

It was in this highly uncertain environment that the Board sought to structure the Qantas Remuneration Framework for 2021/22 to successfully deliver the Group's Three-Year Recovery Plan.

Accordingly, the Board elected not to offer Executives an annual incentive opportunity for 2021/22 and instead approved the RRP which was first flagged in September 2021. Executive Management and the broader Executive cohort received a grant of Rights in the RRP subject to stretching performance conditions aligned to deliver a sustained recovery and support positive outcomes for shareholders. Vesting will occur in August 2023 provided all our Recovery Plan performance conditions are achieved and participants remain employed with the Qantas Group at that time. Otherwise, Rights will lapse. The performance conditions are:

- The Qantas Group meets its $1 billion recovery program target by 30 June 2023.
- As at 30 June 2023, Qantas Group's Net Debt range is below the top end of the Net Debt range as approved by the Board in accordance with the Group's Financial Framework
- The Qantas Group is profitable on an Underlying Profit Before Tax (UPBT) basis for 2022/23.

Shareholder approval will be sought at the 2022 Annual General Meeting (AGM) for the CEO's participation in the RRP and for the CEO's grant of Rights under the plan. In the case of the CEO, it should be noted that he took no Base Pay from 1 April 2020 to 31 July 2020 and a 35 per cent reduction in Base Pay from 1 August 2020 through to 31 October 2020. In addition, the CEO is one of the few in the ASX100 to receive no annual incentive for the past three years.

The RRP also aligns 17,000 eligible non-executive employees to the Group's recovery, with Rights to 1,000 Qantas shares in recognition of their resilience, continued excellence in safety, ongoing loyalty and commitment. For many, this will be their first opportunity to own Qantas shares associated with their employment with the Group.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration Outcomes in 2021/22

The Remuneration Outcomes for 2021/22 continue to reflect similar restraint and leadership in difficult times.

Fixed Remuneration:

In line with the Group's two-year wage freeze, there were no increases to Base Pay during 2021/22 for the CEO and Executive Management.

Variable Remuneration:

- The annual STIP did not operate in 2021/22.

  The implementation of the RRP replaced the annual incentive opportunity for 2021/22. As a result, no annual incentive outcomes will be paid in 2021/22, for the third year in a row.

- The Long Term Incentive Plan (LTIP) partially vested.

  In the 2020-2022 LTIP, Qantas continued to deliver top quartile relative Total Shareholder Return (TSR) performance against the airline peer group, ranking 2nd of the 18 airlines and resulting in full vesting for this component. However, the TSR performance condition against the ASX100 peer group was not achieved, and as a result the Rights against this component lapsed.

  Consequently, for Executive Management, 50 per cent of LTIP Rights vested and converted to shares. In accordance with the shareholder approved governance changes in 2019, the vested LTIP shares will be subject to an additional one-year holding lock.

  In relation to the 2020-2022 LTIP for the CEO, the CEO offered, and the Board agreed, to defer the decision as to whether his Rights will be forfeited or allowed to convert to shares until at least August 2023 (and in alignment with this, have also further deferred the decision on the 2019-2021 LTIP and 2018-2020 LTIP Rights).

The CEO's total pay outcome for 2021/22 is higher than in 2019/20 and 2020/21, as he returned to receiving his contracted Base Pay amount after voluntarily receiving reduced Base Pay for a seven-month period straddling the last two financial years.

Executive Remuneration Framework Review — 2022/23

In anticipation of a return to more normalised trading conditions during 2022/23, the Executive Remuneration Framework will revert to its pre-pandemic structure of an annual STIP and LTIP grant. The annual STIP will return with UPBT as the primary financial measure, which will have a weighting of 50 per cent of the STIP Scorecard.

Acknowledging our need to do more to deliver the service our customers expect, the STIP Scorecard will also have a higher weighting on Customer, and include key operational priorities like Net Promoter Score (NPS), External Reputation/Trust and On Time Performance to align Executive incentive outcomes to the customer experience.

In line with making sustainability a key pillar of decision making across all areas of the business and Qantas Group's strategic objective to reach a net zero emissions target by 2050, the existing ESG measures will be further enhanced to include a climate-related target from our Qantas Group Climate Action Plan.

I invite you to review the 2022 Remuneration Report.

Jacqueline Hey
Chair, Remuneration Committee

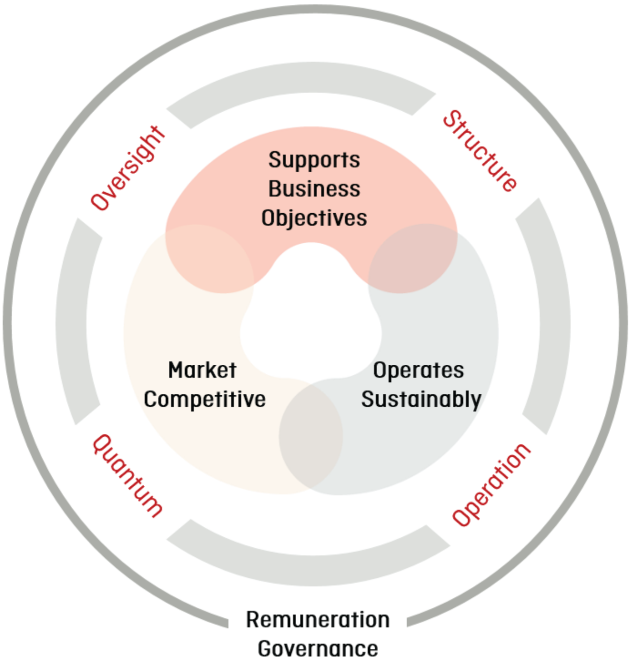
Directors' Report continued

For the year ended 30 June 2022

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 42 to 43.

The structure of the Executive Remuneration Framework is as follows:

Base Pay	Fixed salary inclusive of superannuation	Cash				
Annual Incentive[1] Also referred to as the Short Term Incentive Plan (STIP)	– An annual incentive opportunity – Balanced scorecard (financial and 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 (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**	

1 The Board determined that the STIP would not operate in 2021/22. This was replaced by the RRP.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

CHANGES TO THE REMUNERATION FRAMEWORK IMPLEMENTED FOR 2021/22

Talented Executives are in increasing demand across a range of industries. This was particularly impactful on Qantas during the COVID-19 pandemic as many other industries were — unlike aviation and tourism — experiencing high rates of growth. Experience shows that Qantas Executives are highly sought after, and elevated attrition at three times pre-pandemic levels demanded an effective response to stabilise the workforce. With this in mind, the Qantas Board approved a plan designed both to retain the Group's key talent and to align and incentivise the entire Qantas workforce for delivery of the Recovery Plan.

Changes to the Remuneration Framework Implemented for 2021/22

The Three-Year Recovery Plan, which commenced in 2020/21, has seen the Qantas Group operate in a cash-constrained environment amidst ongoing uncertainty, particularly regarding the rate of recovery of the International business.

Therefore, the Board determined that the STIP would not operate in 2021/22 even though, like 2019/20 and 2020/21, the scorecard for 2021/22 would otherwise have resulted in an award to Executive Management. Instead, the Board introduced a one-off, two-year, performance based equity-based Recovery Retention Plan (RRP) designed to retain and reward Executives employed by the Qantas Group as at 1 July 2021 and who remain employed in August 2023, which coincides with the timeframe for the delivery of the Three-Year Recovery Plan. The RRP consists of an upfront grant of Rights to participants.

Shareholder approval for the CEO's participation in the RRP and CEO's grant of Rights under the RRP will be sought at the 2022 AGM, with details of the calculation provided in Notice of Meeting.

All Rights issued under the RRP will vest and convert to Qantas shares only if the full performance and service conditions are achieved over the two-year performance period. The performance conditions for the RRP are:

- The Qantas Group meets its $1 billion recovery program target by 30 June 2023.
- As at 30 June 2023, Qantas Group's Net Debt range is below the top end of the Net Debt range as approved by the Board in accordance with the Group's Financial Framework.
- The Qantas Group is profitable on an UPBT basis for 2022/23.

The Board will retain discretion on vesting of the award in the event of a material safety failure.

2021/22 ANNUAL INCENTIVE PLAN

Annual Incentive — Structure

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

Annual Incentive Outcomes for 2021/22

2021/22 STIP Outcome	Notwithstanding the Board determined that the STIP would not operate in 2021/22 and be replaced by the RRP, in line with our performance culture, a Group STIP Scorecard of performance measures was still set, with the Board assessing performance against each measure to determine an overall STIP Scorecard outcome.
2021/22 STIP Scorecard	Each year, the Board aligns the performance measures that comprise the STIP Scorecard with the Qantas Group's strategic priorities. For 2021/22, this involved aligning these performance measures with the key financial, operational and safety measures supporting the Recovery Plan. For 2021/22, the Board selected earnings generation, cash generation and delivery of the Recovery Plan metrics as the key financial performance measures for the Qantas Group, with a weighting of 50 per cent of the STIP Scorecard. There was strong performance against both the financial and non-financial components of the STIP Scorecard that would have resulted in a scorecard outcome 90 per cent (out of a maximum 150 per cent) under the 2021/22 STIP if it were operating.

2021/22 STIP Scorecard:

Strategic Objective	Range of Outcomes	Outcome
Financial Measures	0-45%	
Recovery Plan and Growth	0-30%	
Customer	0-22.5%	
Leading Domestic Market Recovery	0-30%	
Workplace and Operational Safety	0-22.5%	
STIP Scorecard Outcome	0-150%	**90%**

Target achieved or exceeded

Partial achievement against targets

No achievement against targets

Further detail on the STIP is provided on pages 48 to 55.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

LONG TERM INCENTIVE PLAN

Long Term Incentive — Structure

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 which are then restricted for a further one-year.

Purpose	Reward for longer term Qantas Group performance.
Target Opportunity and Allocation Methodology	The number of Rights awarded under the LTIP has been calculated by applying a face value methodology to determine the maximum number of Rights that may vest and convert to Qantas shares. The target opportunity for the CEO and Executive Management is as follows:

Maximum Opportunity	CEO	Executive Management
% 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

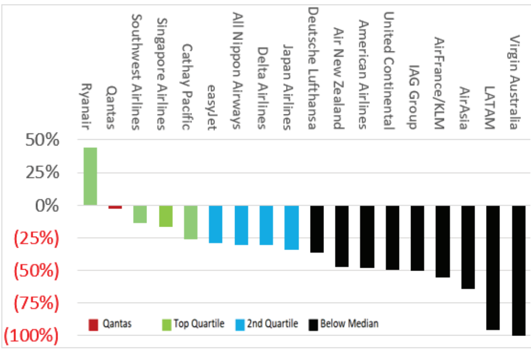
Business Performance	Qantas' 3-year Total Shareholder Return (TSR) performance relative to: – A global airline peer group – ASX100 companies.
Delivery	If performance and service conditions are achieved, Rights vest and convert to Qantas shares. A further one-year trading restriction on vested shares 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.

Further detail on the LTIP is provided on pages 50 to 52.

Long Term Incentive Outcomes for 2021/22

2020-2022 LTIP – Achievement of Performance Conditions	Qantas' 3-year relative TSR performance was ranked: – 2nd in the airline peer group — performance condition fully achieved – 60th 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, and the Board agreed, to defer the decision until at least August 2023 as to whether his Rights will be forfeited or allowed to convert to shares. Therefore, the CEO's LTIP outcome in 2021/22 is nil. For Executive Management, 50 per cent of Rights awarded under the 2020-2022 LTIP vested and converted to shares which are subject to a further one-year trading restriction.
Longer Term TSR Performance	Qantas continued to outperform the majority of its airline peers, achieving top quartile relative TSR performance for the seventh consecutive rolling 3-year period. However, Qantas' TSR performance over the current 3-year performance period (to 30 June 2022) was below median compared to other ASX100 companies. 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.

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
2020-2022	Top quartile	Below median
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 2022).

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OUTCOMES FOR THE CEO IN 2021/22

CEO Remuneration Outcomes — Key Points

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

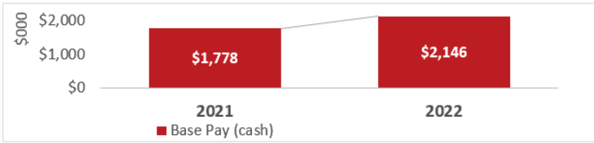
The CEO's total pay outcome for 2021/22 was 15 per cent higher than 2020/21 as he returned to receiving his contracted Base Pay amount after voluntarily receiving reduced pay for seven months straddling the last two financial years.

Base Pay

The CEO did not receive a Base Pay increase during 2021/22. However, in contrast to 2020/21 — where 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 — in 2021/22 the CEO returned to receiving his contracted Base Pay amount.

Base Pay (cash) is $2,146,432 (Base Pay of $2,170,000 less superannuation contributions of $23,568).

CEO REMUNERATION OUTCOMES — BASE PAY (CASH)



Annual Incentive — 2021/22 STIP

The CEO received no annual STIP opportunity under the 2021/22 STIP as the plan did not operate, being replaced by the RRP for 2021/22 only. Shareholder approval will be sought at the 2022 AGM for the CEO's participation in the RRP and for the CEO's grant of rights under the plan.

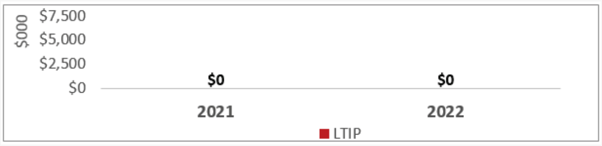
CEO REMUNERATION OUTCOMES — ANNUAL INCENTIVE

1 The implementation of the RRP replaced the annual STIP opportunity for 2021/22. As a result, no annual STIP awards were paid for 2021/22.

Long Term Incentive — 2020-2022 LTIP

Qantas' TSR performance over the 3-year performance period for the 2020-2022 LTIP would have allowed 50 per cent of the CEO's Rights to vest and convert to Qantas shares. However, the CEO offered, and the Board agreed, to defer the decision until at least August 2023 as to whether his 371,500 Rights under the 2020-2022 LTIP be forfeited or allowed to convert to shares. Concurrently, the decision on whether to forfeit or allow the 325,500 Rights under the 2019-2021 LTIP and 343,500 Rights under the 2018-2020 LTIP was also deferred until at least August 2023. As a result, the CEO's LTIP outcome for 2021/22 was zero.

CEO REMUNERATION OUTCOMES — LONG TERM INCENTIVE



Actual Remuneration Outcomes for the CEO for 2021/22

The remuneration outcomes for the CEO in 2021/22 are detailed in the following table.

CEO Remuneration Outcomes[1,2]	2022 $'000	2021 $'000	2022 vs 2021 % change
Base Pay (cash)	2,146	1,778	21%
STIP — cash bonus	-	-	-
STIP — share-based	-	-	-
LTIP	-	-	-
Other	126	201	n/a
Total Actual Outcome	**2,272**	**1,979**	**15%**

1 Details of the non-statutory remuneration methodology are explained on pages 48 and 53.
2 A reconciliation of remuneration outcomes to statutory remuneration disclosures is provided on page 47.

Statutory Remuneration Disclosures

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

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

CEO Statutory Remuneration	2022 $'000	2021 $'000
Base Pay (cash)	2,146	1,778
STIP — cash bonus	-	-
STIP — share-based	31	237
LTIP	3,272	3,072
Other	126	201
Total	**5,575**	**5,288**

Directors' Report continued

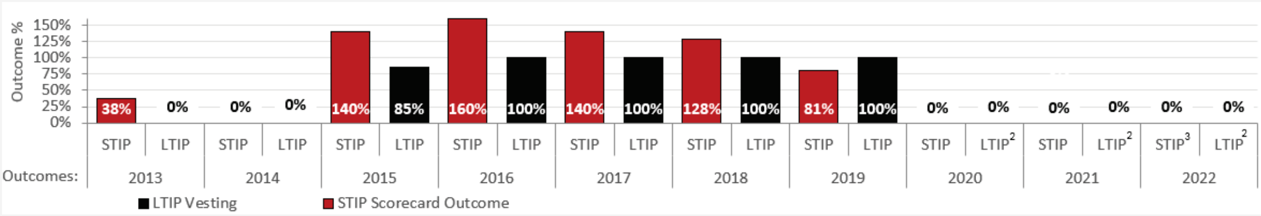
For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

CEO Remuneration Outcomes History (2012/13 to 2021/22)

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Underlying PBT ($M)	$186	($646)	$975	$1,532	$1,401	$1,565	$1,326	$124	($1,774)	($1,859)
ROIC %[1]		(1.5%)	16.2%	22.7%	20.1%	21.4%	19.2%	5.8%	(21.4%)	(31.6%)



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

2 The CEO offered, and the Board agreed, to defer the decision until at least August 2023 as to whether his 371,500 Rights under the 2020-2022 LTIP be forfeited or allowed to convert to shares. This will also apply to 325,500 Rights under the 2019-2021 LTIP and 343,500 Rights under the 2018-2020 LTIP.

3 The Board determined that the STIP would not operate in 2021/22. This was replaced by the RRP. Shareholder approval will be sought at the 2022 AGM for the CEO's participation in the RRP and for the CEO's grant of rights under the plan.

CHANGES TO THE REMUNERATION FRAMEWORK FOR 2022/23

The Remuneration Framework remains aligned with the business strategy and has been adapted to reflect the priorities and areas of focus at each stage of the COVID-19 pandemic and the Recovery Plan. Looking ahead to 2022/23 and in anticipation of a return to more normalised trading conditions, the following changes were made to the Framework.

STIP Scorecard for 2022/23

Each year, the Board aligns the performance measures that comprise the STIP Scorecard with the key financial, operational and safety measures that reflect the Qantas Group's strategic priorities. For 2022/23, the focus is on supporting the next phase of the Recovery Plan, including ensuring that the Group airlines' operational performance improves to match the high standards we set and which our customers expect.

With the planned return to profitability for 2022/23, the Board has returned to UPBT as the primary financial measure. The UPBT is adjusted for budgeted Transformation costs and will have a weighting of 50 per cent of the STIP Scorecard.

Acknowledging our need to do more to deliver the service our customers expect, the STIP Scorecard will have an increased weighting to Customer, and prioritise a combination of key operational measures like punctuality and reliability of our airlines, customer satisfaction (measured in NPS) and the Group's reputation and trust, to align Executive incentive outcomes to our customers' experience.

While Qantas' STIP Scorecard has previously included Environment, Social & Governance (ESG) metrics that relate to the 'S' and 'G' components, the scope of Qantas' ambition has continued to grow and broaden to embrace growing stakeholder concerns around the environment, in particular, climate change. In line with Qantas' strategic objective to reach a net zero emissions target by 2050, the existing suite of ESG measures will be enhanced to include an environment-related target from our Qantas Group Climate Action Plan (CAP). Decarbonisation is a strategic priority and the key focus of our CAP and targets. Aligned to our strategic objective and interim target of achieving a 25 per cent reduction in net emissions from 2019 levels by 2030, a CO_2 emissions reduction target will be included in the STIP Scorecard with a weighting of 5 per cent. The combination of the Group's focus on improving customer experience, maintaining the Group's renowned safety performance and implementing our climate commitments will see the prominence of key ESG targets represent 40 per cent of the STIP Scorecard.

The Board believes that these changes to the Remuneration Framework appropriately support the Qantas Group's key business priorities for 2022/23.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION REPORT FOR 2021/22

The Remuneration Report sets out remuneration information for the CEO, Executive Management, who are Key Management Personnel (KMP) and Non-Executive Directors. Section 300A of the *Corporations Act 2001* (Cth) requires disclosure of remuneration information for 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 Management (and their statutory remuneration disclosures) are listed on page 46. 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 a robust approach to remuneration governance and effectiveness across the areas of oversight, structure, operation and quantum as described below:

Oversight	The remuneration governance roles of the Board; the Remuneration Committee; the Safety, Health, Environment and Security Committee; the Audit Committee; and the Board's independent remuneration consultant Ernst & Young (EY) are each clearly defined. The Remuneration Committee (a committee of the Board, whose members are detailed on pages 9 to 11) 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 written 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. All Board members are invited and eligible to attend Remuneration Committee meetings. During 2021/22, the Remuneration Committee commenced a tender process for the role of remuneration consultant. At the conclusion of the tender process it was determined EY would continue 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, nor receive, a formal remuneration recommendation (as defined in the *Corporations Act 2001* (Cth)) during 2021/22.

Directors' Report continued

For the year ended 30 June 2022

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 or 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 STIP Scorecard outcomes 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 further 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
	– A clawback mechanism 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 or RRP 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 Group 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 in both 2019/20 and 2020/21, are provided on page 49.
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. 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, 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 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

3 REMUNERATION OUTCOMES FOR 2021/22

The following table summarises the remuneration decisions and outcomes for the CEO and Executive Management for the year ended 30 June 2022. The remuneration outcomes detailed in this table are better aligned to 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.

The 2020-2022 LTIP 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 2022. Qantas' three-year relative TSR performance was ranked 2nd in the airline peer group and 60th in the ASX100. Based on this performance, 50 per cent vesting was achieved. The shares awarded to Executive Management upon vesting of the LTIP remain subject to an additional one-year trading restriction. Notwithstanding that the LTIP conditions were partially achieved, the CEO offered, and the Board agreed, to defer the decision as to whether his Rights will be forfeited or allowed to convert to shares until at least August 2023. Concurrently, the decision on whether to forfeit or allow the CEO's Rights under the 2019-2021 LTIP and 2018-2020 LTIP to convert to shares was also deferred until at least August 2023. Therefore, the CEO's LTIP outcome in 2021/22 is nil.

Actual Remuneration Outcomes Table — CEO and Executive Management[1]

$'000s		Base Pay (Cash)[2]	STIP Cash Bonus[3]	STIP Deferred Award[3]	RRP	LTIP[4,5]	Other Benefits[6]	Total
Current Executives								
Alan Joyce	**2022**	**2,146**	**-**	**-**	**-**	**-**	**126**	**2,272**
Chief Executive Officer	2021	1,778	-	-	-	-	201	1,979
Andrew David	**2022**	**996**	**-**	**-**	**-**	**401**	**59**	**1,456**
CEO Qantas Domestic and International	2021	936	-	-	-	367	108	1,411
Gareth Evans	**2022**	**1,057**	**-**	**-**	**-**	**425**	**101**	**1,583**
CEO Jetstar Group	2021	1,005	-	-	-	388	64	1,457
Vanessa Hudson[7]	**2022**	**921**	**-**	**-**	**-**	**334**	**183**	**1,438**
Chief Financial Officer	2021	875	-	-	-	145	182	1,202
Olivia Wirth	**2022**	**843**	**-**	**-**	**-**	**341**	**67**	**1,251**
CEO Qantas Loyalty	2021	802	-	-	-	311	141	1,254
Total	**2022**	**5,963**	**-**	**-**	**-**	**1,501**	**536**	**8,000**
	2021	5,396	-	-	-	1,211	696	7,303

1 Details of the non-statutory remuneration methodology are explained on pages 48 and 53.
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 2020/21 the value is nil as no award was made. The Board determined that STIP would not operate in 2021/22, and as a result, this is also nil. The 2021/22 STIP was replaced by the RRP.
4 LTIP awards vested in 2021/22 at 50 per cent for Executive Management other than the CEO. The CEO offered, and the Board agreed, to defer the decision until at least August 2023 as to whether his Rights will be forfeited or allowed to convert to shares. The decision for the CEO's LTIP award for 2020/21 and 2019/20 were further deferred until August 2023.
5 The number of Rights vested multiplied by the Qantas share price of $4.47 at 30 June 2022 (the end of the plan's performance period) (2021: $4.66 at 30 June 2021).
6 Other Benefits are detailed on page 53.
7 Superannuation benefits are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 *Employee Benefits*.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

4 STATUTORY REMUNERATION DISCLOSURES FOR 2021/22

The statutory remuneration disclosures for the year ended 30 June 2022 are detailed below. These are prepared in accordance with Australian Accounting Standards and differ from the 2021/22 remuneration outcomes on page 44. The differences arise due to the accounting treatment of share-based payments for the STIP, RRP and LTIP, as 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 2020/21 and 2021/22 statutory remuneration disclosures include a value for part of those prior year STIP awards.

- **RRP award that has not vested**

  Accounting standards require RRP remuneration to be expensed (and therefore included as statutory remuneration) over the relevant performance and service period.

  Testing of the RRP Award will be undertaken as at 30 June 2023 to determine if Rights convert to shares.

- **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 2020-2022 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 2022. Qantas' three-year relative TSR performance was ranked 2nd in the airline peer group and 60th 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 2023 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 2020-2022 LTIP vested and converted to shares, with the remaining Rights lapsing. Even though 50 per cent of Rights lapsed, the Statutory Remuneration recognises an expense for 100 per cent of Rights under the 2020-2022 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 2021-2023 and the 2022-2024 LTIP awards.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

Statutory Remuneration Table — CEO and Executive Management

			Incentive Plan — Accounting Accrual						Other Benefits				
				Equity-Settled Share-Based Payments									
$'000s		Base Pay (Cash)[1,2]	STIP Cash Bonus[1]	STIP Deferred Shares	RRP Rights[3]	LTIP Rights	Sub-Total	Non-Cash Benefits[1,4]	Post-Employment Benefits[5]	Other Long-Term Benefits[6]	Sub-Total	Total
Current Executives												
Alan Joyce	**2022**	**2,146**	**-**	**31**	**-**	**3,272**	**5,449**	**23**	**46**	**57**	**126**	**5,575**
Chief Executive Officer	2021	1,778	-	237	-	3,072	5,087	2	53	146	201	5,288
Andrew David	**2022**	**996**	**-**	**10**	**291**	**771**	**2,068**	**11**	**51**	**(2)**	**60**	**2,128**
CEO Qantas Domestic and International	2021	936	-	80	-	680	1,696	4	56	48	108	1,804
Gareth Evans[7]	**2022**	**1,057**	**-**	**12**	**308**	**817**	**2,194**	**46**	**52**	**4**	**102**	**2,296**
CEO Jetstar Group	2021	1,005	-	94	-	720	1,819	10	56	(2)	64	1,883
Vanessa Hudson[8]	**2022**	**921**	**-**	**8**	**291**	**716**	**1,936**	**34**	**144**	**5**	**183**	**2,119**
Chief Financial Officer	2021	875	-	59	-	520	1,454	4	138	40	182	1,636
Olivia Wirth	**2022**	**843**	**-**	**10**	**247**	**655**	**1,755**	**8**	**52**	**7**	**67**	**1,822**
CEO Qantas Loyalty	2021	802	-	74	-	567	1,443	15	57	69	141	1,584
Total	**2022**	**5,963**	**-**	**71**	**1,137**	**6,231**	**13,402**	**122**	**345**	**71**	**538**	**13,940**
	2021	5,396	-	544	-	5,559	11,499	35	360	301	696	12,195

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 Shareholder approval will be sought at the 2022 AGM for the CEO's participation in the RRP and for the CEO's grant of rights under the plan. If shareholder approval is received, the accounting remuneration value will be included in the statutory remuneration table in the 2023 Remuneration Report. The total remuneration value will be equal to the number of rights issued under the RRP multiplied by the fair value of the right at grant date (which if approved, would be the date of the AGM) and will be recognised over the vesting period to August 2023.
4 Non-cash benefits include the value of travel benefits while employed and other minor benefits.
5 Post-Employment Benefits includes superannuation and an accrual for post-employment travel of $22,000 for Mr Joyce and $28,000 for each other Executive (2021: $30,000 for Mr Joyce and $34,000 for each other Executive).
6 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.
7 Mr Evans will cease employment with Qantas during 2023. In the event that Mr Evans ceases employment prior to the end of the performance period, the Rights under the 2021-2023 LTIP, 2022-2024 LTIP and the RRP will continue to remain on foot on a pro-rata basis for the portion of the performance period in which Mr Evans was employed, consistent with the Terms and Conditions of those plans as a good leaver. The Rights may vest and convert to shares at the end of the performance period subject to achievement of the original respective performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction.
8 Superannuation benefits are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 *Employee Benefits*.

On 24 June 2022, the Group announced that the Jetstar CEO, Mr Evans, had made the decision to step down from his current role in December 2022 and will remain with the Group on key projects before leaving during 2023.

Directors' Report continued

For the year ended 30 June 2022

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 2021/22

Reconciliation	($'000s)	Description
Statutory Remuneration Disclosure	**5,575**	
Accounting value of share-based payments – Less: Accounting value for STIP share awards – Less: Accounting value for LTIP share awards	 (31) (3,272)	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 2021/22, the Statutory Remuneration Disclosure includes: – A value resulting from the expense of deferred shares from the 2018/19 STIP awards. The STIP did not operate in 2021/22. Furthermore, 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, 2021-2023 and 2022-2024 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 2020-2022 LTIP, the CEO offered, and the Board agreed, to defer the decision until at least August 2023 as to whether his Rights will be forfeited or allowed to convert to Shares – The CEO's LTIP outcome in 2021/22 is nil but a value is still included as statutory remuneration. If Rights convert to shares, the value of the award of the 2020-2022 LTIP will be disclosed in the Remuneration Outcome for that year. Testing for the 2021-2023 and 2022-2024 LTIP awards will be undertaken as at 30 June 2023 and 30 June 2024, respectively, to determine whether the CEO receives any shares under these awards.
Current year STIP share awards and vesting of LTIP awards – Add: 2020-2022 LTIP vesting	 nil	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. The CEO received no opportunity under the 2021/22 STIP as the plan did not operate. No LTIP award was made to the CEO in 2021/22 and therefore these values are nil.
Remuneration Outcome — Total	**2,272**	

Directors' Report continued

For the year ended 30 June 2022

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 37 to 41. 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. In line with the Group-wide two-year wage freeze, there were no Base Pay increases for the CEO and Executive Management during 2021/22. The Base Pay for the CEO and Executive Management is outlined on page 56.
Annual Incentive	
STIP Overview	The STIP is the annual incentive plan for the CEO and 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. For 2021/22, the Board determined that STIP would not operate. This was replaced by the RRP.
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	In a year where STIP operates, each STIP participant has a Target Opportunity expressed as a percentage of Base Pay: – For the CEO, 100 per cent of Base Pay – For Executive Management, 80 per cent of Base Pay.
Performance Conditions — STIP Scorecard	Notwithstanding the Board determined that STIP would not operate in 2021/22, the Board set a scorecard of performance measures for 2021/22. The STIP Scorecard contains a mix of Group financial and non-financial measures. For 2021/22, the Board selected earnings generation, cash generation 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 2021/22 STIP Scorecard outcome is provided on pages 54 to 55.

Directors' Report continued

For the year ended 30 June 2022

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 as fundamental in calculating the STIP, it also recognises that remuneration outcomes must be considered in the broader 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 to date). 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).
Delivery of STIP Awards	In a year where STIP awards are made, two thirds of the STIP award would be paid as a cash bonus, with the remaining one third deferred into Qantas shares.
STIP Award Deferral and Trading Restriction	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	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.

Directors' Report continued

For the year ended 30 June 2022

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.
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 44. 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 2021/22 STIP as the plan did not operate. Therefore, the value for the 2021/22 STIP is nil. Disclosure of STIP awards in the Statutory Remuneration Table on page 46 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 further 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.
Performance Conditions	The performance measures for each of the 2020-2022 LTIP (tested at 30 June 2022), 2021-2023 LTIP (to be tested at 30 June 2023) and 2022-2024 LTIP (to be tested at 30 June 2024) are Qantas' TSR relative 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 three-year performance period. The peer groups selected are because Qantas' Financial Framework targets top quartile TSR performance relative to global airline peers and ASX100 companies as these 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).

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

	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 the 2020-2022 LTIP, the global listed airline peer group comprised: AirAsia, 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 and 2022-2024 LTIP was consistent, other than Virgin Australia, which was excluded (from the 2021-2023 LTIP) due to entering voluntary administration and subsequently (from the 2022-2024 LTIP) privatised.
Review of Performance Conditions	The Remuneration Committee regularly reviews the appropriateness of the performance measures. In 2021/22, 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 (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. 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 and is the maximum that may vest at the end of the performance period. The maximum LTIP opportunity for the CEO and Executive Management is provided on a face value basis in the Summary of Key Contract Terms on page 56.
Allocation Methodology Used in 2021/22 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 2021 AGM, shareholders approved an award of 861,000 Rights to the CEO (under the 2022-2024 LTIP), being the maximum number of Rights that may vest and convert to shares. The Notice of Meeting for the 2021 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** = $\frac{\text{Base Pay x maximum LTIP opportunity}}{\text{Face value (Qantas share price) as at 30 June 2021}}$ **861,000 Rights awarded** = $\frac{\$2{,}170{,}000 \times 185\%}{\$4.66}$
Change of Control	In the event of a change of control, the Board determines whether the LTIP Rights vest or otherwise.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 44. 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.

Recovery Retention Plan (RRP)

RRP Overview	The RRP involves an upfront award of Rights. If performance and service conditions are achieved over the two-year performance period, Rights will vest and convert to unrestricted Qantas shares. If the two-year performance conditions or service conditions are not met, the Rights lapse.
Allocation Methodology	The number of Rights granted under the RRP is calculated on a face value basis. The number of Rights awarded is the maximum number of Rights that may vest and convert to Qantas shares at the end of the performance period.
Performance Conditions	For Rights to vest under the RRP, all of the following performance conditions must be achieved by the end of the performance period on 30 June 2023: – The Qantas Group meets its $1 billion recovery program target by 30 June 2023 – As at 30 June 2023, Qantas Group's Net Debt range is below the top end of the Net Debt range as approved by the Board in accordance with the Group's Financial Framework – Qantas Group is profitable on an UPBT basis for 2022/23.
Board Discretion	The Board retains discretion to: – Adjust the Net Debt range upwards to take into consideration significant initiatives or strategic proposals undertaken by the Qantas Group that have impacted the ability to deliver the Net Debt target – Not approve any vested award where there is a material failure in the structure of or compliance with a safety policy or process that results in death or serious injury, arising out of Qantas Group's business operations.
Vesting of RRP Award	If performance and service conditions are achieved over the two-year performance period ending 30 June 2023, Rights will vest and convert to unrestricted Qantas shares.
Cessation of Employment	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. 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 performance and service conditions of the RRP.
Disclosure	The statutory remuneration disclosure amortises the accounting value of RRP awards over the relevant performance and service period as per the accounting standards. In the year where RRP awards vest, the Remuneration Outcomes disclosure will include the full value of the shares that vest and convert to shares.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other Benefits

Non-Cash Benefits	Non-Cash Benefits, as disclosed in the remuneration tables, includes other minor benefits.
Travel	Travel concessions are provided to permanent Qantas employees, consistent with prevailing 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, and also consistent with prevailing 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 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

6 ANNUAL INCENTIVE SCORECARD OUTCOME 2021/22

Notwithstanding the Board determined that the STIP would not operate in 2021/22, in line with our performance culture a Group STIP Scorecard of performance measures was still set, with the Board assessing performance against each measure to determine an overall STIP Scorecard outcome. In the interest of transparency, the table below summarises performance versus target against each scorecard category under the 2021/22 STIP.

Scorecard Category/ Strategic Objective	Measures	Scorecard Weighting Target (Range of Outcomes)	Actual Outcome	Component Outcome[1]	Comment
Group Financial Measures	Earnings generation: Underlying EBITDA Cash generation: Free Cash Flow	30% (0-45%)			The Underlying Earnings Before Interest, Tax, Depreciation, Amortisation and Impairments (EBITDA) was below the threshold as set by the Board due to the impact of widespread domestic lockdowns primarily in the first half of 2021/22. The Free Cash Flow of $2,430 million for 2021/22 was ahead of the target set by the Board. Overall, there was a partial 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 $923 million of structural cost benefits. Qantas Loyalty exceeded its Earnings Before Interest and Tax (EBIT) target for 2021/22. This scorecard category achieved an above target outcome and therefore a full contribution to the STIP Scorecard.
Customer	Net Promoter Score (NPS) — for domestic airlines and Qantas Frequent Flyer Punctuality External Reputation/Trust	15% (0-22.5%)			Customer satisfaction for all key domestic airlines and Qantas Frequent Flyer was below threshold as a result of the recent operational challenges. The Qantas Domestic and QantasLink combined on-time performance result was also below threshold. While our Reputation/Trust target was exceeded - which would have resulted in a partial contribution to the STIP Scorecard under this measure - in acknowledgement that our broader customer performance did not meet expectations in 2021/22 the Board exercised discretion to record no achievement against Customer and hence no contribution to the STIP Scorecard.
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 achieved its Australian domestic market capacity share target. Overall, there was an above target contribution 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 achieved. Operational safety performance continued to remain strong. 'Work Well'/'Fly Well' program performance for the year was good. Overall, there was an above target contribution to the STIP Scorecard under the Workplace and Operational Safety measure.
2021/22 STIP Scorecard Outcome		**100%** **(0-150%)**	**90%** **out of a maximum 150%**		

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

1 Component outcome shown where overall target is partially achieved.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional Descriptions of 2021/22 STIP Scorecard Measures

Group Financial Measures	As in 2020/21, cash flow continued to be critical to our business in 2021/22. With this in mind, Free Cash Flow was selected as a key financial performance measure. To complement this, Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was introduced as a Group Financial Measure for 2021/22. EBITDA is a key external and internal measure that reflects the Group's focus on operational earnings performance.
Recovery Plan and Growth	The post-COVID Three-Year Recovery Plan, including delivering on rightsizing and restructuring initiatives, continued to be a strategic priority during 2021/22. To maintain focus on the post-COVID Recovery Plan, a restructuring benefit target was included as a performance measure. To maintain the long term strategic focus of growing diversified earnings, a STIP target was also set to grow Qantas Loyalty Underlying 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 arising 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 important to our business performance 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 or in the event where safety outcomes do not meet our expectations. The exercise of that discretion considers the specific circumstances of the incident and/or safety outcomes, and is informed by a recommendation of the Safety, Health, Environment and Security Committee. In 2016/17, for example, the Board exercised its discretion in relation to the Workplace Safety outcome in that year to both zero the STIP scorecard in that respect and by additionally reducing the overall STIP award to the CEO, Executive Management, and other direct reports to the CEO by a significant proportion. Of course, this "safety override" discretion is in addition to, and does not qualify, the Board's overall discretion over STIP awards. 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 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

7 LONG TERM INCENTIVE OUTCOME 2020-2022

Qantas TSR Performance[1]	Qantas TSR Rank vs. Global Airlines	Qantas TSR Rank vs. ASX100	Vesting of 2020-2022 LTIP
(3%)	2nd	60th	50%

The three-year performance measures under the 2020-2022 LTIP are Qantas' TSR compared to:

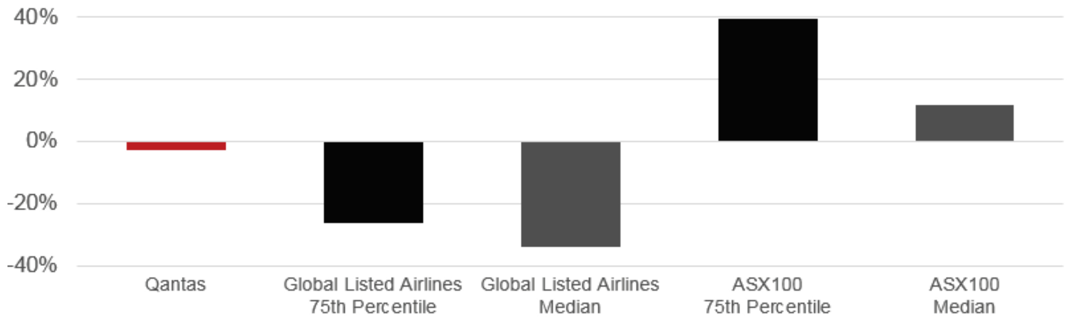
- A global airline peer group
- ASX100 companies.

Qantas continued 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 seventh straight rolling three-year period.

However, Qantas and the aviation industry continued to be adversely impacted by COVID-19 relative to other ASX100 companies and therefore Qantas' TSR performance versus other ASX100 companies was below median.

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 2022).

8 SUMMARY OF KEY CONTRACT TERMS AS AT 30 JUNE 2022

Contract Details	Alan Joyce[3]	Andrew David[4]	Gareth Evans[4]	Vanessa Hudson[4]	Olivia Wirth[4]
Base Pay	$2,170,000	$1,020,000	$1,081,000	$1,020,000	$867,000
Pay Mix per contract:					
– STIP Target[1]	100%	80%	80%	80%	80%
– LTIP Target[1,2]	185%	95%	95%	95%	95%
	An annual benefit of trips for these Executives and eligible beneficiaries during employment,[5] 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.[6] 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.[6]				

The Board determined that STIP will not operate in 2021/22. This was replaced by the RRP, with details of the Rights granted to Executive Management set out on page 59.

1 Opportunity expressed as a percentage of Base Pay.
2 Rights awarded on a face value basis and is the maximum number of Rights that may vest and convert to Qantas Shares.
3 Target Remuneration Mix for the CEO for 2021/22 was Base Pay 35%, STIP 0% and LTIP (on a face value basis) 65%. Shareholder approval will be sought at the 2022 AGM for the CEO's participation in the RRP and for the CEO's grant of Rights under the plan, with details of the calculation provided in the Notice of Meeting.
4 Target Remuneration Mix for Executive Management for 2021/22 was Base Pay 32%, STIP 0%, RRP 38% and LTIP (on a face value basis) 30%.
5 These benefits are not cumulative and lapse if they are not used during the calendar year in which the entitlements arise.
6 Other than for misconduct or unsatisfactory performance.

Directors' Report continued

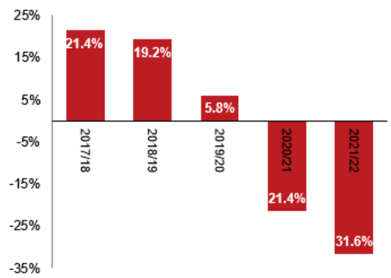
For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

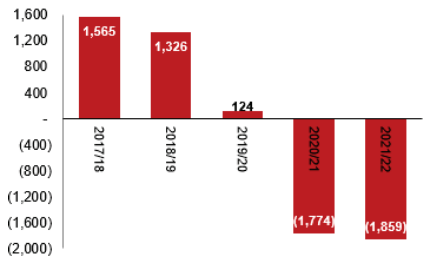
9 QANTAS FINANCIAL PERFORMANCE HISTORY

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

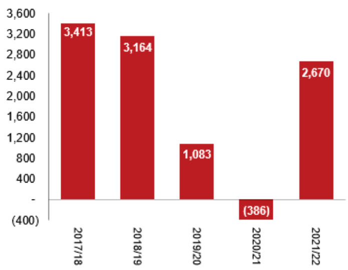
Return on Invested Capital (ROIC%)



Underlying Profit Before Tax[1] ($M)

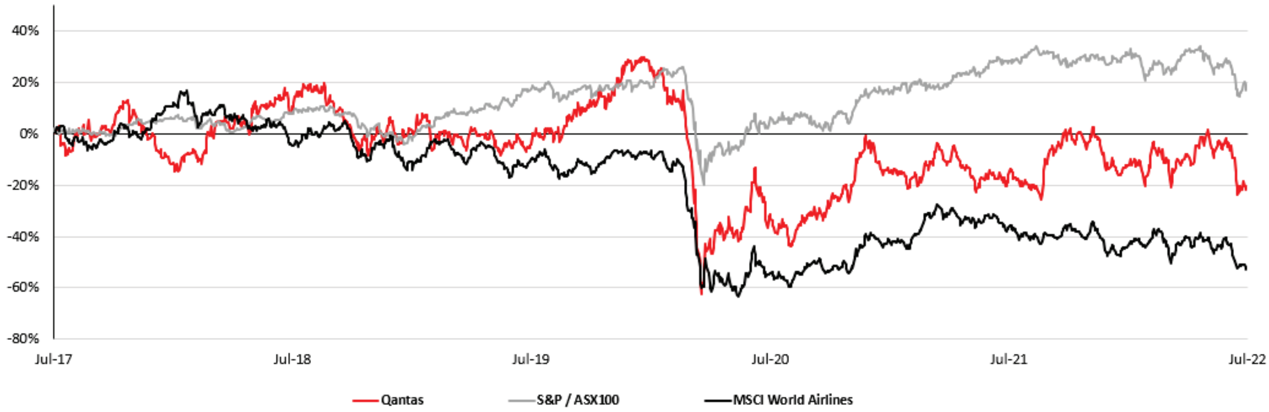


Operating Cash Flow ($M)



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 2021/22 was ($860) million (2021: ($1,692) million; 2020: ($1,964) million; 2019: $840 million; and 2018: $953 million). Return on Invested Capital (ROIC%) and UPBT for the 2020/21 financial year has been restated for the adoption of the IFRIC agenda decision in relation to cloud computing. The 2017/18, 2018/19, 2019/20 financial years have not been restated.

Qantas' Five-Year TSR Performance



Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 STIP that are subject to a deferral period:

Short Term Incentive Plan		Number of Shares				
		1 July	Granted	Vested and Transferred	Forfeited	30 June
Alan Joyce	**2022**	**97,768**	**-**	**(97,768)**	**-**	**-**
	2021	251,886	-	(154,118)	-	97,768
Andrew David	**2022**	**33,088**	**-**	**(33,088)**	**-**	**-**
	2021	83,168	-	(50,080)	-	33,088
Gareth Evans	**2022**	**38,963**	**-**	**(38,963)**	**-**	**-**
	2021	97,669	-	(58,706)	-	38,963
Vanessa Hudson	**2022**	**26,585**	**-**	**(26,585)**	**-**	**-**
	2021	52,894	-	(26,309)	-	26,585
Olivia Wirth	**2022**	**31,250**	**-**	**(31,250)**	**-**	**-**
	2021	74,307	-	(43,057)	-	31,250

Rights Awarded Under the Long Term Incentive Plan

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

Long Term Incentive Plan		Number of Rights				
		1 July	Granted[1,2]	Vested and Transferred[3]	Lapsed/ Forfeited	30 June[4]
Alan Joyce[5,6]	**2022**	**3,430,000**	**861,000**	**-**	**-**	**4,291,000**
	2021	2,081,000	1,349,000	-	-	3,430,000
Andrew David	**2022**	**701,500**	**208,000**	**(78,750)**	**(78,750)**	**752,000**
	2021	503,000	364,500	(83,000)	(83,000)	701,500
Gareth Evans	**2022**	**742,500**	**220,500**	**(83,250)**	**(83,250)**	**796,500**
	2021	532,500	386,000	(88,000)	(88,000)	742,500
Vanessa Hudson	**2022**	**576,000**	**208,000**	**(31,000)**	**(31,000)**	**722,000**
	2021	246,500	364,500	(17,500)	(17,500)	576,000
Olivia Wirth	**2022**	**595,500**	**176,500**	**(66,750)**	**(66,750)**	**638,500**
	2021	360,500	309,500	(37,250)	(37,250)	595,500

1 Rights under the 2022-2024 LTIP were granted on 5 November 2021 to Mr Joyce (following approval by shareholders at the 2021 AGM) and 17 September 2021 for other Executives and will be tested against the performance hurdles as at 30 June 2024. The number of Rights granted was determined using the face value of a Right on 30 June 2021 of $4.66, being the start of the performance period. The fair value of a Right on the grant date was $3.85 for Mr Joyce and $3.895 per Right for other Executives.

2 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.

3 50 per cent of Rights under the 2019-2021 LTIP (granted on 5 September 2018 for other Executives) 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, with the remaining Rights lapsing.

4 Rights under the 2020-2022 LTIP (granted on 25 October 2019 to Mr Joyce and 4 October 2019 for other Executives) are included in the 30 June 2022 balance. 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. For Executive Management, 50 per cent of these Rights vested following the testing of performance hurdles as at 30 June 2022 and the Board's approval of the 2020-2022 LTIP vesting outcome on 24 August 2022, with the remaining Rights lapsing. The shares awarded to Executive Management upon vesting of the LTIP remain subject to an additional one-year trading restriction. The CEO offered, and the Board agreed, to defer the decision until at least August 2023 as to whether his Rights will be forfeited or allowed to convert to shares.

5 Rights under the 2018-2020 LTIP (granted on 27 October 2017 to Mr Joyce) are included in the 30 June 2022 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 per cent 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 as to whether his Rights will be forfeited or allowed to convert to shares until August 2023.

6 Rights under the 2019-2021 LTIP (granted on 26 October 2018 to Mr Joyce) are included in the 30 June 2022 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. 50 per cent vesting was achieved following the testing of performance hurdles as at 30 June 2021. Notwithstanding that the LTIP conditions were partially achieved, the CEO offered, and the Board agreed, to defer the decision as to whether his Rights will be forfeited or allowed to convert to shares until August 2023.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

Rights Awarded Under the Recovery Retention Plan

The following table details Rights awarded under the RRP that are subject to performance hurdles that are yet to be tested.

		Number of Rights				
Recovery Retention Plan		1 July	Granted[1]	Vested and Transferred	Lapsed/ Forfeited	30 June
Alan Joyce	**2022**	**-**	**-**	**-**	**-**	**-**
	2021	-	-	-	-	-
Andrew David	**2022**	**-**	**262,500**	**-**	**-**	**262,500**
	2021	-	-	-	-	-
Gareth Evans	**2022**	**-**	**278,500**	**-**	**-**	**278,500**
	2021	-	-	-	-	-
Vanessa Hudson	**2022**	**-**	**262,500**	**-**	**-**	**262,500**
	2021	-	-	-	-	-
Olivia Wirth	**2022**	**-**	**223,500**	**-**	**-**	**223,500**
	2021	-	-	-	-	-

1 Rights under the 2022-2023 RRP were granted on 9 June 2022 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 2021 of $4.66, being the Qantas share price at the start of the performance period. The fair value of a Right was $4.98 per Right for other Executives. Shareholder approval will be sought for the award of Rights to the CEO under the 2022-2023 RRP at the 2022 AGM.

Equity Holdings and Transactions

Executive Management or their related parties directly, indirectly or beneficially held shares in the Qantas Group as detailed in the table below. It also shows each individual's shareholding and corresponding progress against their Minimum Shareholding Guideline at 30 June 2022.

Key Management Personnel — Executives	Interest in Shares 1 July 2021	Awarded as Remuneration	Rights Converted to Shares	Other Changes[1]	Interest in Shares 30 June 2022	Value of Shares[2] $'000	Progress against Minimum Shareholding Guideline[3]
Alan Joyce	**2,990,243**	-	-	-	**2,990,243**	**13,366**	Meets
Andrew David	**166,168**	-	78,750	-	**244,918**	**1,095**	Meets
Gareth Evans	**634,604**	-	83,250	-	**717,854**	**3,209**	Meets
Vanessa Hudson	**85,501**	-	31,000	-	**116,501**	**521**	On track
Olivia Wirth	**31,250**	-	66,750	(98,000)	**-**	**-**	NA[4]

1 Other Changes include shares purchased, sold, forfeited, and on cessation as a KMP.
2 The interest in shares at 30 June 2022 multiplied by the Qantas share price of $4.47 at 30 June 2022.
3 The CEO and Executive Management have a maximum five-year period from the later of the date of their appointment to the respective role or 1 July 2019 to accumulate the value of their shareholding.
4 Ms Wirth is currently unable to comply with the Minimum Shareholding Guideline as her spouse is a Partner at an accounting firm that prohibits the individual (or their immediate family member) owning a financial interest in assurance and audit clients.

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

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			
	RRP Awards	LTIP Awards							
Executives	2022/23 $'000	2020-2022 $'000	2021-2023 $'000	2022-2024 $'000	Total $'000	2023 $'000	2024 $'000	2025 $'000	Total $'000
Alan Joyce[1]	-	157	1,705	2,535	**4,397**	2,788	1,414	195	**4,397**
Andrew David	1,017	38	300	555	**1,910**	1,423	444	43	**1,910**
Gareth Evans	1,079	41	318	587	**2,025**	1,509	471	45	**2,025**
Vanessa Hudson	1,017	32	300	554	**1,903**	1,416	444	43	**1,903**
Olivia Wirth	866	33	255	469	**1,623**	1,210	377	36	**1,623**

1 Shareholder approval will be sought at the 2022 Annual General Meeting for the CEO's RRP award.

Directors' Report continued

For the year ended 30 June 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 2022 was $2.24 million (2021: $2.25 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.

Consistent with the Group-wide wage freeze, Non-Executive Director fees remained unchanged in 2021/22. Non-Executive Directors remuneration for 2021/22 is higher than in prior years, as Non-Executive Directors returned to receiving contracted Board Fees after voluntarily reduced pay for seven months during the last two financial years.

	Board		Committees[1]	
	Chair[2]	Member	Chair	Member
Board Fees	$610,000	$158,000	$63,500	$31,750

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.

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.

A Non-Executive Director Fee Sacrifice Share Acquisition Plan is offered to Non-Executive Directors whereby the Non-Executive Director 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. 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 2022

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration for 2021/22 — Non-Executive Directors

$'000		Short-Term Employee Benefits			Post-Employment Benefits			
		Base Pay[1] (Cash)	Non-Cash Benefits	Sub-Total	Superannuation	Travel	Sub-Total	Total
Richard Goyder	**2022**	**586**	**27**	**613**	**24**	**21**	**45**	**658**
Chair	2021	486	25	511	20	29	49	560
Maxine Brenner	**2022**	**201**	**49**	**250**	**20**	**10**	**30**	**280**
Non-Executive Director	2021	192	8	200	18	11	29	229
Jacqueline Hey	**2022**	**233**	**2**	**235**	**18**	**10**	**28**	**263**
Non-Executive Director	2021	167	-	167	13	11	24	191
Belinda Hutchinson	**2022**	**246**	**15**	**261**	**17**	**10**	**27**	**288**
Non-Executive Director	2021	197	3	200	14	11	25	225
Michael L'Estrange	**2022**	**201**	**16**	**217**	**20**	**10**	**30**	**247**
Non-Executive Director	2021	192	-	192	18	11	29	221
Paul Rayner[2]	**2022**	**82**	**-**	**82**	**8**	**10**	**18**	**100**
Non-Executive Director up to 5 November 2021	2021	223	5	228	18	11	29	257
Todd Sampson	**2022**	**194**	**20**	**214**	**16**	**10**	**26**	**240**
Non-Executive Director	2021	167	4	171	13	11	24	195
Antony Tyler[3]	**2022**	**273**	**1**	**274**	**-**	**10**	**10**	**284**
Non-Executive Director	2021	241	-	241	-	11	11	252
Barbara Ward[2]	**2022**	**92**	**-**	**92**	**8**	**10**	**18**	**110**
Non-Executive Director up to 5 November 2021	2021	249	-	249	22	11	33	282
Total	**2022**	**2,108**	**130**	**2,238**	**131**	**101**	**232**	**2,470**
	2021	2,114	45	2,159	136	117	253	2,412

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 Rayner and Ms Ward retired as Directors on 5 November 2021.
3 Mr Tyler received a travel allowance of $20,000 during 2021/22 (2021: nil). This amount is included in Base Pay (Cash).

Directors' Report continued

For the year ended 30 June 2022

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. It also shows each individual's shareholding and corresponding progress against their Minimum Shareholding Guideline at 30 June 2022.

Key Management Personnel — Non-Executive Directors	Interest in Shares as at 30 June 2021	Conversion of Rights to Ordinary Shares[1]	Other Changes[2]	Ceased as Director	Interest in Shares as at 30 June 2022	Value of Shares[3] $'000	Progress against Minimum Shareholding Guideline[4]
Richard Goyder	**139,433**	36,170	-	-	**175,603**	785	Meets
Maxine Brenner	**39,498**	-	-	-	**39,498**	177	Meets
Jacqueline Hey	**47,603**	14,128	-	-	**61,731**	276	Meets
Belinda Hutchinson	**34,065**	13,134	-	-	**47,199**	211	Meets
Michael L'Estrange	**29,445**	-	4,500	-	**33,945**	152	On track
Paul Rayner[5]	**305,362**	6,336	-	(311,698)	**NA**	-	-
Todd Sampson	**27,538**	6,245	-	-	**33,783**	151	On track
Antony Tyler	**52,000**	-	-	-	**52,000**	232	Meets
Barbara Ward[5]	**54,127**	-	-	(54,127)	**NA**	-	-

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.
3 The interest in shares at 30 June 2022 multiplied by the Qantas share price of $4.47 at 30 June 2022.
4 Non-Executive Directors have a maximum five-year period from the later of date of their appointment to the respective role or 1 July 2019 to accumulate the value of their shareholding.
5 Mr Rayner and Ms Ward retired as Directors on 5 November 2021.

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 2021	Acquired by Fee Sacrifice[1]	Converted to Ordinary Shares[2]	Interest in Rights as at 30 June 2022
Richard Goyder	**18,347**	35,757	(36,170)	**17,934**
Maxine Brenner	**-**	-	-	**-**
Jacqueline Hey	**9,512**	7,712	(14,128)	**3,096**
Belinda Hutchinson	**6,662**	14,851	(13,134)	**8,379**
Michael L'Estrange	**-**	-	-	**-**
Paul Rayner[3]	**6,336**	-	(6,336)	**-**
Todd Sampson	**3,168**	6,173	(6,245)	**3,096**
Antony Tyler	**-**	-	-	**-**
Barbara Ward[3]	**-**	-	-	**-**

1 Number of Rights acquired under the Non-Executive Director Fee Sacrifice Share Acquisition Plan. Rights were acquired on 3 September 2021 applying a fair value of $ 5.1336 per Right. Rights were acquired on 4 March 2022 applying a fair value of $ 5.1019. The Rights acquired 4 March 2022 remained outstanding at 30 June 2022 and converted to restricted Ordinary shares on 26 August 2022.
2 Rights acquired on 5 March 2021 (fair value of $ 4.9871 per Right) converted to restricted Ordinary shares on 27 August 2021 and Rights acquired on 3 September 2021 (fair value of $5.1336 per Right) converted to restricted Ordinary Shares on 28 February 2022.
3 Mr Rayner and Ms Ward retired as Directors on 5 November 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 2022 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 2022

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 the Qantas Group Management System Standard underpins the management of the Qantas Group's environmental exposures and environmental performance, including compliance obligations. The Directors are also satisfied that appropriate monitoring procedures are in place to ensure compliance with the Group Management System Standard. Any significant environmental incidents are reported to the Board through the Safety, Health, Environment and Security Committee.

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 30 to 31 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 2021/22 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 2021/22 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 2021/22 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 2022

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 2022, 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

9 September 2022

Julian McPherson

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

9 September 2022

Alan Joyce

Chief Executive Officer

9 September 2022

Financial Report

For the year ended 30 June 2022

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Consolidated Income Statement

For the year ended 30 June 2022

	Notes	2022 $M	2021 (restated)[1] $M
REVENUE AND OTHER INCOME			
Net passenger revenue		5,951	3,766
Net freight revenue		1,963	1,316
Other revenue and income	4(B)	1,194	852
Revenue and other income		**9,108**	**5,934**
EXPENDITURE			
Manpower and staff-related		3,024	1,970
Aircraft operating variable		2,328	1,555
Fuel		1,848	835
Depreciation and amortisation	5	1,801	1,877
Share of net loss of investments accounted for under the equity method	14	126	129
Impairment of assets and related costs	25	35	270
De-designation and ineffectiveness of fuel and foreign exchange hedges	27(C)	(22)	(33)
Redundancies and related costs		5	297
Net gain on disposal of assets	6	(692)	(26)
Other	7	1,545	1,058
Expenditure		**9,998**	**7,932**
Statutory loss before income tax expense and net finance costs		**(890)**	**(1,998)**
Finance income	8	17	20
Finance costs	8	(318)	(321)
Net finance costs	8	**(301)**	**(301)**
Statutory loss before income tax expense		**(1,191)**	**(2,299)**
Income tax benefit	9	331	607
Statutory loss for the year		**(860)**	**(1,692)**
Attributable to:			
Members of Qantas		(860)	(1,692)
Non-controlling interests		—	—
Statutory loss for the year		**(860)**	**(1,692)**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic statutory Loss Per Share (cents)	3	**(45.6)**	**(89.9)**
Diluted statutory Loss Per Share (cents)	3	**(45.6)**	**(89.9)**

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

[1] The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 39 for further information.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	2022 $M	2021 (restated)[1] $M
Statutory loss for the year	**(860)**	**(1,692)**
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	492	201
Transfer of effective hedging (gains)/losses from hedge reserve to the Consolidated Income Statement, net of tax[2]	(274)	49
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	(20)	15
Recognition of effective cash flow hedges on capitalised assets, net of tax	3	4
Net changes in hedge reserve for time value of options, net of tax	20	42
Foreign currency translation of controlled entities	(18)	10
Foreign currency translation of investments accounted for under the equity method	7	12
Share of other comprehensive (loss)/income of investments accounted for under the equity method	(3)	12
Items that will not subsequently be reclassified to profit or loss		
Defined benefit actuarial gains, net of tax	203	251
Fair value (losses)/gains on investments, net of tax	(22)	29
Other comprehensive income for the year	**388**	**625**
Total comprehensive loss for the year	**(472)**	**(1,067)**
Attributable to:		
Members of Qantas	(472)	(1,067)
Non-controlling interests	–	–
Total comprehensive loss for the year	**(472)**	**(1,067)**

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

1 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 39 for further information.

2 These amounts were allocated to revenue of ($19) million (2021: nil), fuel expenditure of ($372) million (2021: $67 million), foreign exchange gains of nil (2021: $3 million) and income tax expense of $117 million (2021: ($21) million) in the Consolidated Income Statement.

Consolidated Balance Sheet

As at 30 June 2022

	Notes	2022 $M	2021 (restated)[1] $M
CURRENT ASSETS			
Cash and cash equivalents	21(A)	3,343	2,221
Receivables	11	1,102	579
Lease receivables	16(B)	9	5
Other financial assets	27(B), (C)	641	176
Inventories	12	269	279
Assets classified as held for sale	13	1	1
Other	19	268	169
Total current assets		**5,633**	**3,430**
NON-CURRENT ASSETS			
Receivables	11	5	54
Lease receivables	16(B)	45	47
Other financial assets	27(B), (C)	199	185
Investments accounted for under the equity method	14	57	57
Property, plant and equipment	15	10,224	10,787
Right of use assets	16(A)	957	1,109
Intangible assets	17	778	745
Deferred tax assets	18	853	706
Other	19	902	687
Total non-current assets		**14,020**	**14,377**
Total assets		**19,653**	**17,807**
CURRENT LIABILITIES			
Payables		2,474	1,813
Revenue received in advance	20	5,863	3,277
Interest-bearing liabilities	21(B)	669	969
Lease liabilities	16(C)	384	383
Other financial liabilities	27(C)	67	17
Provisions	22	1,101	1,136
Total current liabilities		**10,558**	**7,595**
NON-CURRENT LIABILITIES			
Payables		–	44
Revenue received in advance	20	2,066	2,154
Interest-bearing liabilities	21(B)	5,291	5,861
Lease liabilities	16(C)	888	1,016
Other financial liabilities	27(C)	246	5
Provisions	22	794	689
Total non-current liabilities		**9,285**	**9,769**
Total liabilities		**19,843**	**17,364**
Net assets		**(190)**	**443**
EQUITY			
Issued capital	23(A)	3,186	3,186
Treasury shares	23(B)	(8)	(18)
Reserves		649	432
Accumulated losses		(4,024)	(3,160)
Equity attributable to members of Qantas		**(197)**	**440**
Non-controlling interests		7	3
Total equity		**(190)**	**443**

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

[1] The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 39 for further information.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

30 June 2022 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[1]	Accumulated Losses	Non-controlling Interests	Total Equity
Balance as at 1 July 2021 (restated)[2]	**3,186**	**(18)**	**34**	**176**	**26**	**196**	**(3,160)**	**3**	**443**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR									
Statutory loss for the year	–	–	–	–	–	–	(860)	–	(860)
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	492	–	–	–	–	492
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	(274)	–	–	–	–	(274)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	–	–	–	(20)	–	–	–	–	(20)
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	3	–	–	–	–	3
Net changes in hedge reserve for time value of options, net of tax	–	–	–	20	–	–	–	–	20
Foreign currency translation of controlled entities	–	–	–	–	(18)	–	–	–	(18)
Foreign currency translation of investments accounted for under the equity method	–	–	–	–	7	–	–	–	7
Share of other comprehensive income of investments accounted for under the equity method	–	–	–	(3)	–	–	–	–	(3)
Defined benefit actuarial gains, net of tax	–	–	–	–	–	203	–	–	203
Fair value losses on investments, net of tax	–	–	–	–	–	(22)	–	–	(22)
Transfer of accumulated fair value losses to accumulated losses	–	–	–	–	–	6	(6)	–	–
Total other comprehensive income for the year	**–**	**–**	**–**	**218**	**(11)**	**187**	**(6)**	**–**	**388**
Total comprehensive loss for the year	**–**	**–**	**–**	**218**	**(11)**	**187**	**(866)**	**–**	**(472)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Transactions with owners in their capacity as owners									
Recognition of non-controlling interest from acquisition of subsidiary	–	–	–	–	–	–	–	5	5
Recognition of put option over non-controlling interest	–	–	–	–	–	(224)	–	–	(224)
Dividends paid	–	–	–	–	–	–	–	(1)	(1)
Treasury shares acquired	–	(5)	–	–	–	–	–	–	(5)
Share-based payments	–	–	63	–	–	–	–	–	63
Shares vested and transferred to employees/shares unvested and lapsed	–	15	(16)	–	–	–	2	–	1
Total transactions with owners in their capacity as owners	**–**	**10**	**47**	**–**	**–**	**(224)**	**2**	**4**	**(161)**
Balance as at 30 June 2022	**3,186**	**(8)**	**81**	**394**	**15**	**159**	**(4,024)**	**7**	**(190)**

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

1 Other reserves as at 30 June 2022 includes the defined benefit reserve of $381 million, put option reserve of ($224) million and the fair value reserve of $2 million.

2 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 39 for further information.

Consolidated Statement of Changes in Equity continued

For the year ended 30 June 2022

30 June 2021 (restated)[2] $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[1]	Accumulated Losses	Non-controlling Interests	Total Equity
Balance as at 1 July 2020	**3,104**	**(51)**	**54**	**(147)**	**4**	**(84)**	**(1,466)**	**3**	**1,417**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR									
Statutory loss for the year	–	–	–	–	–	–	(1,692)	–	(1,692)
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 for the year	**–**	**–**	**–**	**323**	**22**	**280**	**(1,692)**	**–**	**(1,067)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Transactions with owners in their capacity as 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 transactions with owners in their capacity as owners	**82**	**33**	**(20)**	**–**	**–**	**–**	**(2)**	**–**	**93**
Balance as at 30 June 2021	**3,186**	**(18)**	**34**	**176**	**26**	**196**	**(3,160)**	**3**	**443**

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

1 Other reserves as at 30 June 2021 includes the defined benefit reserve of $178 million and the fair value reserve of $18 million.

2 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 39 for further information.

Consolidated Cash Flow Statement

For the year ended 30 June 2022

	Notes	2022 $M	2021 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		12,236	7,507
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs) and refunds to customers from receipts in prior periods		(9,278)	(6,726)
Cash payments to employees for redundancies and related costs		(48)	(926)
Interest received		13	15
Interest paid (interest-bearing liabilities)		(186)	(183)
Interest paid (lease liabilities)	16(C)	(66)	(73)
Foreign income taxes paid	9(D)	(1)	–
Net cash inflow/(outflow) from operating activities	**29**	**2,670**	**(386)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		(906)	(747)
Interest paid and capitalised on qualifying assets	8	(15)	(21)
Proceeds from disposal of property, plant and equipment, net of costs		801	94
Payments for investments accounted for under the equity method		(66)	(48)
Payments for acquisition of subsidiary, net of cash acquired	35	(54)	–
Net cash outflow from investing activities		**(240)**	**(722)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital raising, net of costs		–	58
Payments for treasury shares		(2)	–
Proceeds from interest-bearing liabilities, net of costs	21(D)	491	937
Repayments of interest-bearing liabilities	21(D)	(1,441)	(759)
Repayments of lease liabilities	16(C)	(363)	(420)
Proceeds from lease receivables		6	3
Dividends paid to non-controlling interests		(1)	–
Net cash outflow from financing activities		**(1,310)**	**(181)**
Net increase/(decrease) in cash and cash equivalents held		**1,120**	**(1,289)**
Cash and cash equivalents at the beginning of the year		2,221	3,520
Effects of exchange rate changes on cash and cash equivalents		2	(10)
Cash and cash equivalents at the end of the year	**21(A)**	**3,343**	**2,221**

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

Notes to the Financial Statements

For the year ended 30 June 2022

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 2022 comprise Qantas and its controlled entities (together referred to as the Qantas Group or the Group) and the Qantas Group's interest in investments accounted for under the equity method.

Qantas has eight subsidiaries that are material to the Qantas Group in 2022 (2021: six). 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 2022 were authorised for issue in accordance with a resolution of the Directors on 9 September 2022.

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 the International Financial Reporting Interpretations Committee (IFRIC) Interpretations adopted by the International Accounting Standards Board (IASB).

ii. Basis of Preparation

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. The Consolidated Financial Statements are presented in Australian dollars, which is the functional currency of the Qantas Group, and have been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values in 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 the fair value of plan assets less the present value of the defined benefit obligation.

Qantas is a company of the kind referred to in Australian Securities and Investments Commission (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.

(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 exercise of judgement 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. In preparing this Report, judgements made by Management in the application of Australian Accounting Standards 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 38(D) – Summary of Significant Accounting Policies (Revenue Recognition)
- Note 38(M) – Summary of Significant Accounting Policies (Provisions).

Impact of climate change on financial reporting

The Group recognises that human-induced climate change is a significant issue for the aviation industry and is committed to reducing emissions in line with the Paris Climate Agreement to limit warming to well below two degrees Celsius above pre-industrial levels.

In 2019, the Group announced its commitment to achieving net zero emissions by 2050 and capping net emissions at 2019 levels. In March 2022, the Group announced new greenhouse gas emission targets as part of the Climate Action Plan (CAP), including:

- 25 per cent reduction in net emissions from 2019 levels by 2030
- 10 per cent Sustainable Aviation Fuel (SAF) in fuel mix by 2030
- Average of 1.5 per cent fuel efficiency improvements to 2030.

The Qantas Group's long-term strategy acknowledges the potential impact of climate change and resource constraints on the business. Climate-related risks and opportunities are also addressed in the Qantas Group's CAP launched in March 2022.

Notes to the Financial Statements continued

For the year ended 30 June 2022

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(B) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Three pillars support the achievement of the Group's interim targets as detailed in the CAP:

- Operational and fleet efficiency: Embracing new, low emission technology as it becomes available. Continuing to reduce fuel burn, including smarter flight planning. Reducing single-use plastic and waste to landfill
- Sustainable Aviation Fuels (SAF): Working with governments, industry and businesses to develop a SAF industry in Australia. This relies on creating SAF from crops or waste materials that can power our existing fleet and reduce emissions by up to 80 per cent, as well as advancing new power-to-liquid technology
- Carbon offsets: Offsetting emissions by investing in high-quality, high-integrity Australian and international projects with community co-benefits, including those led by Traditional Owners.

The Group's Financial Plan incorporates estimates of known future impacts on the Group of meeting the interim targets as detailed in the CAP, including the financial impact within cash flow projections of the increased cost of carbon offsetting and SAF (together with estimated recovery through revenue) and capital expenditure to introduce more fuel-efficient aircraft.

In preparing the Consolidated Financial Statements, the medium and long-term cash flow impacts of meeting the interim targets in the CAP have been considered in key estimates, including:

- The estimates of future cash flows used in impairment assessments of the Group's Cash Generating Units (CGUs)
- The estimates of future profitability used to assess the recoverability of deferred tax assets, particularly relating to carried forward tax losses
- The assessment of the useful lives of aircraft identified in the Group fleet plan to be retired as part of the introduction of more fuel-efficient aircraft.

(C) IMPACT OF COVID-19 ON FINANCIAL REPORTING

The impact of COVID-19 on the Qantas Group has been unprecedented and continues to evolve as recovery progresses domestically and internationally. The section below outlines key areas of impact relevant to the Consolidated Financial Statements for the year ended 30 June 2022. Additional information on how the Group has been impacted by COVID-19 and its ongoing response is provided in the Review of Operations.

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 through travel restrictions, border closures and imposing localised or state-wide lockdowns continued to severely impact airlines across the 2021/22 financial year. These travel restrictions, and the resulting decrease in demand, resulted in significant capacity reductions domestically and internationally. Throughout the year, particularly due to the impact of the Delta and Omicron variants of the COVID-19 virus, the Group continued to take decisive action to mitigate the impact of COVID-19, including reductions in flight capacity (domestic and international), workforce stand downs, operational cost-out measures and capital expenditure deferrals. As travel restrictions were progressively lifted and borders were re-opened, the Group moved swiftly to increase flight capacity and stand up the workforce to meet the rapid recovery in domestic demand and the progressive recovery of international demand.

Governments worldwide announced relief packages to support affected businesses, including the aviation industry, to mitigate the impact of COVID-19. The International Aviation Support (IAS) program was introduced to maintain a core Australian international aviation capability and ensure Australian airlines could quickly recommence commercial international flights as international restrictions were lifted. This program also included employee support payments made directly to employees through the International Readiness Payment (IRP). The Retaining Domestic Airlines Capacity (RDAC) program was introduced to assist airlines maintain core domestic aviation capabilities through the retention of essential aviation section skills and knowledge to ensure airlines could quickly increase capacity as border restrictions eased. This program also included employee support payments made directly to employees through the Domestic Retention Payment (DRP) for those who were not eligible for the Commonwealth Disaster Payment to maintain an agreed level of domestic capacity. With travel restrictions lifting, borders re-opening and the workforce being stood up, the IAS, IRP, RDAC and DRP ceased during the 2021/22 financial year.

In addition, the Australian Government commissioned Qantas to conduct various charter repatriation flights and, 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) 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 remained open.

Notes to the Financial Statements continued

For the year ended 30 June 2022

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)

Recovery Plan

COVID-19 represents the biggest challenge ever faced by global aviation and the Group's response to the pandemic is scaled accordingly. In June 2020, the Group announced a three-year plan to accelerate 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 was 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 as the Group responds to the evolving and ongoing impacts of COVID-19 (Recovery Plan).

Key actions during the financial year 2021/22:

- Delivered $920 million in structural cost benefits to date. On track for $1 billion in annual cost improvements from financial year 2022/23 with all initiatives now commenced and greater than 90 per cent completed
- Restart of domestic and international operations well underway, supported by the return of all stood down Australian-based employees in December 2021
- Generated positive Statutory Net Free Cash Flow delivering debt reduction. Cash flow generation driven by domestic recovery, significant Qantas Loyalty cash flow contribution, record Freight performance and proceeds from Mascot land sale
- Net Debt reduced to $3.94 billion at June 2022, below target Net Debt range of $4.2 billion to $5.2 billion
- Maintained strong liquidity and retained Baa2 investment grade credit rating.

Looking into financial year 2022/23 priorities include:

- Operational performance has been challenged in recovery and plans are in place to restore operational performance to pre-COVID levels
- Deliver the targeted $1 billion in annual cost improvements
- Continued focus on customer experience with investment in digital, aircraft, lounges and Loyalty program rewards
- Rewarding employees with a range of measures for their contribution to the Group's recovery.

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.[1] 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 throughout 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 2021/22 financial year, the Group raised $491 million of additional debt and repaid $1,441 million of debt, including the repayment of a $300 million bond in May 2022 and a prepayment of $450 million of Corporate Secured Debt program in June 2022.

The Group extended the maturity of its committed undrawn facilities and as at 30 June 2022, the Group's available liquidity is $4.6 billion, including $3.3 billion of cash and cash equivalents and $1.3 billion of undrawn facilities.

As at 30 June 2022, Net Debt (as measured by the Group's Financial Framework) is $3.94 billion, with no financial covenants.

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

[1] Net Debt includes on 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 2022

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

ii. Capital Structure and Liquidity (continued)

Net asset position of the Group at 30 June 2022

The Group's net asset position of ($190) million at 30 June 2022 (2021: $443 million) is a direct result of the losses incurred since the outbreak of COVID-19. The Group incurred significant statutory losses after tax in the second half of financial year 2019/20, and in financial years 2020/21 and 2021/22 of ($2,409) million, $(1,692) million and $(860) million respectively. The negative net asset position does not impact the Group's ability to continue as a going concern or pay its debts as and when they become due and payable.

At 30 June 2022, the Group's Net Debt of $3.94 billion (below the target Net Debt range of $4.2 billion to $5.2 billion) was significantly reduced from $5.89 billion at 30 June 2021 due to the Net Free Cash Flow of $2.4 billion generated during financial year 2021/22. The Group has available liquidity of $4.6 billion, including $3.3 billion of cash and cash equivalents and a $1.3 billion undrawn facility.

iii. Impact on Accounting Judgements and Estimates

The Group's Financial Plan (including the completion of the Three-Year Recovery Plan in response to COVID-19) has influenced certain accounting judgements and estimates, impacting the Annual Report for the year ended 30 June 2022.

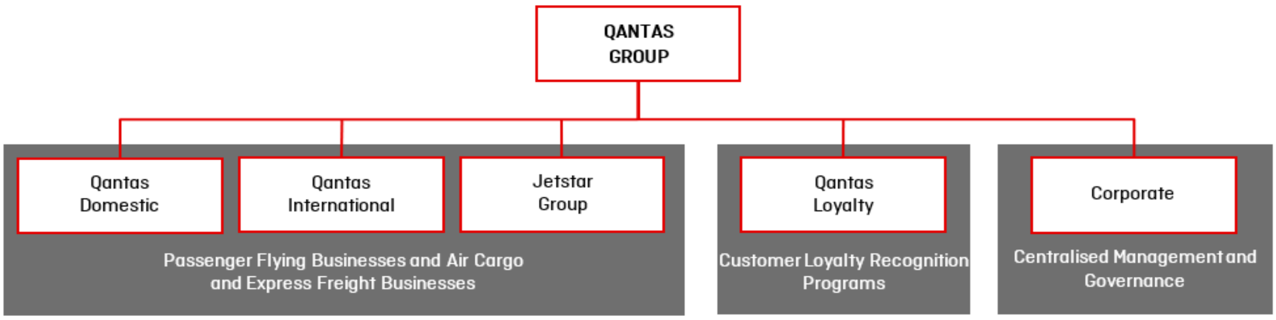
The Financial Plan (including the completion of the Three-Year Recovery Plan) influenced key judgements and estimates within the following areas of the Financial Report:

Area of Annual Report	Impact on Judgements and Estimates
Impairment testing	The Financial Plan informed cash flows used in the determination of the recoverable amount of cash generating units using the value in use method. Refer to Note 25 for further details on impairment testing.
Fleet strategy	The Financial 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).
Provision for redundancies	Decisions and actions to implement the Financial Plan have informed the recognition of redundancy provisions as at 30 June 2022. 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 Financial 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 Financial Plan, informed assumptions around customer and member behaviour and customer engagement strategies which impacted assumptions around breakage.
Income tax	The Financial 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:



Notes to the Financial Statements continued

For the year ended 30 June 2022

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

(A) OPERATING SEGMENTS (CONTINUED)

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 Note 2(B)) but excluding the impact of net finance costs.

ii. Analysis by Operating Segment

2022 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	3,127	3,615	1,388	1,284	10	(316)	9,108
Inter-segment revenue and other income	321	91	52	50	–	(514)	–
Total segment revenue and other income	**3,448**	**3,706**	**1,440**	**1,334**	**10**	**(830)**	**9,108**
Share of net loss of investments accounted for under the equity method	(1)	(1)	(124)	–	–	–	(126)
Underlying EBITDA[2]	**(27)**	**448**	**(448)**	**351**	**(121)**	**78**	**281**
Depreciation and amortisation	(700)	(686)	(348)	(59)	(8)	–	(1,801)
Impairment[3]	(38)	–	–	–	–	–	(38)
Underlying EBIT	**(765)**	**(238)**	**(796)**	**292**	**(129)**	**78**	**(1,558)**
Net finance costs					(301)		(301)
Underlying PBT					**(430)**		**(1,859)**
ROIC %[4]							**(31.6%)**

2021 (restated)[5]	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[3]	(731)	(663)	(409)	(56)	(11)	–	(1,870)
Impairment[3]	(3)	(2)	(3)	(5)	–	–	(13)
Underlying EBIT	**(575)**	**(548)**	**(541)**	**272**	**(98)**	**17**	**(1,473)**
Net finance costs					(301)		(301)
Underlying PBT					**(399)**		**(1,774)**
ROIC %[4]							**(21.4%)**

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. For the year ended 30 June 2022, Unallocated/Eliminations also includes the recognition of the Recovery Boost bonus for EBA-covered employees announced in June 2022 and the Recovery Retention bonuses announced in February 2022, expensed in accordance with relevant Accounting Standards.
2 Underlying EBITDA represents underlying earnings before income tax expense, depreciation, amortisation, net finance costs and impairment. Refer to Note 2(B).
3 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.
4 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).
5 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 39 for further information.

Notes to the Financial Statements continued

For the year ended 30 June 2022

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

(A) OPERATING SEGMENTS (CONTINUED)

ii. 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 financial year 2021/22 as recognised within Underlying PBT is down $8.9 billion compared to the financial year 2018/19 (pre-COVID), 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 reducing flight capacity domestically and internationally (with associated reductions in fuel and other variable costs), workforce stand downs and operational cost reduction measures, has also been recognised in Underlying PBT. Government support to mitigate the impact of COVID-19 from travel restrictions and border closures, including the IAS, RDAC, RANS, DANS, TANS, government repatriation flights and IFAM payments, together with costs to operate or payments to employees, is 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/transformation 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 resulted in items not included in Underlying PBT, including asset impairments, and Recovery Plan restructuring costs, including redundancies and de-designated hedging due to a significant decrease in flying activity. De-designations or ineffectiveness relating to hedging which were designated subsequent to the impact of COVID-19 are considered to have occurred within the ordinary course of business and is recognised within Underlying PBT.

RECONCILIATION OF UNDERLYING PBT TO STATUTORY LOSS BEFORE TAX	2022 $M	2021 (restated) $M
Underlying PBT	**(1,859)**	**(1,774)**
Items not included in Underlying PBT		
– Recovery Plan restructuring costs	(21)	(319)
– Reversal of impairment/(Impairment) of assets and related costs	3	(257)
– De-designation of pre-COVID fuel and foreign exchange hedges	–	33
– Net gain on Mascot land and buildings	686	–
– Net gain on disposal of assets	–	18
Total items not included in Underlying PBT	**668**	**(525)**
Statutory Loss Before Income Tax Expense	**(1,191)**	**(2,299)**

In the 2021/22 financial year, the items outside of Underlying PBT included:

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$21 million primarily relates to $14 million of restructuring costs resulting from fleet and people restructuring as a result of the Recovery Plan and $7 million acquisition and launch costs for new businesses.
Reversal of impairment of assets and related costs	$3 million of reversal of impairment relates to $1 million net reversal of impairment relating to the Group's investment in Helloworld and $2 million other impairment reversals.
Net gain on disposal of assets	The net gain on disposal of assets of $686 million arose from the sale of land in Mascot, Sydney that was not core to the Group's long-term strategy.

Notes to the Financial Statements continued

For the year ended 30 June 2022

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 2020/21 financial year included the following items:

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 its 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.

(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 year to exclude leased aircraft depreciation under AASB 16 *Leases* (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.

	2022 $M	2021 (restated) $M
ROIC EBIT		
Underlying EBIT	(1,558)	(1,473)
Add back: Lease depreciation under AASB 16	336	373
Less: Notional depreciation[1]	(118)	(105)
Less: Cash expenses for non-aircraft leases	(219)	(199)
ROIC EBIT	**(1,559)**	**(1,404)**
Average Invested Capital for the year ended 30 June	**4,928**	**6,553**
ROIC %[2]	**(31.6%)**	**(21.4%)**

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.

Notes to the Financial Statements continued

For the year ended 30 June 2022

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

(C) RETURN ON INVESTED CAPITAL (CONTINUED)

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	2022 $M	2021 (restated) $M
Receivables (current and non-current)	1,107	633
Inventories	269	279
Other assets (current and non-current)	1,170	856
Investments accounted for under the equity method	57	57
Property, plant and equipment	10,224	10,787
Intangible assets	778	745
Assets classified as held for sale	1	1
Payables (current and non-current)	(2,474)	(1,857)
Provisions (current and non-current)	(1,895)	(1,825)
Revenue received in advance (current and non-current)	(7,929)	(5,431)
Capitalised aircraft leased assets[1]	1,892	1,751
Invested Capital as at 30 June	**3,200**	**5,996**
Average Invested Capital for the year ended 30 June	**4,928**	**6,553**

1 For calculating ROIC, all statutory aircraft leases balances and provisions related to leased aircraft are adjusted to represent the capitalised value of leased aircraft, as if they were owned. 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 known as notional depreciation. The carrying value of leased aircraft (AUD market value less accumulated notional depreciation) and an adjustment to exclude aircraft lease return provisions is reported within Invested Capital as capitalised leased aircraft.

iii. ROIC %

	2022 %	2021 (restated) %
ROIC %[1]	**(31.6)**	**(21.4)**

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

iv. ROIC (Statutory EBIT) %

	2022 %	2021 (restated) %
ROIC (Statutory EBIT) %[1]	**(18.1)**	**(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

	2022 cents	2021 (restated) cents
Underlying Loss Per Share[1]	**(71.2)**	**(69.4)**

1 Underlying Earnings Per Share is calculated as Underlying Loss Before Tax less tax benefit based on the Group's effective tax rate of (27.8 per cent) (2021:(26.4 per cent)) divided by the weighted average number of shares outstanding during the year, excluding unallocated treasury shares.

Notes to the Financial Statements continued

For the year ended 30 June 2022

3 EARNINGS PER SHARE

	2022 cents	2021 (restated) cents
Basic loss per share[1]	**(45.6)**	**(89.9)**
Diluted loss per share[2]	**(45.6)**	**(89.9)**

1 Weighted average number of shares used in basic Earnings Per Share calculation of 1,886 million (2021: 1,882 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 financial years ended 30 June 2022 and 30 June 2021 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 1,886 million (2021: 1,882 million) excludes unallocated treasury shares.

	2022 $M	2021 (restated) $M
Statutory loss attributable to members of Qantas	**(860)**	**(1,692)**

NUMBER OF SHARES	2022 Number M	2021 Number M
Issued shares as at 1 July	1,886	1,864
Capital raising	–	22
Issued shares as at 30 June	**1,886**	**1,886**
Weighted average number of shares for the year	**1,886**	**1,883**

4 REVENUE AND OTHER INCOME

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREA

	2022 $M	2021 $M
Net passenger and freight revenue		
Australia	6,026	4,214
Overseas	1,888	868
Total net passenger and freight revenue	**7,914**	**5,082**
Other revenue and income	1,194	852
Total revenue and other income	**9,108**	**5,934**

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.

(B) OTHER REVENUE AND INCOME

	2022 $M	2021 $M
Frequent Flyer marketing revenue and other Qantas Loyalty businesses	537	431
Qantas Rewards Store and other redemption revenue[1,2]	64	81
Third-party services revenue	185	128
Other income	408	212
Total other revenue and income	**1,194**	**852**

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	2022 $M	2021 (restated) $M
Property, plant and equipment	15	1,345	1,356
Right of use assets	16(A)	336	373
Intangible assets	17	120	148
Total depreciation and amortisation		**1,801**	**1,877**

Notes to the Financial Statements continued

For the year ended 30 June 2022

6 NET GAIN ON DISPOSAL OF ASSETS

	2022 $M	2021 $M
Net gain on disposal of property, plant and equipment[1]	(692)	(26)
Total net gain on disposal of assets	**(692)**	**(26)**

1 Net gain on disposal of property, plant and equipment includes $686 million relating to the net gain on sale of Mascot land and buildings.

7 OTHER EXPENDITURE

	2022 $M	2021 $M
Commissions and other selling costs	263	166
Computer and communication	452	320
Capacity hire (excluding lease components)	194	139
Property occupancy and utility expenses	120	121
Marketing and advertising	99	70
Discretionary bonuses to non-executive employees	124	–
Discount rate changes impact on provisions	(194)	(4)
Other	487	246
Total other expenditure	**1,545**	**1,058**

8 NET FINANCE COSTS

	Note	2022 $M	2021 $M
FINANCE INCOME			
Interest income on financial assets measured at amortised cost		13	15
Unwind of discount on receivables		4	5
Total finance income		**17**	**20**
FINANCE COSTS			
Interest expense on financial liabilities measured at amortised cost		(232)	(240)
Interest expense on leases	16(C)	(73)	(75)
Interest paid and capitalised on qualifying assets[1]		15	21
Total finance costs on financial liabilities		**(290)**	**(294)**
Unwind of discount on provisions and other liabilities			
Employee benefits		(9)	(4)
Other liabilities and provisions		(19)	(23)
Total unwind of discount on other liabilities and provisions		**(28)**	**(27)**
Total finance costs		**(318)**	**(321)**
Net finance costs		**(301)**	**(301)**

1 The borrowing costs are capitalised using a 3.4 per cent interest rate (2021: 3.8 per cent).

Notes to the Financial Statements continued

For the year ended 30 June 2022

9 INCOME TAX BENEFIT

(A) INCOME TAX RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

	2022 $M	2021 (restated) $M
Current income tax expense		
Current income tax – Australia	–	–
Current income tax – foreign	–	(1)
Total current income tax expense	**–**	**(1)**
Deferred income tax benefit		
Origination and reversal of temporary differences	111	(65)
Benefit of tax losses	222	671
Current year deferred income tax benefit	**333**	**606**
Adjustments for the prior year	(2)	2
Total deferred income tax benefit	**331**	**608**
Total income tax benefit in the Consolidated Income Statement	**331**	**607**

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

	2022 $M	2021 (restated) $M
Statutory loss before income tax benefit	**(1,191)**	**(2,299)**
Income tax benefit using the domestic corporate tax rate of 30 per cent	357	690
Adjusted for:		
Differences in loss from investments accounted for under the equity method	(37)	(38)
Losses for foreign branches not recognised	(16)	(9)
Losses for controlled entities not recognised	(13)	(38)
Non-assessable gain on property, plant and equipment	43	1
Other net non-assessable items	(5)	(1)
Over provision from prior periods	2	2
Income tax benefit	**331**	**607**

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

	2022 $M	2021 $M
Income tax on:		
Cash flow hedges	(95)	(133)
Defined benefit actuarial gains	(87)	(108)
Fair value losses/(gains) on investments	9	(15)
Income tax expense recognised directly in the Consolidated Statement of Comprehensive Income	**(173)**	**(256)**

Notes to the Financial Statements continued

For the year ended 30 June 2022

9 INCOME TAX BENEFIT (CONTINUED)

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

	2022 $M	2021 (restated) $M
Income tax benefit	**331**	**607**
Adjusted for temporary differences:		
Receivables	(13)	69
Inventories	1	(1)
Investments accounted for under the equity method	(1)	(1)
Property, plant and equipment and intangible assets	(35)	87
Right of use assets	(51)	(66)
Payables	12	11
Revenue received in advance	(28)	(78)
Interest-bearing liabilities	(12)	4
Lease liabilities	38	123
Other financial assets/(liabilities)	18	(16)
Provisions	(12)	78
Other items	(28)	(145)
Temporary differences	**(111)**	**65**
Adjustments for the prior year	2	(2)
Value of recognised tax losses	**222**	**670**
Tax losses recognised (Australian)[1]	(222)	(671)
Income tax receivable/(payable)[2]	**–**	**(1)**

1 A deferred tax asset of $222 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 2022, the Group did not declare or pay any dividends. No dividend will be paid in relation to the year ended 30 June 2022.

(B) OTHER SHAREHOLDER DISTRIBUTIONS

In August 2022, the Directors announced an on-market buy-back of up to $400 million.

(C) FRANKING ACCOUNT

	2022 $M	2021 $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 2022

11 RECEIVABLES

	2022 $M			2021 $M		
	Current	Non-Current	Total	Current	Non-Current	Total
Trade receivables	989	–	989	489	–	489
Less: provision for impairment losses	(1)	–	(1)	(6)	–	(6)
Total trade receivables	**988**	**–**	**988**	**483**	**–**	**483**
Sundry receivables	114	5	119	96	54	150
Total receivables	**1,102**	**5**	**1,107**	**579**	**54**	**633**

	2022 $M	2021 $M
The ageing of trade receivables, net of provision for expected credit losses at 30 June was:[1]		
Not past due	837	386
Past due 1-30 days	84	75
Past due 31-120 days	67	16
Past due 121 days or more	–	6
Total trade receivables	**988**	**483**

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 38(G) for the Group's accounting policy.

12 INVENTORIES

	2022 $M	2021 $M
Engineering expendables	227	243
Consumables stores	41	36
Work in progress	1	–
Total inventories	**269**	**279**

13 ASSETS CLASSIFIED AS HELD FOR SALE

2022 $M	Opening Net Book Value	Transferred from Property, Plant and Equipment	Disposals	Reversal of Impairment/ (Impairment)	Closing Net Book Value
Aircraft and engines	1	–	(1)	1	1
Total assets classified as held for sale	**1**	**–**	**(1)**	**1**	**1**

2021 $M	Opening Net Book Value	Transferred from Property, Plant and Equipment	Disposals	Reversal of Impairment/ (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**

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 38(C) for a definition of the fair value hierarchy.

Notes to the Financial Statements continued

For the year ended 30 June 2022

14 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

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

	June 2022 %	June 2021 %
Fiji Resorts Pte 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	12	12
Jetstar Japan Co. Ltd.	33	33
Pacific Airlines Aviation Joint Stock Company[2]	—	30
PT Holidays Tours & Travel	37	37

1 Based on voting rights.
2 Jetstar Pacific Airline Aviation Joint Stock Company has been renamed Pacific Airlines Joint Stock Company. The Group has discontinued equity accounting for its interest and the investment was recognised as Held for Sale until its disposal during the 2021/22 financial year.

	Notes	2022 $M	2021 $M
Balance as at 1 July		**57**	**59**
Cash additions		66	48
Non-cash additions		17	18
Dividends received		—	—
Share of net loss		(126)	(129)
Share of reserves and other movements		5	14
Transfer to provisions	22	37	48
Reversal of impairment/(impairment)[1]	25(C)	1	(1)
Balance as at 30 June		**57**	**57**

1 The Group recognised a reversal of impairment of $1 million (2021: ($1) million impairment) in relation to its investment in Helloworld Travel Ltd. (ASX: HLO). The reversal of impairment recognised was determined with reference to the closing share price as at 30 June 2022.

Notes to the Financial Statements continued

For the year ended 30 June 2022

15 PROPERTY, PLANT AND EQUIPMENT

	2022 $M			2021 $M		
	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Freehold land	9	–	9	49	–	49
Buildings	231	(188)	43	287	(218)	69
Leasehold improvements	1,067	(896)	171	1,112	(910)	202
Plant and equipment	1,251	(982)	269	1,327	(1,035)	292
Aircraft and engines	21,248	(13,282)	7,966	21,705	(12,971)	8,734
Aircraft spare parts	952	(505)	447	891	(458)	433
Aircraft deposits	1,319	–	1,319	1,008	–	1,008
Total property, plant and equipment	**26,077**	**(15,853)**	**10,224**	**26,379**	**(15,592)**	**10,787**

2022 $M	Opening Net Book Value	Cash Additions[1]	Acquisition of Controlled Entities	Disposals	Transfers[2]	Transferred (to)/from Assets Classified as Held for Sale	Depreciation	Impairment	Other[3]	Closing Net Book Value
Freehold land	49	–	2	(41)	–	–	–	–	(1)	9
Buildings	69	–	3	(26)	–	–	(3)	–	–	43
Leasehold improvements	202	20	2	(4)	(9)	–	(33)	–	(7)	171
Plant and equipment	292	31	–	(6)	7	–	(53)	–	(2)	269
Aircraft and engines	8,734	507	–	–	1	–	(1,212)	(35)	(29)	7,966
Aircraft spare parts	433	65	–	(1)	23	–	(44)	(3)	(26)	447
Aircraft deposits	1,008	288	–	–	(5)	–	–	–	28	1,319
Total property, plant and equipment	**10,787**	**911**	**7**	**(78)**	**17**	**–**	**(1,345)**	**(38)**	**(37)**	**10,224**

2021 $M	Opening Net Book Value	Cash Additions[1]	Acquisition of Controlled Entities	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**

1 Additions includes capitalised interest of $15 million (2021: $17 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 (2022: ($4) million, 2021: $46 million).

(A) AIRCRAFT BY GEOGRAPHIC AREA

Aircraft supporting the Group's global operations are primarily located in Australia, with the exception four A380 aircraft which are currently in storage overseas awaiting maintenance ahead of return to service.

(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 $4,653 million (2021: $5,980 million).

Notes to the Financial Statements continued

For the year ended 30 June 2022

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(C) CAPITAL EXPENDITURE COMMITMENTS

The Group's capital expenditure commitments as at 30 June 2022 are $15,774 million (2021: $8,114 million). The Group has certain rights within its aircraft purchase contracts which can defer capital expenditure commitments. In May 2022, the Group announced several major fleet decisions that will reshape its international and domestic networks through 'Project Sunrise' (12 Airbus A350-1000s) and 'Project Winton' (20 Airbus A321XLRs and 20 Airbus A220-300s).

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 2022 closing exchange rate of $0.69 (2021: $0.75).

16 LEASES

(A) RIGHT OF USE ASSETS

	2022 $M			2021 $M		
	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Aircraft	2,634	(2,279)	355	2,581	(2,175)	406
Property	1,636	(1,071)	565	1,583	(951)	632
Other	241	(204)	37	284	(213)	71
Total right of use assets	**4,511**	**(3,554)**	**957**	**4,448**	**(3,339)**	**1,109**

2022 $M	Opening Net Book value	Additions/ Modification/ Remeasurements	Transfers[1]	Depreciation	Other[2]	Closing Net Book value
Aircraft	406	88	—	(147)	8	355
Property	632	73	(3)	(137)	—	565
Other	71	41	(3)	(52)	(20)	37
Total right of use assets	**1,109**	**202**	**(6)**	**(336)**	**(12)**	**957**

2021 $M	Opening Net Book value	Additions/ Modification/ 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**

1 Transfers includes transfers from/(to) lease receivables where the Group is a sub-lessor.
2 Other movements include early terminations of ($21 million) (2021: ($37 million)), impairment of aircraft right of use assets recognised within the Jetstar Asia CGU of nil (2021:($20 million)), foreign exchange movements and changes in the measurement of make good assets.

(B) LEASE RECEIVABLES

	2022 $M			2021 $M		
	Current	Non-Current	Total	Current	Non-Current	Total
Finance lease receivable[1]	9	45	54	5	47	52
Total	**9**	**45**	**54**	**5**	**47**	**52**

1 The Group has subleased property, plant and equipment and aircraft and classified the subleases as finance leases. 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 (2021: $2 million).

(C) LEASE LIABILITIES

	2022 $M			2021 $M		
	Current	Non-Current	Total	Current	Non-Current	Total
Aircraft	197	178	375	175	296	471
Property	163	674	837	154	679	833
Other	24	36	60	54	41	95
Total lease liabilities	**384**	**888**	**1,272**	**383**	**1,016**	**1,399**

Notes to the Financial Statements continued

For the year ended 30 June 2022

16 LEASES (CONTINUED)

(C) LEASE LIABILITIES (CONTINUED)

2022 $M	Opening Balance	Additions/ Modification/ Remeasurements	Lease Repayments[1]	Interest	Foreign Exchange	Other[2]	Closing Balance
Aircraft	471	53	(196)	16	31	–	375
Property	833	118	(171)	54	4	(1)	837
Other	95	41	(62)	3	4	(21)	60
Total lease liabilities	**1,399**	**212**	**(429)**	**73**	**39**	**(22)**	**1,272**

2021 $M	Opening Balance	Additions/ Modification/ 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**

1 Lease repayments of $429 million includes $363 million principal repayments and $66 million interest repayments. The lease repayments in financial year 2021/22 include deferred lease repayments of $7 million from financial year 2020/21 (2021: Lease repayments of $493 million includes $420 million principal repayments and $73 million interest repayments. The lease repayments include deferred lease repayments of $49 million from financial year2019/2020).
2 Other movements include rental waivers of $1 million (2021: $31 million) and early terminations of $22 million (2021: $39 million).

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

	2022 $M	2021 $M
Lease expense for short-term leases	1	–
Variable lease expenses not included in lease liabilities[1]	23	2
Rental waivers	1	31

1 Recognised in other expenditure.

(E) SALE AND LEASEBACK

The Mascot land sale transaction included the leaseback of certain areas of land and buildings for between two to ten years with options. The net gain on sale of $686 million arising from the sale is net of the difference between the right of use asset and lease liability recognised to account for the portion of the asset that is retained by the Group. The Group recognised investing cash inflows of $789 million from the transaction during the 2021/22 financial year.

17 INTANGIBLE ASSETS

	2022 $M			2021 (restated) $M		
	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Goodwill	270	–	270	166	–	166
Airport landing slots	35	–	35	35	–	35
Software	1,523	(1,260)	263	1,521	(1,145)	376
Brand names and trademarks	41	(1)	40	1	–	1
Customer contracts/relationships	11	(4)	7	4	(4)	–
Contract intangible assets	171	(8)	163	171	(4)	167
Total intangible assets	**2,051**	**(1,273)**	**778**	**1,898**	**(1,153)**	**745**

2022 $M	Opening Net Book Value	Cash Additions	Acquisition of Controlled Entities[1]	Transfers	Amortisation	Impairment	Other	Closing Net Book Value
Goodwill	166	–	104	–	–	–	–	270
Airport landing slots	35	–	–	–	–	–	–	35
Software	376	–	2	–	(115)	–	–	263
Brand names and trademarks	1	–	40	–	(1)	–	–	40
Customer contracts/relationships	–	–	7	–	–	–	–	7
Contract intangible assets	167	–	–	–	(4)	–	–	163
Total intangible assets	**745**	**–**	**153**	**–**	**(120)**	**–**	**–**	**778**

1 The fair value of the assets acquired have been measured provisionally pending completion of an independent valuation, refer to Note 35.

Notes to the Financial Statements continued

For the year ended 30 June 2022

17 INTANGIBLE ASSETS (CONTINUED)

2021 (restated) $M	Opening Net Book Value	Cash Additions[1]	Acquisition of Controlled Entities	Transfers[2]	Amortisation	Impairment	Other	Closing Net Book Value
Goodwill	162	–	4	–	–	–	–	166
Airport landing slots	35	–	–	–	–	–	–	35
Software	529	14	–	1	(144)	(22)	(2)	376
Brand names and trademarks	1	–	–	–	–	–	–	1
Customer contracts/relationships	–	–	–	–	–	–	–	–
Contract intangible assets	167	3	–	–	(4)	–	1	167
Total intangible assets	**894**	**17**	**4**	**1**	**(148)**	**(22)**	**(1)**	**745**

1 Financial year 2020/21 additions include capitalised interest of $4 million.
2 Transfers includes those between categories of intangible assets and transfers from/(to) other balance sheet accounts.

18 DEFERRED TAX ASSETS

	2022 $M	2021 (restated) $M
Deferred tax assets	**853**	**706**

(A) RECONCILIATION OF DEFERRED TAX ASSETS

2022 $M	Opening Balance (restated)	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Other	Closing Balance
Receivables	(127)	13	–	–	(114)
Inventories	(12)	(1)	–	–	(13)
Investments accounted for under the equity method	(2)	1	–	–	(1)
Property, plant and equipment and intangible assets	(1,356)	35	–	(12)[1]	(1,333)
Right of use assets	(356)	51	–	–	(305)
Payables	23	(12)	–	–	11
Revenue received in advance	943	28	–	–	971
Interest-bearing liabilities	(131)	12	–	–	(119)
Lease liabilities	419	(38)	–	–	381
Other financial assets/(liabilities)	(173)	(18)	(86)	–	(277)
Provisions	548	12	–		560
Other items	37	28	(87)	(1)	(23)
Tax value of prepaid tax instalments	136	–	–	–	136
Tax value of recognised tax losses	757	222	–	–	979
Total deferred tax assets	**706**	**333**	**(173)**	**(13)**	**853**

1 A deferred tax liability of ($12) million referable to the acquisition of TAD Holdco Pty Limited and its subsidiaries (TripADeal).

Notes to the Financial Statements continued

For the year ended 30 June 2022

18 DEFERRED TAX ASSETS (CONTINUED)

(A) RECONCILIATION OF DEFERRED TAX ASSETS (CONTINUED)

2021 $M	Opening Balance (restated)	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)	1	–	–	(2)
Property, plant and equipment and intangible assets	(1,269)	(87)	–	–	(1,356)
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)	16	(148)	–	(173)
Provisions	622	(78)	–	4[1]	548
Other items	(2)	145	(108)	2[2]	37
Tax value of prepaid tax instalments	–		–	136	136
Tax value of recognised tax losses	86	671	–	–	757
Total deferred tax assets	**214**	**606**	**(256)**	**142**	**706**

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 a decrease in deferred tax asset of ($2) million relating to share-based payments recognised in retained earnings.

(B) QANTAS GROUP CARRIED FORWARD TAX LOSSES

	2022 $M	2021 $M
Tax losses available to be utilised in current year	(757)	(86)
Total tax losses brought forward	**(757)**	**(86)**
Tax losses recognised[1]	(222)	(671)
Tax losses carried forward to be utilised in future years[2]	**(979)**	**(757)**

1 Australian tax losses recognised for the year ending 30 June 2022 of ($222) million (at the 30 per cent tax rate) is net of the taxable gain on sale of Mascot land and buildings.
2 A deferred tax asset of $979 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:

	2022 $M	2021 $M
Tax losses – New Zealand	44	30
Tax losses – Singapore	54	46
Tax losses – Hong Kong	21	11
Tax losses – Capital losses	–	2
Total unrecognised deferred tax assets	**119**	**89**

19 OTHER ASSETS

		2022 $M			2021 $M		
	Note	Current	Non-Current	Total	Current	Non-Current	Total
Prepayments		206	196	402	99	238	337
Net defined benefit asset	30(B)	–	539	539	–	317	317
Other assets[1]		62	167	229	70	132	202
Total		**268**	**902**	**1,170**	**169**	**687**	**856**

1 Other assets include incremental costs of obtaining a contract. Refer to Note 38(D)vii. for the Group's accounting policy.

Notes to the Financial Statements continued

For the year ended 30 June 2022

20 REVENUE RECEIVED IN ADVANCE

	2022 $M			2021 $M		
	Current	Non-current	Total	Current	Non-current	Total
Unavailed passenger revenue	4,389	–	4,389	2,143	–	2,143
Unredeemed Frequent Flyer revenue	1,168	1,945	3,113	894	2,119	3,013
Other revenue received in advance	306	121	427	240	35	275
Total revenue received in advance	**5,863**	**2,066**	**7,929**	**3,277**	**2,154**	**5,431**

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 2022, these are no longer classified as unavailed passenger revenue and are reported as payables in the Consolidated Balance Sheet. Notwithstanding that travel credits may not 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 Financial 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 received in advance for travel packages, revenue collected on behalf of other airlines, unavailed cargo revenue and grants or supplier incentives the Group has received but which 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

	2022 $M	2021 $M
Cash balances	254	143
Cash at call	302	327
Short-term money market securities and term deposits	2,787	1,751
Total cash and cash equivalents	**3,343**	**2,221**

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 $201 million (2021: $250 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

	2022 $M			2021 $M		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans – secured	308	1,321	1,629	433	1,628	2,061
Bank loans – unsecured	–	438	438	–	436	436
Other loans – secured	361	1,566	1,927	241	2,328	2,569
Other loans – unsecured	–	1,966	1,966	295	1,469	1,764
Total interest-bearing liabilities	**669**	**5,291**	**5,960**	**969**	**5,861**	**6,830**

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(B)).

Notes to the Financial Statements continued

For the year ended 30 June 2022

21 NET ON BALANCE SHEET DEBT (CONTINUED)

(C) UNDRAWN FACILITIES

At 30 June 2022, the Group has an undrawn Revolving Credit Facility of $1,330 million (2021: $1,575 million).

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

2022 $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	6,830	(1,441)	491	80	–	–	–	–	**5,960**
Cash	(2,221)	1,441	(491)	(2)	–	2	–	(2,072)	**(3,343)**
Net on balance sheet debt	**4,609**	**–**	**–**	**78**	**–**	**2**	**–**	**(2,072)**	**2,617**

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**

22 PROVISIONS

	2022 $M			2021 $M		
	Current	Non-current	Total	Current	Non-current	Total
Annual leave	358	–	358	375	–	375
Long service leave	303	38	341	340	50	390
Redundancies and other employee benefits[1]	189	–	189	123	–	123
Total employee benefits	**850**	**38**	**888**	**838**	**50**	**888**
Onerous contracts	12	–	12	31	–	31
Make good on leased assets	50	641	691	131	523	654
Insurance, legal and other	189	115	304	136	116	252
Total other provisions	**251**	**756**	**1,007**	**298**	**639**	**937**
Total provisions	**1,101**	**794**	**1,895**	**1,136**	**689**	**1,825**

1 Redundancies and other employee benefits includes the recognition of a provision for the Recovery Boost bonus for EBA-covered employees announced in June 2022.

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

2022 $M	Opening Balance	Provisions Made	Provisions Utilised	Unwind of Discount	Discount Rate Changes	Transfers from Investments in Associates	Other	Closing Balance
Onerous contracts	31	–	(19)	–	–	–	–	12
Make good on leased assets	654	148	(107)	17	(70)	–	49	691
Insurance, legal and other	252	78	(56)	–	(14)	37	7	304
Total other provisions	**937**	**226**	**(182)**	**17**	**(84)**	**37**	**56**	**1,007**

Notes to the Financial Statements continued

For the year ended 30 June 2022

23 CAPITAL

(A) ISSUED CAPITAL

	2022 $M	2021 $M
Opening balance: 1,886,044,698 (June 2021: 1,863,491,352) ordinary shares, fully paid	3,186	3,104
Capital raising: nil (June 2021: 22,553,346) ordinary shares	–	82
Closing balance: 1,886,044,698 (2021: 1,886,044,698) ordinary shares	**3,186**	**3,186**

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 2022, 1,602,255 (2021: 3,099,413) 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.

	Metrics	2022	2021 (restated)
Net Debt[1]	$4.2B to $5.2B[2]	$3.94B	$5.9B
Return on Invested Capital (%)	ROIC > WACC	(31.6) per cent	(21.4) per cent
Net capital expenditure[3]		$398M	$693M
Shareholder distributions		–	–

1 Net Debt is a non-statutory measure. It includes on-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 $4.2 billion to $5.2 billion is based on the 12-month average Invested Capital of $4.9 billion as at 30 June 2022. During the recovery phase, the Target Net Debt range for 2021 was held at $4.5 billion to $5.6 billion, which 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 outflows included in the Consolidated Cash Flow Statement of $240 million (2021: $722 million) and the impact to Invested Capital from the acquisitions/disposals of leased aircraft and conversion of a leased aircraft to a freighter of $158 million (2021: Return/disposal of leased aircraft ($29 million). For the year ended 30 June 2022, net capital expenditure includes the impact of capitalised aircraft leases relating to Embraer E190s and Boeing 747 freighters in the Group's Financial Framework.

Notes to the Financial Statements continued

For the year ended 30 June 2022

24 GOVERNMENT GRANTS AND ASSISTANCE

To mitigate the impact of COVID-19, governments provided businesses, and specifically the aviation sector, 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 the associated conditions and the grants/assistance will be received. A summary of the material government grants recognised in the Consolidated Income Statement during the financial year 2021/22 is below:

Packages[1]	Description
International Aviation Support (IAS) Package[2] *Recognised within other revenue and income*	The program provided support to maintain a core Australian international aviation workforce and operational capability to ensure airlines could quickly restart commercial international flights once international restrictions were lifted. Announced on 11 March 2021, the IAS program was originally due to run between 1 April 2021 and 31 October 2021. On 20 September 2021, the government announced an extension to the program which ended on 31 March 2022. The funding covered 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 $129 million was recognised in the Consolidated Income Statement during the period. 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 IAS package also provided $59 million of employee retention payments which were wholly passed through to impacted employees and the Group received no benefit.
Retaining Domestic Airline Capability (RDAC) Program[2] *Recognised within other revenue and income*	The program assisted airlines to maintain core domestic aviation capabilities, through the retention of essential aviation sector skills and knowledge to ensure airlines could quickly increase capacity as border restrictions eased. Announced on 2 August 2021, the RDAC program was originally due to run between 2 August 2021 and 31 December 2021. Following the removal of all COVID-19 Commonwealth hotspots, the program ended on 1 December 2021. The funding covered employee support and retention payments for those who were not eligible for the Commonwealth Disaster Payment to maintain an agreed level of domestic capability, training to ensure domestic workers maintain their skills and currency and maintenance costs associated with ensuring aircraft are in flight-ready condition. Income of $31 million was recognised in the Consolidated Income Statement. The costs to maintain aircraft and the training of the domestic workforce was recognised primarily in manpower and staff-related costs, aircraft operating variable and other expenses. Further to the payments made in relation to domestic readiness, the RDAC program also provided $8 million of employee support payments which were wholly passed through to impacted employees and the Group received no benefit.
Tourism Aviation Network Support (TANS) **Tourism aviation discount fares (Part 1)** *Recognised within other revenue and income*	This program reduced the cost of flying for consumers by discounting ticket prices to certain regions through half price airfares. Discounts were offered on a selected number of routes across 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. On 30 November 2021, the program was further extended and ended on the 28 February 2022. Income of $27 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.

1 The Domestic Airport Security Cost Support (DASCS) program provided funding to meet eligible costs related to mandatory security screening obligations under the Aviation Transport Security Regulations 2005 between 29 March 2021 and 30 September 2021 for Qantas' operations at Melbourne Terminal 1. On 2 August 2021, the Australian Government announced the DASCS program would be extended and it ended on 31 December 2021. The Airservices Fee Waiver provides a 50 per cent reduction in charges, including charges by the Bureau of Meteorology, for regular public transport (RPT) and aeromedical services. The waiver was extended to 31 December 2021 and lessened the operating costs for airlines in providing RPT and aeromedical flights. In addition, the International Airports Security Costs Rebate (IASCR) program assisted eligible airports to maintain regulated security obligations for international flights. As a result of the aforementioned support, the providers have granted waivers to the Group of $68 million and the Group directly received $2 million from the DASCS program for the 2021/22 financial year.

2 A portion of the underlying funding is to support capital expenditure relating to IAS $35 million and RDAC $19 million. These amounts have been deferred and will be recognised in the Consolidated Income Statement over the useful life, with $3 million recognised in the Consolidated Income Statement in the 2021/22 financial year.

Notes to the Financial Statements continued

For the year ended 30 June 2022

24 GOVERNMENT GRANTS AND ASSISTANCE (CONTINUED)

In addition to the above, the government also contracted Qantas to provide passenger and freight services as part of the overall Australian Government COVID-19 recovery strategy. A summary of the material government grants recognised in the Consolidated Income Statement during financial year 2021/22 is below:

Packages	Description
Tourism Aviation Network Support (TANS) **TANS — Tourism aviation capacity (Part 2)** *Recognised within other revenue and income*	This program increased the number of flight frequencies above minimum connectivity to selected regions which had been heavily impacted by the loss of international tourists. The program ended on 30 September 2021. Income of $10 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.
RANS, DANS and government repatriation flights *RANS/DANS recognised within other revenue and income* *Government repatriation flights recognised within net passenger revenue*	This package was underwritten by the Australian Government on a cost offset basis. The Group operated a series of domestic and regional flights on behalf of the Australian Government to maintain critical links otherwise impacted by COVID-related travel restrictions. It included 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 as a fee-for-service, with fare revenue offsetting the cost. Income of $163 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 the extension of the DANS and RANS programs until 31 December 2021. On 20 December 2021, the government announced an extension to the RANS program which ended on 31 March 2022.
International Freight Assistance Mechanism (IFAM) *Recognised within net freight revenue*	This mechanism restored critical global supply chains which have been heavily impacted by COVID-19 containment measures around the world to ensure exporters maintained connectivity to strategic markets. On 11 March 2021, the government announced an extension of the program to the end of September 2021. On 27 August 2021, a further extension was announced which ended on 30 June 2022. Income of $320 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.

25 IMPAIRMENT OF ASSETS AND RELATED COSTS

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS

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 2021/22 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

Notes to the Financial Statements continued

For the year ended 30 June 2022

25 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

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

ii. Impairment Assessment

AASB 136 *Impairment of Assets* (AASB 136) 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.

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 Financial Plan.
Individual assets tested separately	Assets that have been tested for impairment individually are not allocated to CGUs. Consistent with the approach taken at 30 June 2021, the carrying value of the A380 fleet has been allocated to the Qantas International CGU for impairment testing.
Cash Flows — Group Financial Plan (including the Recovery Plan)	Cash flows were projected based on the Board-approved Financial Plan. The Financial Plan includes the completion of the Group's Three-Year Recovery Plan by 30 June 2023 and forecasts for a further two to four years. The Group's Recovery Plan was developed with reference to expected demand scenarios domestically and internationally and included: – 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. 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. By 30 June 2022, the Group delivered $920 million in cumulative annualised structural cost benefits. The Group is on track to deliver $1 billion in annual cost improvements from the 2022/23 financial year onwards, with all initiatives now commenced and greater than 90 per cent completed. 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. The Group's Financial Plan incorporates estimates of the future impact on the Group of meeting the interim targets in the Group's Climate Action Plan, including the financial impact within cash flow projections of the increased cost of carbon offsetting and SAF (together with estimated recovery through revenue). For the purposes of performing an impairment test, the final year of the forecast has been used to determine the terminal year. 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. 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.

Notes to the Financial Statements continued

For the year ended 30 June 2022

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
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 (WACC) of the Qantas Group (2021: 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: 0.69 (2021: 0.75)
Sensitivity to significant changes in assumptions	Pre-COVID, the Group reported 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 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 Financial Plan, while impacting the measurement of the recoverable amount, do not materially impact the surplus identified. 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)* 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 2022 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 2022.

The Qantas International CGU includes the carrying value of the A380 fleet, including spares of $329 million as at 30 June 2022, which had previously been partially impaired. As the Qantas International CGU test reports a surplus, the Group has assessed whether there is an indicator of impairment reversal. Impairment reversal may be required where the individual asset's fair values less costs of disposal are significantly above their impaired carrying amounts.The fair value less costs of disposal of the A380 fleet was estimated with reference to valuations provided by two external and independent aircraft valuers (AVAC and AVITAS) and translated at 30 June 2022 AUD/USD exchange rates.

Jetstar Asia CGU

An impairment test of the Jetstar Asia CGU was undertaken as at 30 June 2022 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 providing an indicator of impairment.

Further impairment is only recognised to the extent that individual asset fair values less costs of disposal are significantly below their carrying amounts. The fair value less costs of disposal was estimated based on valuations provided by two external and independent aircraft valuers (AVAC and AVITAS) and translated at 30 June 2022 into AUD/USD exchange rates.

Notes to the Financial Statements continued

For the year ended 30 June 2022

25 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

(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:

	2022 $M	2021 $M
Goodwill		
Qantas Domestic	14	14
Qantas Loyalty[1]	116	12
Qantas Freight	49	49
Jetstar Australia and New Zealand	91	91
Total goodwill	**270**	**166**
Other intangible assets with indefinite useful lives		
Qantas Loyalty[1]	47	–
Qantas International	35	35
Jetstar Australia and New Zealand	–	1
Total other intangible assets with indefinite useful lives	**82**	**36**

1 Goodwill and other intangible assets with indefinite useful lives allocated to Qantas Loyalty increased by $104 million and $47 million respectively due to the acquisition of TAD Holdco Pty Limited (TripADeal) on 31 May 2022. The fair value of the assets acquired have been measured provisionally pending completion of an independent valuation, refer to Note 35.

(C) RESULTS OF THE GROUP'S IMPAIRMENT TEST

i. CGU Impairments

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 2022 (2021: nil).

No impairment reversal was recognised within the Qantas International CGU in relation to previously impaired A380 aircraft.

Jetstar Asia CGU

No further impairment was recognised within the Jetstar Asia CGU as the fair values less costs of disposal of the individual assets were not significantly different to their carrying amounts as at 30 June 2022 (2021: $73 million).

ii. Other Impairments and/or Reversals of Impairment

Investments accounted for under the equity method

The Group recognised a net reversal of impairment of ($1) million (2021: impairment of $1 million) in relation to its investment in Helloworld Travel Ltd (ASX: HLO). The impairment recognised was determined with reference to the share price as at 30 June 2022.

Assets classified as Held for Sale

The Group recognised impairment of $38 million in relation to aircraft on transfer to Assets Held for Sale at 30 June 2022. This impairment primarily related to the Group's B717 fleet which are being retired as part of the domestic fleet replacement strategy.

iii. Summary of Impairments and Liabilities Recognised

	2022 $M	2021 $M
Impairment of individual assets		
Impairment of aircraft on transfer to held for sale	38	–
Impairment of A380s and onerous contractual commitments relating to A380s	–	155
(Reversal of impairment)/Impairment of 747s held for sale	(1)	3
(Reversal of impairment)/Impairment of software intangibles and onerous contractual commitments	(1)	33
Impairment of property, plant and equipment and recognition of exit costs	–	7
Total impairment of individual assets	**36**	**198**
CGU impairment		
Impairment of Jetstar Asia CGU	–	73
Total CGU impairment	**–**	**73**
Other (reversal of impairment)/impairment		
(Reversal of impairment)/impairment of investment in Helloworld	(1)	1
Impairment of investment in Pacific Airlines	–	10
Other assets	–	(12)
Total other reversal of impairment	**(1)**	**(1)**
Total impairment of assets and related costs	**35**	**270**

Notes to the Financial Statements continued

For the year ended 30 June 2022

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. Additionally, the Recovery Retention Plan was announced in the second half of the 2021/22 financial year and includes share-based payments to eligible employees (both non-executive and executive). The total equity-settled share-based payment expense for the year was $63 million (2021: $19 million). Further details regarding the operation of equity plans are outlined in the Remuneration Report from pages 34 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 50 to 52.

	2022	2021
Performance Rights Reconciliation	**Number of Rights**	**Number of Rights**
Rights outstanding as at 1 July	16,568,569	9,607,136
Rights granted during the year	4,250,500	12,123,500
Rights forfeited during the year	(871,097)	(2,879,567)
Rights exercised during the year	(827,568)	(1,134,203)
Rights lapsed during the year	(857,432)	(1,148,297)
Rights outstanding as at 30 June	**18,262,972**	**16,568,569**
Rights exercisable as at 30 June	–	–

The Rights outstanding as at 30 June 2022 included 3,035,834 Rights under the 2020-2022 LTIP. 1,143,343 Rights vested and converted to shares and 1,149,491 Rights lapsed following the testing of performance hurdles as at 30 June 2022 and after applying service conditions and the Board's approval of the 2020-2022 LTIP vesting outcome on 24 August 2022. The shares awarded to Executive Management upon vesting of the LTIP remain subject to an additional one year trading restriction. As noted in the Remuneration Report on page 36, the Board has agreed with the CEO to defer the decision as to whether his Rights under the 2020-2022 LTIP will be forfeited or allowed to convert to shares until at least August 2023. Therefore, 743,000 Rights under the 2020-2022 LTIP remain unvested.

The Rights outstanding as at 30 June 2021 included 2,387,000 Rights under the 2019-2021 LTIP. 51,000 Rights were forfeited, 827,568 Rights vested and converted to shares and 857,432 Rights lapsed following the testing of performance hurdles as at 30 June 2021 and after applying service conditions and the Board's approval of the 2019-2021 LTIP vesting outcome on 25 August 2021. As noted in the Remuneration Report on page 36, the Board has agreed with the CEO to defer the decision as to whether his Rights under the 2019-2021 LTIP and 2018-2020 LTIP will be forfeited or allowed to convert to shares until at least August 2023. Therefore 651,000 Rights under the 2019-2021 LTIP and 687,000 Rights under the 2018-2020 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 lapsed 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.

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 $3.89 (2021: $2.33).

	2022		2021	
Inputs into the Models	**17 September 2021**	**5 November 2021**	**11 September 2020**	**23 October 2020**
Rights granted	3,389,500	861,000	10,774,500	1,349,000
Weighted average share value	$5.53	$5.62	$3.82	$4.55
Expected volatility	30.0%	30.0%	35.0%	35.0%
Dividend yield	1.1%	1.1%	1.6%	1.3%
Risk-free interest rate	0.20%	0.30%	0.30%	0.30%

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 48 to 50. There were nil awards of Qantas shares made during the year ended 30 June 2022 (2021: nil).

Notes to the Financial Statements continued

For the year ended 30 June 2022

26 SHARE-BASED PAYMENTS (CONTINUED)

(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 48 to 50. The CEO retains discretion over any awards made under the MIP. There were nil awards of Qantas shares made during the year ended 30 June 2022 (2021: nil).

(D) RECOVERY RETENTION PLAN (RRP)

The Recovery and Retention Plan was announced in the second half of the 2021/22 financial year and includes a grant of Rights to eligible employees (both non-executive and executive) subject to both performance and service conditions. Vesting will occur in August 2023 provided all the performance conditions are achieved and participants remain employed with the Qantas Group at that time. 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 RRP, see page 52.

Performance Rights Reconciliation	2022 Number of Rights	2021 Number of Rights
Rights outstanding as at 1 July	–	–
Rights granted during the year	42,931,072	–
Rights outstanding as at 30 June	**42,931,072**	**–**

The Rights will be tested against the performance hurdles as at 30 June 2023 and approved by the Board in August 2023.

i. Fair Value Calculation

The estimated value of Rights granted was determined at grant date using a simplification of the Black-Scholes option pricing formula. The weighted average fair value of Rights granted during the year was $4.98.

Inputs into the Models	2022 28 February 2022
Rights granted	42,931,072
Weighted average share value	$4.98
Dividend yield	0.9%

Notes to the Financial Statements continued

For the year ended 30 June 2022

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 2021/22 financial year, ensuring adequate coverage of liquidity requirements while considering a range of adverse scenarios.

During the first half of 2021/22, $500 million of additional debt was raised through a medium-term note issuance while $384 million of scheduled debt repayments were made.

In the second half of 2021/22, the Qantas Group prepaid $450 million of the Corporate Secured Debt Program as the Group prioritised reducing debt and maintaining minimal refinancing risk across the maturity profile. A further $607 million of scheduled debt repayments were made which included a $300 million repayment of the 2022 Bond. The Group continues to have no financial covenants on any of its debt.

As at 30 June 2022, the Group's available liquidity was $4.6 billion, including $3.3 billion of cash and cash equivalents and $1.3 billion in standby facilities maturing in financial years 2023/24, 2025/26 and 2026/27. In addition, the Group maintains an unencumbered asset base greater than $3.5 billion, including 49 per cent of the Group's fleet, spare engines and other assets.

Notes to the Financial Statements continued

For the year ended 30 June 2022

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.

2022 $M	Less Than 1 Year	2 to 3 Years	4 to 5 Years	More Than 5 Years	Total
Financial liabilities					
Payables	2,474	–	–	–	2,474
Lease liabilities[1]	419	496	232	488	1,635
Bank loans – secured[2]	363	600	394	466	1,823
Bank loans – unsecured[2]	10	459	–	–	469
Other loans – secured[2]	424	443	414	937	2,218
Other loans – unsecured[2]	81	393	430	1,572	2,476
Derivatives – outflows/(inflows)	–	–	–	–	–
Net other financial assets/liabilities – outflows/(inflows)[3]	(556)	(62)	281	–	(337)
Total financial liabilities	**3,215**	**2,329**	**1,751**	**3,463**	**10,758**

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[3]	(162)	(32)	–	–	(194)
Total financial liabilities	**3,212**	**2,515**	**1,617**	**3,953**	**11,297**

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

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 2022, interest-bearing liabilities amounted to $5,960 million (2021: $6,830 million). The fixed/floating split is 48 per cent and 52 per cent respectively (2021: 41 per cent and 59 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 91 per cent and 9 per cent respectively, which assumes cash is treated as floating (2021: 63 per cent and 37 per cent). As at 30 June 2022, other financial assets and liabilities including derivative financial instruments relating to debt obligations and future interest payments were nil (2021: $2 million (liability)). These are recognised at fair value.

Notes to the Financial Statements continued

For the year ended 30 June 2022

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	**2022**	**2021**	**2022**	**2021**
100bps increase in interest rates[2,3]				
Variable rate interest-bearing instruments (net of cash)	(2)	(20)	–	–
Derivatives designated in a cash flow hedge relationship	–	–	–	–
100bps decrease in interest rates[2,3]				
Variable rate interest-bearing instruments (net of cash)	2	20	–	–
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 2022 remain unchanged.
3 Sensitivity analysis excludes impact of discount rate movements on provisions.

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 2022, other financial assets and liabilities including derivative financial instruments relating to the hedging of future capital expenditure totalled $31 million (net asset) (2021: nil) and those relating to the hedging of future operating expenditure payments were nil (2021: $12 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 thirteen 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 2022, total unrealised foreign exchange gains on hedges of revenue designated to non-derivative financial liabilities was $2 million (2021: $109 million gains).

Sensitivity to foreign exchange risk

	Profit Before Tax		Equity (Before Tax)[1]	
$M	**2022**	**2021**	**2022**	**2021**
20% movement in foreign exchange risk[2,3]				
20% (2021: 20%) USD depreciation	–	–	(257)	(190)
20% (2021: 20%) USD appreciation	–	–	413	285

1 Equity (Before Tax) does not include sensitivity recognised in Profit/(Loss) Before Tax.
2 Sensitivity analysis assumes hedge designations as at 30 June 2022 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 designated in a hedge relationship.

Notes to the Financial Statements continued

For the year ended 30 June 2022

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. The Group 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 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 2022, other financial assets and liabilities included fuel and foreign exchange derivatives totalling $587 million (net asset) (2021: $181 million (net asset)). These are recognised at fair value.

Sensitivity to foreign exchange and fuel price risk

	Profit Before Tax		Equity (Before Tax)[1]	
$M	**2022**	**2021**	**2022**	**2021**
20% movement in AUD fuel costs[2]				
20% (2021: 20%) USD depreciation, 20% (2021: 20%) increase per barrel in fuel indices	–	–	271	69
20% (2021: 20%) USD appreciation, 20% (2021: 20%) decrease per barrel in fuel indices	–	–	(35)	122

1 Equity (Before Tax) does not include sensitivity recognised in Profit/(Loss) Before Tax.
2 Sensitivity analysis assumes hedge designations as at 30 June 2022 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 2022, trade debtors amounted to $988 million (2021: $483 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 2022, 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 $3,981 million (2021: $2,416 million). 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 2022

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, put option liability and derivative financial instruments recognised on the Consolidated Balance Sheet. Refer to Note 38(C) for a definition of the fair value hierarchy.

	June 2022				June 2021			
	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[3]	Amortised Cost	Fair Value
Cash and cash equivalents	—	—	3,343	3,345	—	—	2,221	2,222
Receivables	—	—	1,107	1,107	—	—	633	633
Other financial assets[1]	707	115	18	840	213	148	—	361
Financial asset	**707**	**115**	**4,468**	**5,292**	**213**	**148**	**2,854**	**3,216**
Payables	—	—	2,474	2,474	—	—	1,857	1,857
Interest-bearing liabilities[2]	—	—	5,960	6,160	—	—	6,830	7,608
Other financial liabilities[1]	89	224	—	313	22	—	—	22
Financial liabilities	**89**	**224**	**8,434**	**8,947**	**22**	**—**	**8,687**	**9,487**

1 Other financial assets and liabilities represents the fair value of equity investments, the put option liability 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. The put option liability is measured at the present value of the amount expected to be paid under the put option, subsequent movements are recognised within put option reserve.
2 The fair value of interest-bearing liabilities is calculated as the present value of outstanding contractual cash flows discounted at a risk-free rate.
3 As at 30 June 2022, $113 million of the $115 million (2021: $146 million of the $148 million) of other financial assets relate 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 ($22) million loss (2021: $29 million gain). The Group recognised fair value changes, net of tax of ($22) million loss (2021: $35 million gain) in respect of listed equity investment using Level 1 inputs. The Group recognised fair value changes, net of tax of nil (2021: ($6) 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 2022 are detailed below:

	2022			2021		
$M	Current	Non-current	Total	Current	Non-current	Total
Derivative assets						
Designated as cash flow hedges	623	84	707	176	37	213
Total derivative assets	**623**	**84**	**707**	**176**	**37**	**213**
Derivative liabilities						
Designated as cash flow hedges	(67)	(22)	(89)	(17)	(5)	(22)
Total derivative liabilities	**(67)**	**(22)**	**(89)**	**(17)**	**(5)**	**(22)**
Net derivative assets	**556**	**62**	**618**	**159**	**32**	**191**

Notes to the Financial Statements continued

For the year ended 30 June 2022

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 $89 million lower (2021: $21 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 38(C). For the year ended 30 June 2022, $355 million gain (2021: $101 million gain) is expected to be released to the Consolidated Income Statement within one year and $39 million gain (2021: $75 million gain) 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 38(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 2021, $29 million of hedge gains were de-designated and recognised immediately in the Consolidated Income Statement during the 2021/22 financial year. Prospective changes in fair value of de-designated hedging were accounted for through the Consolidated Income Statement, resulting in a $7 million loss. The net impact ($22m 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	Nominal Amount of Hedging Instrument and Hedged Item		Hedge Rates	Carrying Amount of the Hedging Instrument[1,2]		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]
				Assets	Liabilities						
30 June 2022	**M**		**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Cash flow hedges											
AUD fuel costs (up to 2 years)	20	Barrels	AUD / Barrel 78-223	662	(75)	780	(773)	773	7	(372)	(29)
Revenue (up to 13 years)	711	USD	AUD / USD 0.69	–	(667)	(87)	87	(87)	–	(19)	–
Capital expenditure (up to 2 years)	732	USD	AUD / USD 0.69-0.73	45	(14)	15	(15)	15	–	–	–
Interest (up to 2 years)	–	AUD	N/A	–	–	1	(1)	1	–	–	–

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 $22 million of hedge gains were de-designated and recognised to the Consolidated Income Statement for the year ended 30 June 2022. This includes $29 million released from hedge reserve and $7 million loss of fair value changes since de-designation.

Notes to the Financial Statements continued

For the year ended 30 June 2022

28 AUDITOR'S REMUNERATION

	2022 $'000	2021 $'000
AUDIT AND AUDIT-RELATED SERVICES		
Audit and review of Financial Report	3,517	3,545
Regulatory assurance services	39	4
Total audit and audit-related services	**3,556**	**3,549**
OTHER ASSURANCE SERVICES		
Other assurance services	161	148
Total other assurance services	**161**	**148**
OTHER SERVICES		
Taxation services	175	269
Due diligence services	–	5
Other non-audit services	188	25
Total other services	**363**	**299**
Total auditor's remuneration	**4,080**	**3,996**

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

RECONCILIATION OF STATUTORY LOSS FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

	Notes	2022 $M	2021 (restated) $M
Statutory loss for the year		**(860)**	**(1,692)**
Adjusted for:			
Depreciation and amortisation	5	1,801	1,877
Impairment of assets and related costs	25(C)	35	270
Hedging-related activities		(118)	(64)
Share of net loss of investments accounted for under the equity method	14	126	129
Share-based payments	26	63	19
Net gain on disposal of assets	6	(692)	(26)
Discount rate changes impact on provisions	7	(194)	(4)
Other items		95	66
Changes in other items:			
Receivables		(476)	(14)
Inventories		(14)	19
Other assets		(18)	58
Payables		657	(416)
Revenue received in advance		2,395	402
Provisions		201	(403)
Deferred tax assets/liabilities and tax payable/receivable		(331)	(607)
Net cash inflow/(outflow) from operating activities		**2,670**	**(386)**

Notes to the Financial Statements continued

For the year ended 30 June 2022

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 other small overseas defined benefit plans. The Qantas Group makes contributions to defined benefit plans that provide defined benefit amounts for employees upon retirement. Under these 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 $28 million of normal employer contributions will be paid by the Qantas Group to its defined benefit plans in financial year 2022/23.

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	
	2022	2021	2022	2021	2022	2021
Balance as at 1 July	**1,762**	**2,442**	**(2,079)**	**(2,470)**	**(317)**	**(28)**
Included in the Consolidated Income Statement						
Current service cost	88	110	–	–	88	110
Interest expense/(income)	52	57	(59)	(57)	(7)	–
Contributions by plan participants	–	–	(19)	(10)	(19)	(10)
Losses on curtailments	–	8	–	–	–	8
Total amount included in manpower and staff-related expenditure	**140**	**175**	**(78)**	**(67)**	**62**	**108**
Included in the Consolidated Statement of Comprehensive Income						
Return on plan assets, excluding interest income	–	–	70	(252)	70	(252)
Losses from change in demographic assumptions	–	3	–	–	–	3
Gains from change in financial assumptions	(398)	(91)	–	–	(398)	(91)
Experience losses/(gains)	37	(19)	–	–	37	(19)
Exchange differences on foreign plans	(3)	(4)	4	4	1	–
Total amount recognised in other comprehensive income	**(364)**	**(111)**	**74**	**(248)**	**(290)**	**(359)**
Contributions by employer	–	–	(4)	(38)	(4)	(38)
Benefit payments	(151)	(208)	151	208	–	–
Assets distributed/liabilities extinguished on settlements from	–	(536)	–	536	–	–
Other movements	18	–	(8)	–	10	–
Balance as at 30 June	**1,405**	**1,762**	**(1,944)**	**(2,079)**	**(539)**	**(317)**

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 2022

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:

	2022 %	2021 %
Australian equity[1,2]	10	13
Global equity[1]		
– *United States*	9	12
– *Europe*	1	3
– *Japan*	1	1
– *Other*	4	3
Private equity	6	6
Fixed interest[1]		
– *Government bonds*	17	13
– *Other*	32	14
Credit		
– *Corporate debt*	–	12
– *Other*	–	8
Hedge funds	1	1
Property and infrastructure	4	4
Agriculture	6	4
Timberland	2	2
Insurance policies	2	–
Cash and cash equivalents[1]	5	4
Total	**100**	**100**

1 The majority of these plan assets have a quoted market price in an active market.
2 As at 30 June 2022, QSP assets in shares of Qantas Airways Limited (ASX:QAN) are $747,767 (2021: $2,635,470).

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:

	2022 %	2021 %
Discount rate	5	3
Long-term future salary increase[1]	2	2

1 For the 30 June 2022 actuarial calculation, specific increase rates were assumed for years 1 to 5, averaging 1.8 per cent and then 2 per cent for the remaining duration of the plan (30 June 2021: salary increases of 1.5 per cent in years 1 to 5 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 2022 was nine years (2021: 10 years). The sensitivity of the defined benefit obligation to changes in the significant assumption is as follows:

		Impact on Defined Benefit Obligation			
		30 June 2022		30 June 2021	
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 9.5%	Increase by 12.8%	Decrease by 12%	Increase by 11.9%
Future salary increase	1%	Increase by 5.8%	Decrease by 3.8%	Increase by 4.5%	Decrease by 6.9%

Defined Contribution Fund

A defined contribution expense of $153 million has been recognised for the year ended 30 June 2022 (2021: $107 million).

Notes to the Financial Statements continued

For the year ended 30 June 2022

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
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 2022

	2022 $M	2021 (restated) $M
Revenue and other income	8,978	5,894
Expenditure	(9,675)	(7,508)
Impairment of assets and related costs	(210)	(346)
Statutory loss before income tax benefit and net finance costs	**(907)**	**(1,960)**
Finance income	14	15
Finance costs	(311)	(307)
Net finance costs	**(297)**	**(292)**
Statutory loss before income tax benefit	**(1,204)**	**(2,252)**
Income tax benefit	341	608
Statutory loss for the year	**(863)**	**(1,644)**
Accumulated losses as at 1 July	(3,220)	(1,574)
Transfer of accumulated fair value losses to accumulated losses	(6)	–
Capital raising, net of tax	–	(6)
Shares vested and transferred to employees/shares vested and lapsed	2	4
Accumulated losses as at 30 June	**(4,087)**	**(3,220)**

Notes to the Financial Statements continued

For the year ended 30 June 2022

31 DEED OF CROSS GUARANTEE (CONTINUED)

(B) CONSOLIDATED CONDENSED BALANCE SHEET AS AT 30 JUNE 2022

	2022 $M	2021 (restated) $M
CURRENT ASSETS		
Cash and cash equivalents	3,214	2,183
Receivables	1,757	1,266
Other financial assets	623	176
Inventories	269	279
Assets classified as held for sale	1	1
Other	240	161
Total current assets	**6,104**	**4,066**
NON-CURRENT ASSETS		
Receivables	259	425
Other Financial Assets	199	185
Investments in subsidiaries	117	19
Investments accounted for under the equity method	55	55
Property, plant and equipment	10,213	10,774
Right of use assets	944	1,091
Intangible assets	617	724
Deferred tax assets	867	696
Other	920	687
Total non-current assets	**14,191**	**14,656**
Total assets	**20,295**	**18,722**
CURRENT LIABILITIES		
Payables	3,168	2,487
Revenue received in advance	5,712	3,270
Interest-bearing liabilities	769	1,097
Lease Liabilities	382	380
Other financial liabilities	67	17
Provisions	994	1,054
Total current liabilities	**11,092**	**8,305**
NON-CURRENT LIABILITIES		
Payables	–	44
Revenue received in advance	2,066	2,154
Interest-bearing liabilities	5,505	6,191
Lease Liabilities	888	1,015
Other financial liabilities	246	5
Provisions	776	660
Total non-current liabilities	**9,481**	**10,069**
Total liabilities	**20,573**	**18,374**
Net assets	**(278)**	**348**
EQUITY		
Issued capital	3,186	3,186
Treasury shares	(8)	(18)
Reserves	631	400
Accumulated losses	(4,087)	(3,220)
Equity attributable to members of Qantas	**(278)**	**348**
Non-controlling interests	–	–
Total equity	**(278)**	**348**

(C) NET ASSET POSITION OF DEED OF CROSS GUARANTEE (DEED) AS AT 30 JUNE 2022

The Deed's net asset position of ($278) million at 30 June 2022 (2021: $348 million) is a direct result of the losses incurred since the outbreak of COVID-19. The negative net asset position does not impact the ability of the parties to the Deed to pay its debts as and when they become due and payable.

Notes to the Financial Statements continued

For the year ended 30 June 2022

32 RELATED PARTIES

(A) REMUNERATION OF KEY MANAGEMENT PERSONNEL

The aggregate remuneration of the KMP of the Qantas Group is set out below:

	2022 $'000	2021 $'000
Short-term employee benefits	8,323	8,744
Post-employment benefits[1]	577	657
Other long-term benefits[2]	71	351
Share-based payments	7,439	6,302
	16,410	**16,054**

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 annual leave than they accrue during the current year.

Further details in relation to the remuneration of KMP are included in the Directors' Report from pages 34 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	2022 Number of Rights	2021 Number of Rights
Rights outstanding as at 1 July	44,025	—
Rights acquired during the year by fee sacrifice	64,493	64,487
Rights converted to ordinary shares during the year	(76,013)	(20,462)
Rights outstanding as at 30 June	**32,505**	**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 and provides indemnities to Japan Airlines for up to 50 per cent of Japan Airlines' guarantees to Jetstar Japan's creditor banks in relation to unsecured loans and letter of credit.

Notes to the Financial Statements continued

For the year ended 30 June 2022

33 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED

(A) CONDENSED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	2022 $M	2021 (restated) $M
Revenue and other income	4,670	2,639
Expenditure	(5,411)	(4,224)
Impairment of assets and related costs[1]	(199)	(334)
Statutory loss before income tax benefit and net finance costs	**(940)**	**(1,919)**
Net finance costs	(272)	(266)
Statutory loss before income tax benefit	**(1,212)**	**(2,185)**
Income tax benefit	369	664
Statutory loss for the year	**(843)**	**(1,521)**

1 Impairment of assets and related costs includes the impairment of investments in subsidiaries and intercompany loans of $174 million (2021: $105 million).

(B) CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	2022 $M	2021 (restated) $M
Statutory loss for the year	**(843)**	**(1,521)**
Effective portion of changes in fair value of cash flow hedges, net of tax	492	201
Transfer of hedging (gains)/losses from hedge reserve to the Condensed Income Statement, net of tax	(274)	49
De-designation of fuel and foreign exchange hedges to the Condensed Income Statement, net of tax	(20)	15
Recognition of effective cash flow hedges on capitalised assets, net of tax	3	4
Net changes in hedge reserve for time value of options, net of tax	20	42
Defined benefit actuarial gains, net of tax	203	251
Foreign currency translation of investments accounted for under the equity method	1	(2)
Fair value (losses)/gains on investments, net of tax	(22)	29
Total other comprehensive income for the year	**403**	**589**
Total comprehensive loss for the year	**(440)**	**(932)**

Notes to the Financial Statements continued

For the year ended 30 June 2022

33 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED (CONTINUED)

(C) CONDENSED BALANCE SHEET AS AT 30 JUNE 2022

	2022 $M	2021 (restated) $M
CURRENT ASSETS		
Cash and cash equivalents	3,212	2,194
Receivables	535	374
Intercompany receivables	6,596	5,961
Other financial assets	623	176
Inventories	165	165
Assets classified as held for sale	1	1
Other	213	136
Total current assets	**11,345**	**9,007**
NON-CURRENT ASSETS		
Receivables	36	85
Intercompany receivables	215	330
Investments in subsidiaries	420	432
Other financial assets	199	185
Investments accounted for under the equity method	22	19
Property, plant and equipment	8,954	9,444
Right of use assets	906	1,009
Intangible assets	414	508
Deferred tax assets	727	621
Other	899	687
Total non-current assets	**12,792**	**13,320**
Total assets	**24,137**	**22,327**
CURRENT LIABILITIES		
Payables	1,652	1,204
Intercompany payables	7,176	6,396
Revenue received in advance	4,643	2,495
Interest-bearing liabilities	769	1,097
Lease liabilities	347	312
Other financial liabilities	67	17
Provisions	751	829
Total current liabilities	**15,405**	**12,350**
NON-CURRENT LIABILITIES		
Payables	–	44
Revenue received in advance	2,040	2,148
Interest-bearing liabilities	5,505	6,191
Lease liabilities	856	971
Other financial liabilities	22	5
Provisions	407	334
Total non-current liabilities	**8,830**	**9,693**
Total liabilities	**24,235**	**22,043**
Net assets	**(98)**	**284**
EQUITY		
Issued capital	3,186	3,186
Treasury shares	(8)	(18)
Other reserves	855	400
Profit reserves	–	1,774
Accumulated losses	(4,131)	(5,058)
Total equity	**(98)**	**284**

Notes to the Financial Statements continued

For the year ended 30 June 2022

33 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED (CONTINUED)

(D) DIVIDENDS DECLARED AND PAID

During the year ended 30 June 2022, Qantas Airways Limited did not declare or pay any dividends. No dividend will be paid in relation to the year ended 30 June 2022.

(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 AND ASSOCIATES

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 34(A).

(H) INTEREST-BEARING LIABILITIES

The parent entity has total interest-bearing liabilities of $6,274 million (2021: $7,288 million), of which $628 million (2021: $1,035 million) represents secured loans payable to controlled entities. Of the $5,646 million (2021: $6,253 million) payable to other parties, $3,260 million (2021: $4,055 million) represents secured bank loans and other secured loans, with the remaining balance representing unsecured loans.

(I) NET ASSET POSITION OF QANTAS AIRWAYS LIMITED AS AT 30 JUNE 2022

Qantas Airways Limited's net asset position of ($98) million at 30 June 2022 (2021: $284 million) is a direct result of the losses incurred since the outbreak of COVID-19. The negative net asset position does not impact the ability of Qantas Airways Limited to continue as a going concern or pay its debts as and when they become due and payable.

At 30 June 2022, the Group's Net Debt of $3.94 billion (below the target Net Debt range of $4.2 billion to $5.2 billion) was significantly reduced from $5.89 billion at 30 June 2021 due to the Net Free Cash Flow of $2.4 billion generated during financial year 2021/22. The Group has available liquidity of $4.6 billion, including $3.3 billion of cash and cash equivalents and a $1.3 billion undrawn facility.

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.

(A) GUARANTEES

The Qantas Group co-guarantees the finance lease obligations, on a limited liability basis, in respect of two A320 aircraft on behalf of Jetstar Japan to the external lessors in exchange for guarantee fees to the Qantas Group. The Qantas Group has also provided indemnities to Japan Airlines for up to 50 per cent of Japan Airlines' guarantees provided to Jetstar Japan's creditor banks in relation to letters of credit for maintenance reserves on two leased A320 aircraft and unsecured bank loans.

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 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.

(B) 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.

Notes to the Financial Statements continued

For the year ended 30 June 2022

35 ACQUISITION OF SUBSIDIARY

On 31 May 2022, the Group acquired a 51 per cent controlling equity interest in TAD Holdco Pty Limited (TripADeal) which has been consolidated into the Group as a subsidiary.

TripADeal was established in 2011, specialising in packaged holidays with set itineraries, including flights, hotel accommodation and tours. TripADeal will continue to work with a range of airlines, including Qantas and Jetstar, on the holiday packages it offers. TripADeal's packaged holiday offering complements the Group's existing online travel businesses, which focus on flights and hotel packages.

From the date of acquisition up to 30 June 2022, TripADeal's contribution to revenue and earnings before interest and tax was not material.

Identifiable assets acquired and liabilities assumed

The fair value of TripADeal's intangible assets (including customer relationships, brand names and intellectual property) has been measured provisionally, pending completion of an independent valuation. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition and identifies adjustments to the amounts recognised, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

The goodwill is mainly attributable to the skills and technical talent of TripADeal's workforce, the benefits from integrating TripADeal into the Group's Loyalty and Airline strategies and expected synergies, and intangible assets that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for tax purposes.

	2022 $M
Payment for the acquisition of controlled entities, net of cash acquired[1]	(54)
Brand names and trademarks	40
Other assets	40
Customer contracts/relationships	7
Revenue received in advance	(103)
Other liabilities	(17)
Deferred tax liabilities	(12)
Fair value of identifiable net liabilities acquired (excluding cash)	**(45)**
Non-controlling interest	**(5)**
Goodwill	**104**

1 Net of $56 million cash acquired.

Put and call option

In addition, the Group has a call option and minority shareholders have a put option over the remaining 49 per cent of the shares in TripADeal, exercisable after four years. The put option liability was initially recognised against reserves as reported in the Statement of Changes in Equity. Subsequent changes in measurement are recognised in reserves in equity.

36 POST-BALANCE SHEET DATE EVENTS

Other than as noted in Note 10 – Dividends and Other Shareholder Distributions, there has not arisen, in the interval between 30 June 2022 and the date of this Report, any other event that would have a material impact on the Consolidated Financial Statements as at 30 June 2022.

Notes to the Financial Statements continued

For the year ended 30 June 2022

37 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, operational and financial objectives.

Material business risks arising from the ongoing impact of COVID-19 are being critically managed to ensure a sustained recovery for the Group. The Recovery Plan is on track to deliver the targeted $1 billion of ongoing structural cost benefits by financial year 2022/23. With the prolonged impact of COVID-19, 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 and meet travel demand and customer expectations.

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

COVID-19 outbreak management: Through its 'Fly Well' and 'Work Well' programs, Qantas has continued implementing initiatives aimed at preventing the introduction and spread of COVID-19 in workplaces and aircraft for the protection of our people and our customers. These controls not only seek to protect health but also support business continuity. The Qantas Group continues to adapt its risk mitigations to changing circumstances and government regulations and restrictions and will adapt its policies, processes and practices as appropriate. Given the Group's geographic footprint, these changes are often jurisdiction-specific, requiring a multi-layered framework to ensure compliance.

Operational Ramp-up: The Group has seen a faster than expected return of travel demand, for both domestic and international travel, following the rapid easing of travel restrictions in the second half of financial year 2021/22. Supported by a successful vaccination program, this includes signs of renewed customer confidence following the delay in travel recovery resulting from Delta and Omicron. Despite this, the operational challenges presented in the second half of financial year 2021/22 demonstrate that whilst demand may be more resilient to COVID-19, the operational disruptions created by COVID-19 sickness, tight labour market, and adverse weather and airport infrastructure events, may continue and particularly if government mandated restrictions return. As such, the Group continues to retain flexibility in planning its capacity settings, recruiting and training employees to support capacity growth and investing in operations to respond to sudden changes in demand should further waves of the pandemic occur.

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. COVID-19 and the geopolitical tensions, including the ongoing war in Ukraine and strained relations between China and Taiwan, have 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. In more recent times, some macroeconomic risks have emerged as central banks normalise interest rates following an extensive period of accomodative monetary policy, which may impact future economic demand. To address these risks, the Group retains flexibility to adjust capacity and has developed and identified responses to address a range of scenarios, including multi-year high fuel prices, low exchange rate, high inflation rate, and weak Australian dollar, to protect the Group's financial position.

Fuel and foreign exchange volatility: The Qantas Group is subject to fuel price (including refining margin) and foreign exchange risks. These risks are an inherent part of the operations of an airline and as such, are an industry-wide risk. For the Qantas Group, the size of the Group's fuel and foreign exchange risk will vary with operational capacity, size of fleet renewals and the routes the Group operates. The Qantas Group manages its fuel and foreign exchange risks through a comprehensive hedging program which provides time for the business to ultimately adjust its capacity to reflect the new operating environment. This was evident during the second half of financial year 2021/22, with hedging placed during the COVID-19 period providing some protection against record high fuel prices resulting from the Ukraine war, before necessary reductions in capacity to generate RASK increases occurred. Qantas will continue to hedge its fuel and foreign exchange risks in line with this program. The Group normally uses a mix of fuel derivative collars and outright options to cover underlying fuel price risk and is actively managed for changes in capacity.

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 can impact upon industry profitability. 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 a highly competitive environment, including more liberal rights of entry into Australian domestic and international markets. These policies have historically 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 and 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 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.

Notes to the Financial Statements continued

For the year ended 30 June 2022

37 MATERIAL BUSINESS RISKS (CONTINUED)

Employee relations: The Qantas Group operates in a highly regulated employment market and a large 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 Group has developed business continuity planning arrangements, including testing and rehearsal (to the extent possible), to provide continuity of operations in the event of an industrial action.

In the first half of financial year 2021/22, the Group focused on returning stood down employees to work in response to planned increases in demand for air travel. These plans were impacted by significant COVID-19 outbreaks which led to widespread lockdowns in New South Wales and Victoria. The Group recognises that future outbreaks of COVID-19 due to new variants may lead to employees having to further self-isolate. These periods of self-isolation have also led to operational disruption as frontline staff are unable to attend their workplace resulting in operational challenges and schedule disruption. This has been amplified as our suppliers and other parts of the aviation industry are experiencing similar COVID-19-driven resource constraints. This situation requires increased efforts to ensure that our people remain connected to the organisation, and their health and wellbeing are 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. 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 prolonged impact of COVID-19 on the airline industry continues to negatively impact the ability to attract and retain appropriate talent and technical/specialist resources. The labour market's constrained environment will continue to put pressure on planned capacity given the need to ramp-up the workforce to support operations over the next few months. Management continues to develop and implement contingency/action plans to manage the impact of the ongoing labour shortage on the Group.

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, credit 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. The Group continues to provide customers with flexibility and options to utilise their flight credits, vouchers, and TravelPass and is actively encouraging customer usage. Loss of brand preference due to prolonged operational issues is also a key customer risk and ensuring on time performance and reliability remains a key priority for the Group.

In addition, the Qantas Group is vulnerable to long-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. As customer preferences shifted significantly due to COVID-19, as well as ensuring operational resilience, the Group is looking to transform the customer experience through a multi-year program of work aimed at adapting to new customer journey requirements, market learnings and business need, to ensure the Group's strong market position is maintained.

Climate change: The Group recognises that human-induced climate change is a significant issue for the aviation industry and is committed to reducing its greenhouse gas (GHG) emissions in line with the Paris Climate Agreement to limit warming to well below 2 degrees Celsius above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. Climate-related risks include both physical risks (such as increased extreme weather events) and transition risks (including development of alternative fuel and changes to government policy, law and regulation). The Group will manage these risks through mechanisms including, but not limited to, scenario analysis to inform the Group's strategy; robust governance; adopting lower-GHG emissions technology; operational and market-based controls; and monitoring government policy. More detail will be provided in the 2022 Sustainability Report. In 2019, the Group announced its ambition to achieve net zero GHG emissions by 2050 and to cap net GHG emissions at 2019 levels. In March 2022, the Qantas Group's Climate Action Plan was released with targets for: a 25 per cent reduction in net emissions from 2019 levels by 2030; 10 per cent sustainable aviation fuel in fuel mix by 2030; and an average of 1.5 per cent fuel efficiency improvements to 2030.[1] The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning its corporate disclosures with the Taskforce on Climate-related Financial Disclosures (TCFD). These disclosures will be available in the 2022 Sustainability Report.

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, public customer complaints or operational performance) 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.

[1] An average 1.5 per cent per annum fuel efficiency improvement starting from 2023, baselined to 2019.

Notes to the Financial Statements continued

For the year ended 30 June 2022

37 MATERIAL BUSINESS RISKS (CONTINUED)

Cyber security and data governance: As cyber breaches and attacks surge globally and remote ways of working continue, 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's Data Governance Framework has been enhanced 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.

The Group continues to work with its key suppliers to improve resource capacity and implement contingency plans to address the labour shortage challenges driven by the influenza season and recent spike in COVID-19 cases and the corresponding isolation requirements, coupled with the ongoing tight labour market. The Group has implemented dedicated account management protocols with structured engagement and Group governance to provide oversight of third-party service providers' performance to enable the uplift of the Group's performance and meet customers' expectations.

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. The majority of 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). Furthermore, 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 2022

38 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 are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. 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 38(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.

v. Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business combination and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Note 35 provides further information on the Group's recent business combination.

Notes to the Financial Statements continued

For the year ended 30 June 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Consolidated Income Statement.

At initial recognition, the Group measures a non-controlling interest put option financial liability at the present value of the estimated redemption amount, through equity via the put option reserve. The subsequent remeasurement includes all changes in the carrying amount of the liability, including the accretion of interest and is recognised in the put option reserve.

Notes to the Financial Statements continued

For the year ended 30 June 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

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 the 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.

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).

Notes to the Financial Statements continued

For the year ended 30 June 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

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 surcharges 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.

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.

Notes to the Financial Statements continued

For the year ended 30 June 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) REVENUE RECOGNITION (CONTINUED)

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 at its relative stand-alone selling price. 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 it has a provisional high level of assurance, that the Qantas Group has paid the right amount of tax, under the ATO Justified Trust Program. 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 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) TAXES (CONTINUED)

i. Tax Compliance

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. Impairment loss is recognised in the Consolidated Income Statement.

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 2022

38 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 judgement. 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 38(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	2 – 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 2022

38 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.

Notes to the Financial Statements continued

For the year ended 30 June 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) LEASES (CONTINUED)

i. Initial Recognition (continued)

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.

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. On 31 March 2021, the IASB extended the period of application of the practical expedient up until 30 June 2022 (originally 30 June 2021). 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.

v. Sale and Leaseback

A sale and leaseback transaction is one where the Group sells an asset in accordance with AASB 15 *Revenue from Contracts with Customers,* and simultaneously reacquires the use of the asset by entering into a lease with the buyer.

The Group measures the right of use asset arising from the leaseback at the portion of the previous carrying amount that is retained by the Group, with any difference between the right of use asset and the lease liability reflected in the gain on sale. Accordingly, any residual gain from the disposal of assets is representative of the rights transferred to the buyer and is recognised in the Consolidated Income Statement.

Notes to the Financial Statements continued

For the year ended 30 June 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. Cloud computing arrangements involve service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Where the Group does not receive a software intangible asset at the contract commencement date, costs incurred for the customisation and configuration are generally recognised as an expense when the work is performed. Fees for use of the underlying software are recognised as the service is provided over the contract period.
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.

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.

Notes to the Financial Statements continued

For the year ended 30 June 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) PROVISIONS (CONTINUED)

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.
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.

Notes to the Financial Statements continued

For the year ended 30 June 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Financial Statements continued

For the year ended 30 June 2022

38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 purchased and held by the Qantas-sponsored Employee Share Plan Trust are recognised as treasury shares at their purchase price and deducted from equity on the purchase date.

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 the 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 following:

- 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*
- The fair value reserve, comprising the fair value gains/(losses) on investments at fair value through other comprehensive income
- The put option reserve, comprising the recognition and remeasurements of a put option liability over relevant non-controlling interests, which is recognised in equity, in accordance with AASB 10 *Consolidated Financial Statements*

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 2022

38 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 are not allocated to operating segments, 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 2022

39 NEW STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT

IFRIC Cloud Computing Arrangement Decision

IFRIC published a final agenda decision in April 2021 in relation to the capitalisation of costs associated with cloud computing arrangements, which provided new guidance and requirements in assessing whether costs incurred to implement these arrangements were capitalised as intangible assets.

The Group's accounting policy has historically been to capitalise costs related to cloud computing arrangements in line with prevailing accounting standards and interpretations, where they meet the relevant criteria for capitalisation.

As a result of the final agenda decision and new guidance, the Group is required to retrospectively apply the decision as a change in accounting policy, and instead expense certain costs relating to cloud computing arrangements or, in certain circumstances, to defer these expenses as a prepayment and recognise them over the term of the cloud computing arrangement.

This has resulted in the restatement of the Consolidated Balance Sheet at 30 June 2020 and 30 June 2021, and the Consolidated Income Statement and the Operating Segment results for the year ended 30 June 2021. There was no impact to the Consolidated Cash Flow Statement for the year ended 30 June 2021.

The new accounting policy is presented in Note 38(J)i.

Application of the new guidance

In applying the new accounting policy, Management has made the following key judgements that may have the most significant effect on the amounts recognised in the Consolidated Financial Statements:

Determining whether configuration and customisation services are distinct from the access to the cloud provider's application software

Implementation costs, including costs to configure or customise the cloud provider's application software, are generally recognised as an expense when the services are received.

Where the cloud computing service supplier provides the configuration and/or customisation services, judgement has been applied to determine whether or not these services are distinct from the underlying use of the cloud provider's application software.

Distinct configuration and/or customisation costs are expensed as incurred, which is typically upfront, as the software is configured, customised or integrated. Distinct configuration and/or customisation costs are costs incurred by the Qantas Group or third parties engaged by the Group to implement or integrate a cloud computing arrangement.

Non-distinct configuration and/or customisation costs are expensed over the cloud computing contract term, as these are typically performed by the cloud provider and are not separable from the cloud computing arrangement itself. Non-distinct customisation activities significantly enhance or modify a cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based application is significant or not.

Capitalisation of configuration and customisation costs in cloud computing arrangements

In implementing cloud computing arrangements, the Group may develop software code that either enhances, modifies or creates additional capability to the Group's existing controlled software. This software code may, for example, be used to connect with the cloud-based application to existing controlled software. Where the costs incurred are unique to the cloud computing arrangement and do not provide the Group with any further benefits in another cloud arrangement and do not significantly enhance existing controlled software, these are expensed as incurred.

Judgement has been applied in determining whether the changes to the controlled software meet the definition of and recognition criteria for an intangible asset in accordance with AASB 138 *Intangible Assets*.

Notes to the Financial Statements continued

For the year ended 30 June 2022

39 NEW STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP (CONTINUED)

IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (CONTINUED)

(A) CONSOLIDATED BALANCE SHEET RESTATEMENT

The impact on the Consolidated Balance Sheet as at 30 June 2020 is:

	30 June 2020 $M	IFRIC Cloud Computing Decision $M	30 June 2020 (restated) $M
CURRENT ASSETS			
Cash and cash equivalents	3,520	–	3,520
Receivables	520	–	520
Lease receivables	2	–	2
Other financial assets	216	–	216
Inventories	306	–	306
Assets classified as held for sale	58	–	58
Income tax receivable	137	–	137
Other	193	–	193
Total current assets	**4,952**	**–**	**4,952**
NON-CURRENT ASSETS			
Receivables	101	–	101
Lease receivables	23	–	23
Other financial assets	139	–	139
Investments accounted for under the equity method	59	–	59
Property, plant and equipment	11,726	–	11,726
Right of use assets	1,440	–	1,440
Intangible assets	1,050	(156)	894
Deferred tax assets	167	47	214
Other	369	–	369
Total non-current assets	**15,074**	**(109)**	**14,965**
Total assets	**20,026**	**(109)**	**19,917**
CURRENT LIABILITIES			
Payables	2,351	–	2,351
Revenue received in advance	2,784	–	2,784
Interest-bearing liabilities	868	–	868
Lease liabilities	524	–	524
Other financial liabilities	238	–	238
Provisions	1,539	–	1,539
Total current liabilities	**8,304**	**–**	**8,304**
NON-CURRENT LIABILITIES			
Payables	99	–	99
Revenue received in advance	2,256	–	2,256
Interest-bearing liabilities	5,825	–	5,825
Lease liabilities	1,318	–	1,318
Other financial liabilities	47	–	47
Provisions	651	–	651
Total non-current liabilities	**10,196**	**–**	**10,196**
Total liabilities	**18,500**	**–**	**18,500**
Net assets	**1,526**	**(109)**	**1,417**
EQUITY			
Issued capital	3,104	–	3,104
Treasury shares	(51)	–	(51)
Reserves	(173)	–	(173)
Accumulated losses	(1,357)	(109)	(1,466)
Equity attributable to members of Qantas	**1,523**	**(109)**	**1,414**
Non-controlling interests	3	–	3
Total equity	**1,526**	**(109)**	**1,417**

Notes to the Financial Statements continued

For the year ended 30 June 2022

39 NEW STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP (CONTINUED)

IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (CONTINUED)

(A) CONSOLIDATED BALANCE SHEET RESTATEMENT (CONTINUED)

The impact on the Consolidated Balance Sheet as at 30 June 2021 is:

	30 June 2021 $M	IFRIC Cloud Computing Decision $M	30 June 2021 (restated) $M
CURRENT ASSETS			
Cash and cash equivalents	2,221	–	2,221
Receivables	579	–	579
Lease receivables	5	–	5
Other financial assets	176	–	176
Inventories	279	–	279
Assets classified as held for sale	1	–	1
Other	169	–	169
Total current assets	**3,430**	**–**	**3,430**
NON-CURRENT ASSETS			
Receivables	54	–	54
Lease receivables	47	–	47
Other financial assets	185	–	185
Investments accounted for under the equity method	57	–	57
Property, plant and equipment	10,787	–	10,787
Right of use assets	1,109	–	1,109
Intangible assets	849	(104)	745
Deferred tax assets	675	31	706
Other	687	–	687
Total non-current assets	**14,450**	**(73)**	**14,377**
Total assets	**17,880**	**(73)**	**17,807**
CURRENT LIABILITIES			
Payables	1,813	–	1,813
Revenue received in advance	3,277	–	3,277
Interest-bearing liabilities	969	–	969
Lease liabilities	383	–	383
Other financial liabilities	17	–	17
Provisions	1,136	–	1,136
Total current liabilities	**7,595**	**–**	**7,595**
NON-CURRENT LIABILITIES			
Payables	44	–	44
Revenue received in advance	2,154	–	2,154
Interest-bearing liabilities	5,861	–	5,861
Lease liabilities	1,016	–	1,016
Other financial liabilities	5	–	5
Provisions	689	–	689
Total non-current liabilities	**9,769**	**–**	**9,769**
Total liabilities	**17,364**	**–**	**17,364**
Net assets	**516**	**(73)**	**443**
EQUITY			
Issued capital	3,186	–	3,186
Treasury shares	(18)	–	(18)
Reserves	432	–	432
Accumulated losses	(3,087)	(73)	(3,160)
Equity attributable to members of Qantas	**513**	**(73)**	**440**
Non-controlling interests	3	–	3
Total equity	**516**	**(73)**	**443**

Notes to the Financial Statements continued

For the year ended 30 June 2022

39 NEW STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP (CONTINUED)

IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (CONTINUED)

(B) CONSOLIDATED INCOME STATEMENT RESTATED

The impact on the Consolidated Income Statement for the year ended 30 June 2021 is:

	30 June 2021 $M	IFRIC Cloud Computing Decision $M	30 June 2021 (restated) $M
REVENUE AND OTHER INCOME			
Net passenger revenue	3,766	–	3,766
Net freight revenue	1,316	–	1,316
Other revenue and income	852	–	852
Revenue and other income	**5,934**	**–**	**5,934**
EXPENDITURE			
Manpower and staff-related	1,970	–	1,970
Aircraft operating variable	1,555	–	1,555
Fuel	835	–	835
Depreciation and amortisation	1,929	(52)	1,877
Share of net loss of investments accounted for under the equity method	129	–	129
Impairment of assets and related costs	270	–	270
De-designation of fuel and foreign exchange hedges	(33)	–	(33)
Redundancies and related costs	297	–	297
Net gain on disposal of assets	(26)	–	(26)
Other	1,058	–	1,058
Expenditure	**7,984**	**(52)**	**7,932**
Statutory loss before income tax expense and net finance costs	**(2,050)**	**52**	**(1,998)**
Finance income	20	–	20
Finance costs	(321)	–	(321)
Net finance costs	**(301)**	**–**	**(301)**
Statutory loss before income tax expense	**(2,351)**	**52**	**(2,299)**
Income tax benefit	623	(16)	607
Statutory loss for the period	**(1,728)**	**36**	**(1,692)**

Notes to the Financial Statements continued

For the year ended 30 June 2022

39 NEW STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP (CONTINUED)

IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (CONTINUED)

(C) ALLOCATION OF ADOPTION OF IFRIC CLOUD COMPUTING DECISION TO OPERATING SEGMENTS

The impact of the IFRIC Cloud Computing decision on the results of the operating segments for the year ended 30 June 2021 is:

30 June 2021 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations	Consolidated
Underlying EBIT as previously reported	**(590)**	**(575)**	**(550)**	**272**	**(99)**	**17**	**(1,525)**
Segment allocation of IFRIC Cloud Computing decision impacting amortisation expense	15	27	9	–	1	–	52
Restated Underlying EBIT	**(575)**	**(548)**	**(541)**	**272**	**(98)**	**17**	**(1,473)**
Net finance costs					(301)		(301)
Underlying PBT					**(399)**		**(1,774)**

(D) EARNINGS PER SHARE

	30 June 2021 $M	IFRIC Cloud Computing Decision $M	30 June 2021 (restated) $M
Basic loss per share (cents)	(91.8)	1.9	(89.9)
Diluted loss per share (cents)	(91.8)	1.9	(89.9)

Notes to the Financial Statements continued

For the year ended 30 June 2022

40 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 2022. 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 101 *Classification of Liabilities as Current or Non-current*
- Amendments to AASB 3 *Reference to Conceptual Framework*
- Amendments to AASB 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to AASB 101, AASB 8 and IFRS Practice Statement 2 *Disclosure of Accounting Policies and Definition of Accounting Estimates*
- Amendments to AASB 10 and 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

Directors' Declaration

For the year ended 30 June 2022

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 2022 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 2022.
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	Alan Joyce
Chairman	Chief Executive Officer
9 September 2022	9 September 2022

Independent Auditor's Report

For the year ended 30 June 2022

To the Shareholders of Qantas Airways Limited

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 2022 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 2022
- 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:

- Passenger revenue recognition
- Frequent Flyer revenue recognition
- Derivative financial instrument accounting

Key Audit Matters are those matters that, in our professional judgement, 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 2022

Passenger revenue recognition

Refer to Note 4(A) and 38(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 caused by the COVID-19 pandemic led to a significant decline in global and domestic travel demand, which resulted in capacity reductions leading to a 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 current conditions and changes to conditions of carriage to determine breakage at 30 June 2022.

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.
- using data analytics and sampling techniques, checking passenger revenue transactions to underlying records including evidence of payment and flight records to assess the accuracy of the revenue recognised.
- using data analytics and sampling techniques checking 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 communications to customers, 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 recovery from 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 2022

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.

Given the complex judgements, we involved our valuation and 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:

- involving our valuation specialists, 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 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 2022

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 2022 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 2022

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 2022

REPORT ON THE REMUNERATION REPORT

Opinion

In our opinion, the Remuneration Report of Qantas Airways Limited for the year ended 30 June 2022, 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 37 to 62 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG	Julian McPherson	Caoimhe Toouli
KPMG	Julian McPherson	Caoimhe Toouli
	Partner	Partner
	Sydney	Sydney
	9 September 2022	9 September 2022

Shareholder Information

For the year ended 30 June 2022

The shareholder information set out below was applicable as at 12 August 2022.

TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares Held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	558,094,186	29.59
J P Morgan Nominees Australia Pty Limited	311,644,181	16.52
Citicorp Nominees Pty Limited	183,635,750	9.74
National Nominees Limited	135,657,197	7.19
BNP Paribas Noms Pty Ltd (DRP)	61,290,709	3.25
Citicorp Nominees Pty Limited (Colonial First State INV A/C)	31,318,257	1.66
HSBC Custody Nominees (Australia) Limited – GSCO ECA	23,611,748	1.25
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	16,097,921	0.85
HSBC Custody Nominees (Australia) Limited (A/C 2)	14,827,487	0.79
HSBC Custody Nominees (Australia) Limited (NT – Comnwlth Super Corp A/C)	10,342,762	0.55
HSBC Custody Nominees (Australia) Limited – GSI EDA	10,157,671	0.54
Pacific Custodians Pty Limited (QAN Plans Ctrl)	9,982,880	0.53
Maxfill Australia Pty Ltd	8,100,000	0.43
UBS Nominees Pty Ltd	7,639,597	0.41
BNP Paribas Nominees Pty Ltd (IB AU Noms Retail Client DRP)	5,370,898	0.28
Netwealth Investments Limited (Wrap Services A/c)	3,791,609	0.20
Mutual Trust Pty Ltd	3,411,018	0.18
Alan Joyce Pty Ltd	2,728,924	0.14
Neweconomy Com AU Nominees Pty Limited (900 Account)	2,546,813	0.14
BNP Paribas Noms (NZ) Ltd (DRP)	2,252,227	0.12
Total	**1,402,501,835**	**74.36**

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shareholders by size of shareholding:

Number of Shares	Ordinary Shares Held	Number of Shareholders	% of Issued Shares
1-1000[1]	48,790,711	121,166	2.59
1,001-5,000	161,111,416	67,486	8.54
5,001-10,000	74,936,185	10,455	3.97
10,001-100,000	137,645,677	6,408	7.30
100,001 and over	1,463,560,709	220	77.60
Total	**1,886,044,698**	**205,735**	**100.00**

1 11,753 shareholders hold less than a marketable parcel of shares in Qantas, as at 12 August 2022.

ON-MARKET SHARE BUY-BACK

On 25 August 2022, Qantas announced its intention to undertake an on-market share buy-back of up to $400 million.

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

For the year ended 30 June 2022

2022		2023	
24 February	Half year results announcement	23 February	Half year results announcement
30 June	Year end	7 March	Record date for interim dividend*
25 August	Preliminary final results announcement	11 April	Interim dividend payable*
4 November	Annual General Meeting	30 June	Year end
		24 August	Preliminary final results announcement
		12 September	Record date for final dividend*
		17 October	Final dividend payable*
		3 November	Annual General Meeting

*Subject to a dividend being authorised by the Board

2022 ANNUAL GENERAL MEETING

The 2022 AGM of Qantas Airways Limited will be held in a hybrid format at 11am AEDT (Sydney time) on Friday 4 November 2022.

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

- Qantas Group Code of Conduct and Ethics
- Qantas Group Corporate Governance Statement
- Qantas Group Inclusion and Diversity Policy
- Qantas Group Modern Slavery and Human Trafficking Statement
- Qantas Group Human Rights Policy Statement
- 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

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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