

# Virgin Australia Holdings Pty Limited

ACN 100 686 226

Consolidated financial statements for the half-year  
ended 31 December 2024

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# Consolidated statement of profit or loss

For the half-year ended 31 December 2024

	Notes	Dec-2024 \$m	Dec-2023 \$m
<b>Revenue and income</b>			
Airline passenger and freight revenue		2,846.4	2,864.0
Loyalty program revenue		190.9	164.6
Other income		1.8	1.1
<b>Revenue and income</b>		<b>3,039.1</b>	<b>3,029.7</b>
<b>Expenditure</b>			
Labour and staff related		(666.0)	(601.0)
Fuel and oil		(567.8)	(616.8)
Airport charges, navigation and station operations		(551.7)	(490.1)
Commissions, other marketing and reservations		(209.2)	(205.3)
Depreciation and amortisation	2	(204.3)	(160.3)
Contract and other maintenance		(185.4)	(164.1)
Net foreign exchange (loss)/gain		(68.7)	22.0
Communications and technology		(68.3)	(65.8)
Aircraft variable leases		(45.8)	(46.9)
Other		(142.0)	(129.5)
<b>Expenditure</b>		<b>(2,709.2)</b>	<b>(2,457.8)</b>
<b>Statutory profit before net finance costs and tax</b>		<b>329.9</b>	<b>571.9</b>
Finance income		25.9	27.4
Finance costs		(107.4)	(98.1)
<b>Net finance costs</b>		<b>(81.5)</b>	<b>(70.7)</b>
<b>Statutory profit before tax</b>		<b>248.4</b>	<b>501.2</b>
Income tax benefit	3	224.7	—
<b>Statutory profit</b>		<b>473.1</b>	<b>501.2</b>
		<b>cents</b>	<b>cents</b>
Basic/diluted earnings per share		64.7	68.5

The consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2024

	Dec-2024 \$m	Dec-2023 \$m
<b>Statutory profit</b>	<b>473.1</b>	501.2
<b>Items that are or may be subsequently reclassified to profit or loss</b>		
Foreign currency translation of foreign entities	(8.3)	(0.8)
Effective portion of changes in fair value of cash flow hedges <sup>1</sup>	23.0	17.8
Net change in hedge reserve for time value of options <sup>1</sup>	(11.5)	(19.8)
Transfer of effective hedging losses/(gains) to profit or loss <sup>1</sup>	12.4	(3.4)
De-designation of cash flow hedges transferred to profit or loss <sup>1</sup>	0.1	—
<b>Total other comprehensive income/(loss)<sup>1</sup></b>	<b>15.7</b>	(6.2)
<b>Total comprehensive income</b>	<b>488.8</b>	495.0

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

<sup>1</sup> Net of tax.

# Consolidated statement of financial position

As at 31 December 2024

	Notes	Dec-2024 \$m	Jun-2024 \$m
<b>Current assets</b>			
Cash and cash equivalents	7	1,080.8	875.6
Term deposits at bank	7	67.8	129.0
Receivables		209.8	280.3
Inventories		32.5	29.3
Derivative financial instruments		50.1	14.4
Other financial assets		11.1	22.9
<b>Total current assets</b>		<b>1,452.1</b>	<b>1,351.5</b>
<b>Non-current assets</b>			
Receivables <sup>1</sup>		143.6	36.9
Other financial assets		110.5	108.5
Property, plant and equipment	6	2,554.8	2,441.6
Intangible assets		42.9	46.5
Deferred tax assets	3	313.2	—
<b>Total non-current assets</b>		<b>3,165.0</b>	<b>2,633.5</b>
<b>Total assets</b>		<b>4,617.1</b>	<b>3,985.0</b>
<b>Current liabilities</b>			
Payables		535.1	532.2
Unearned revenue and income	4	1,437.6	1,513.6
Lease liabilities	8	237.8	212.1
Interest-bearing liabilities	9	510.7	404.6
Provisions	5	332.0	273.7
Current tax liabilities	3	95.0	—
<b>Total current liabilities</b>		<b>3,148.2</b>	<b>2,936.2</b>
<b>Non-current liabilities</b>			
Lease liabilities	8	783.3	751.1
Interest-bearing liabilities	9	857.3	972.2
Provisions	5	614.0	504.2
<b>Total non-current liabilities</b>		<b>2,254.6</b>	<b>2,227.5</b>
<b>Total liabilities</b>		<b>5,402.8</b>	<b>5,163.7</b>
<b>Net liabilities</b>	15(e)	<b>(785.7)</b>	<b>(1,178.7)</b>
<b>Equity</b>			
Share capital	10	2,240.2	2,240.2
Reserves		(506.3)	(526.2)
Accumulated losses		(2,519.6)	(2,892.7)
<b>Total equity</b>		<b>(785.7)</b>	<b>(1,178.7)</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

<sup>1</sup> Non-current receivables represent amounts owing from aircraft lessors in relation to contractually agreed contributions by the lessors to maintenance overhauls conducted by the Group.

# Consolidated statement of changes in equity

For the half-year ended 31 December 2024

		Share capital	Foreign currency translation reserve	Hedge reserve	Share- based payment reserve	Other reserves <sup>1</sup>	Accumulated losses	Total equity
	Notes	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2024</b>		<b>2,240.2</b>	<b>11.9</b>	<b>(10.8)</b>	<b>26.3</b>	<b>(553.6)</b>	<b>(2,892.7)</b>	<b>(1,178.7)</b>
<b>Statutory profit</b>		—	—	—	—	—	<b>473.1</b>	<b>473.1</b>
<b>Other comprehensive income</b>								
Foreign currency translation of foreign entities		—	(8.3)	—	—	—	—	<b>(8.3)</b>
Effective portion of changes in fair value of cash flow hedges <sup>2</sup>		—	—	23.0	—	—	—	<b>23.0</b>
Net change in hedge reserve for time value of options <sup>2</sup>		—	—	(11.5)	—	—	—	<b>(11.5)</b>
Transfer of effective hedging losses/(gains) to profit or loss <sup>2</sup>		—	—	12.4	—	—	—	<b>12.4</b>
De-designation of cash flow hedges transferred to profit or loss		—	—	0.1	—	—	—	<b>0.1</b>
<b>Total other comprehensive income<sup>2</sup></b>		<b>—</b>	<b>(8.3)</b>	<b>24.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>15.7</b>
<b>Total comprehensive income</b>		<b>—</b>	<b>(8.3)</b>	<b>24.0</b>	<b>—</b>	<b>—</b>	<b>473.1</b>	<b>488.8</b>
<b>Net change in fair value of cash flow hedges transferred to initial carrying value of hedged item</b>		<b>—</b>	<b>—</b>	<b>2.1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2.1</b>
<b>Transactions with owners</b>								
Share-based payment transactions		—	—	—	2.1	—	—	<b>2.1</b>
Dividends	11	—	—	—	—	—	(100.0)	<b>(100.0)</b>
<b>Total transactions with owners</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>2.1</b>	<b>—</b>	<b>(100.0)</b>	<b>(97.9)</b>
<b>Balance at 31 December 2024</b>		<b>2,240.2</b>	<b>3.6</b>	<b>15.3</b>	<b>28.4</b>	<b>(553.6)</b>	<b>(2,519.6)</b>	<b>(785.7)</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

<sup>1</sup> Other reserves includes transactions with owners in their capacity as owners.

<sup>2</sup> Net of tax.

# Consolidated statement of changes in equity

For the half-year ended 31 December 2024

	Share capital	Foreign currency translation reserve	Hedge reserve	Share-based payment reserve	Other reserves <sup>3</sup>	Accumulated losses	Total equity
Notes	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2023</b>	<b>2,240.2</b>	<b>10.6</b>	<b>(19.8)</b>	<b>25.3</b>	<b>(553.6)</b>	<b>(3,062.9)</b>	<b>(1,360.2)</b>
<b>Statutory profit</b>	—	—	—	—	—	501.2	501.2
<b>Other comprehensive income</b>							
Foreign currency translation of foreign entities	—	(0.8)	—	—	—	—	(0.8)
Effective portion of changes in fair value of cash flow hedges <sup>4</sup>	—	—	17.8	—	—	—	17.8
Net change in hedge reserve for time value of options <sup>4</sup>	—	—	(19.8)	—	—	—	(19.8)
Transfer of effective hedging losses/(gains) to profit or loss <sup>4</sup>	—	—	(3.4)	—	—	—	(3.4)
<b>Total comprehensive loss</b>	—	<b>(0.8)</b>	<b>(5.4)</b>	—	—	—	<b>(6.2)</b>
<b>Total comprehensive income</b>	—	<b>(0.8)</b>	<b>(5.4)</b>	—	—	501.2	<b>495.0</b>
<b>Transactions with owners</b>							
Share-based payment transactions	—	—	—	0.7	—	—	0.7
<b>Total transactions with owners</b>	—	—	—	<b>0.7</b>	—	—	<b>0.7</b>
<b>Balance at 31 December 2023</b>	<b>2,240.2</b>	<b>9.8</b>	<b>(25.2)</b>	<b>26.0</b>	<b>(553.6)</b>	<b>(2,561.7)</b>	<b>(864.5)</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

<sup>3</sup> Other reserves includes transactions with owners in their capacity as owners.

<sup>4</sup> Net of tax.

# Consolidated statement of cash flows

For the half-year ended 31 December 2024

	Notes	Dec-2024 \$m	Dec-2023 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		3,348.9	2,868.7
Payments to suppliers and employees		(2,744.9)	(2,471.8)
<b>Net cash from operating activities</b>		<b>604.0</b>	396.9
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(215.9)	(148.5)
Proceeds from disposal of property, plant and equipment		0.3	2.4
Acquisition of intangible assets		(0.9)	—
Interest received <sup>1</sup>		25.9	27.4
Payments for term deposits at bank <sup>2</sup>		(173.8)	(45.0)
Proceeds from term deposits at bank		235.0	—
Payments for deposits in other financial assets		(18.2)	(22.2)
Proceeds from deposits in other financial assets		37.2	93.8
<b>Net cash used in investing activities</b>		<b>(110.4)</b>	(92.1)
<b>Cash flows from financing activities</b>			
Proceeds from interest-bearing liabilities		22.1	—
Payment of transaction costs relating to interest-bearing liabilities		(0.5)	—
Repayment of interest-bearing liabilities		(64.4)	(72.0)
Interest paid (interest-bearing liabilities)		(44.6)	(47.0)
Payment of lease liabilities		(110.6)	(88.1)
Interest paid (lease liabilities)		(36.1)	(28.4)
Dividends paid <sup>3</sup>		(108.7)	—
<b>Net cash used in financing activities</b>		<b>(342.8)</b>	(235.5)
<b>Net increase in cash and cash equivalents</b>		<b>150.8</b>	69.3
Cash and cash equivalents at 1 July		875.6	1,087.0
Effect of exchange rate fluctuations on cash and cash equivalents		54.4	(10.8)
<b>Cash and cash equivalents</b>	7	<b>1,080.8</b>	1,145.5
<b>Term deposits at bank</b>	7	<b>67.8</b>	45.0
<b>Cash, cash equivalents and term deposits at bank at the end of the period<sup>4</sup></b>	7	<b>1,148.6</b>	1,190.5

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

<sup>1</sup> Interest received of \$27.4 million has been reclassified from financing to investing cash flows in the comparative period to align with current period presentation.

<sup>2</sup> Comparatives have been restated to reflect the classification of term deposits at bank of \$45.0 million separately from cash and cash equivalents.

<sup>3</sup> Includes \$100.0 million dividend declared and paid in the current period (note 11) and \$8.7 million dividend declared in June 2024 and paid in the current period (note 5).

<sup>4</sup> Total movement in cash and cash equivalents and term deposits from 30 June 2024 was a net increase of \$144.0 million represented by increases in cash and cash equivalents (\$150.8 million) and effect of exchange rate fluctuations on cash and cash equivalents (\$54.4 million) less a decrease in term deposits (-\$61.2 million).



# Notes to the financial statements

## A. Results

### 1. Operating segments

The Group's reportable operating segments have been identified based on the financial information currently provided to the Group's Chief Operating Decision Maker (CODM), the Chief Executive Officer, who is responsible for allocating resources and assessing the performance of the operating segments. The following operating segments have been determined based on the key business activities of the Group:

- Airlines – the Group's aviation activities, including domestic, international, charter (Virgin Australia Regional Airlines) and freight.
- Velocity – the Group's loyalty program.

	Airlines	Velocity	Eliminations	Total
Dec-2024	\$m	\$m	\$m	\$m
External segment revenue and income	2,848.2	184.2	6.7	3,039.1
Inter-segment revenue	70.9	37.2	(108.1)	—
<b>Segment revenue and income</b>	<b>2,919.1</b>	<b>221.4</b>	<b>(101.4)</b>	<b>3,039.1</b>
<b>Underlying EBITDA</b>	<b>567.3</b>	<b>66.9</b>	<b>4.7</b>	<b>638.9</b>
Depreciation and amortisation <sup>1</sup>	(197.9)	(2.1)	—	(200.0)
<b>Underlying EBIT</b>	<b>369.4</b>	<b>64.8</b>	<b>4.7</b>	<b>438.9</b>
Finance income				25.9
Finance costs				(107.4)
<b>Underlying profit before tax</b>				<b>357.4</b>
Foreign exchange revaluation loss on aircraft lease liabilities				(57.3)
IT transformation projects				(26.6)
Restructuring and transformation costs				(20.1)
Accelerated depreciation on F100 fleet				(4.3)
IPO planning and preparation costs				(0.7)
<b>Profit before tax</b>				<b>248.4</b>
Income tax benefit				224.7
<b>Statutory profit</b>				<b>473.1</b>

<sup>1</sup> Total segment depreciation and amortisation is a non-IFRS measure and excludes \$4.3 million (Dec-2023: \$7.3 million) of accelerated depreciation on F100 fleet.

## Notes to the financial statements (continued)

### 1. Operating segments (continued)

<b>Dec-2023</b>	<b>Airlines \$m</b>	<b>Velocity \$m</b>	<b>Eliminations \$m</b>	<b>Total \$m</b>
External segment revenue and income <sup>1</sup>	2,598.4	164.6	—	<b>2,763.0</b>
Inter-segment revenue	61.4	33.0	(94.4)	<b>—</b>
<b>Segment revenue and income</b>	<b>2,659.8</b>	<b>197.6</b>	<b>(94.4)</b>	<b>2,763.0</b>
<b>Underlying EBITDA</b>	<b>411.6</b>	<b>62.1</b>	<b>13.7</b>	<b>487.4</b>
Depreciation and amortisation	(150.5)	(2.4)	—	<b>(152.9)</b>
<b>Underlying EBIT</b>	<b>261.1</b>	<b>59.7</b>	<b>13.7</b>	<b>334.5</b>
Finance income				<b>27.4</b>
Finance costs <sup>2</sup>				<b>(88.3)</b>
<b>Underlying profit before tax</b>				<b>273.6</b>
Expiry of future flight credits (refer note 4)				<b>265.5</b>
Foreign exchange revaluation gain on aircraft lease liabilities				<b>15.4</b>
IT transformation projects				<b>(16.3)</b>
Restructuring and transformation costs				<b>(27.7)</b>
Accelerated depreciation on F100 fleet				<b>(7.3)</b>
IPO planning and preparation costs				<b>(2.0)</b>
<b>Profit before tax</b>				<b>501.2</b>
Income tax benefit				<b>—</b>
<b>Statutory profit</b>				<b>501.2</b>

Underlying EBITDA and Underlying EBIT are used by the CODM to assess the financial performance of the Group's segments. Underlying profit or loss before tax, Underlying EBITDA and Underlying EBIT are unaudited non-statutory measures. They are not measures recognised by the Australian Accounting Standards or the International Financial Reporting Standards (IFRS) and are thus non-IFRS information.

Underlying profit or loss before tax represents profit or loss before tax excluding certain revenue and expenses that are considered to be transformational or outside of the Group's normal operating activities and also excludes foreign exchange revaluation gains or losses on aircraft lease liabilities. Underlying EBIT represents underlying profit or loss before tax excluding finance income and finance costs. Underlying EBITDA represents Underlying EBIT excluding depreciation and amortisation.

Inter-segment pricing is determined on an arm's length basis or a cost-plus margin basis.

Costs related to the Group's corporate functions (e.g. legal, human resources, finance, information technology, etc.) have been primarily included in the results of the Airline segment.

<sup>1</sup> Total segment revenue and income excludes \$266.7 million of revenue from expiry of Future Flight Credits, which is included in airline passenger revenue in the consolidated statement of profit or loss. Note expiry of future flight credits is net of \$1.2 million associated expenses.

<sup>2</sup> Total segment finance costs are a non-IFRS measure and excludes \$9.8 million of interest and finance charges relating to restructuring costs.

## 2. Depreciation and amortisation

	Notes	Dec-2024 \$m	Dec-2023 \$m
Depreciation of property, plant and equipment	6	106.1	82.8
Depreciation of right of use assets	6	95.0	73.3
Amortisation of intangibles		3.2	4.2
<b>Total depreciation and amortisation</b>		<b>204.3</b>	<b>160.3</b>

## 3. Taxation

### a) Reconciliation of income tax expense

	Dec-2024 \$m	Dec-2023 \$m
<b>Statutory profit before tax</b>	<b>248.4</b>	501.2
Tax expense at the Australian tax rate of 30% (2024: 30%)	(74.5)	(150.4)
<i>Tax effect of amounts which are not included in taxable income:</i>		
Net movements in temporary differences not recognised	(42.7)	(15.1)
Utilisation of previously unrecognised tax losses	23.6	165.3
Recognition of previously unrecognised deferred tax asset	319.7	—
Other non-deductible or non-assessable amounts	(1.4)	0.2
<b>Income tax benefit</b>	<b>224.7</b>	—
<b>Represented by:</b>		
Current tax expense	(95.0)	—
Deferred tax benefit <sup>1</sup>	319.7	—
<b>Income tax benefit</b>	<b>224.7</b>	—

### b) Deferred tax assets

	Gross		Deferred tax	
	Dec-2024 \$m	Jun-2024 \$m	Dec-2024 \$m	Jun-2024 \$m
<b>Carried forward tax losses as at 1 July</b>	<b>514.8</b>	1,149.7	<b>154.4</b>	344.9
Carried forward tax losses utilised	(78.6)	(576.0)	(23.6)	(172.8)
Prior year tax adjustments	—	(58.9)	—	(17.7)
<b>Tax losses carried forward</b>	<b>436.2</b>	514.8	<b>130.8</b>	154.4
<b>Net temporary differences</b>	<b>1,044.0</b>	923.3	<b>313.2</b>	277.0
<b>Net deferred tax assets</b>	<b>1,480.2</b>	1,438.1	<b>444.0</b>	431.4
<b>Represented by:</b>				
Recognised deferred tax assets <sup>1</sup>	1,044.0	—	313.2	—
Unrecognised deferred tax assets	436.2	1,438.1	130.8	431.4
<b>Total net deferred tax assets</b>	<b>1,480.2</b>	1,438.1	<b>444.0</b>	431.4

<sup>1</sup> Of the deferred tax assets recognised at 31 December 2024, \$319.7 million was recognised in profit or loss and partially offset by \$6.5 million recognised within other comprehensive income associated with the hedge reserve.

### 3. Taxation (continued)

#### b) Deferred tax assets (continued)

##### Critical accounting estimates and judgements

Deferred tax assets for deductible temporary differences and carried forward tax losses are recognised only to the extent that it is probable that taxable profit will be available against which they can be utilised. Judgement is required in determining the probability, timing and extent of future taxable profits, particularly where there is a history of losses.

The Group generated a taxable profit in the half-year ended 31 December 2024 representing a continuation of taxable profits generated in the years ended 30 June 2023 and 30 June 2024. As the Group has utilised all of its available carry forward tax losses over this period (excluding those relating to pre-administration activities – refer below), The Group has recognised income tax payable at 31 December 2024 of \$95.0 million in its current liabilities and a corresponding amount of current income tax expense in the statement of profit or loss.

At 31 December 2024, the Group has updated its assessment of the recognition of deferred tax assets under the requirements of AASB 112. This assessment utilised the Group's FY25 forecast and 5-year plan to demonstrate it is probable that sufficient taxable profits will be available in future years to support the recoverability of deferred tax assets arising from temporary differences. As a result, the Group has recognised a net deferred tax asset of \$313.2 million at 31 December 2024 and a corresponding amount of deferred income tax benefit in profit or loss or other comprehensive income as no deferred tax asset had been previously recognised.

In developing its forecast of taxable profits in future years, the Group has considered a range of factors including recent operating performance, current market conditions, competitor behaviour and relevant business risks including the outlook for fuel prices and foreign exchange rates. The use of forward-looking information increases the degree of judgement required. Revisions to estimates of future taxable profits (including the timing of these profits) and the tax positions of the Group could necessitate future adjustments to the deferred tax balances recognised in the financial report.

The unrecognised deferred tax asset at 31 December 2024 of \$130.8 million relates to tax losses carried forward from the Group's activities prior to entering Voluntary Administration. The quantum of these tax losses able to be used by the Group remains subject to completion of the Administration process, including payment of final dividends to creditors, and an assessment of the tax impacts of the final amount of debts forgiven. There is the risk that the quantum of the historical losses may reduce and no longer be available to the group as a result of this process. The Group expects this process will be completed prior to 30 June 2025. Given the availability of these tax losses remain subject to uncertainties, the Group has not recognised them as deferred tax assets at 31 December 2024. Should it be determined that these pre-administration losses are available to the Group on completion of the Administration process, they will be used to offset the Group's current tax liability generated in the current and future reporting periods.

Any tax losses that are carried forward by the Group will be subject to Australia's loss integrity provisions, should they be utilised in future periods.

## B. Working capital and other assets and liabilities

This section sets out information relating to the working capital and other assets and liabilities of the Group. Working capital includes the assets and liabilities that are used in the day-to-day trading operations of Group.

### 4. Unearned revenue and income

	Dec-2024 \$m	Jun-2024 \$m
Unearned passenger revenue	839.6	947.1
Unearned loyalty program revenue	583.8	553.3
Other unearned income	14.2	13.2
<b>Total unearned revenue and income</b>	<b>1,437.6</b>	<b>1,513.6</b>
Current	1,437.6	1,513.6
<b>Total unearned revenue and income</b>	<b>1,437.6</b>	<b>1,513.6</b>

### Critical accounting estimates and judgements

#### i. Unearned passenger revenue

The Group issues credit vouchers in a range of circumstances and classifies these as current as there are no restrictions on the ability of passengers to utilise these credits. Credit vouchers are recognised as revenue when carriage is performed, following redemption of the voucher or when the likelihood of a passenger utilising the voucher becomes remote, based on historical and expected future trends.

Judgement is used in estimating the revenue to be recognised from the proportion of unused tickets and credit vouchers which are expected to expire. In determining the proportion of passengers who are not expected or able to utilise their ticket or credit voucher in the financial year, management have considered the terms and conditions associated with credit vouchers issued by the Group, including the extended period of time provided to passengers to utilise these credits.

At 31 December 2024, the Group holds a total of \$180.3 million (30 June 2024: \$187.8 million) of flight credits (included within unearned passenger revenue) after recognising the impact of passengers who are not expected to utilise their credits. This includes credits issued between 21 April 2020 and 31 July 2022 (COVID credits) of \$101.0 million with an expiry date of 30 June 2025 (30 June 2024: \$107.0 million). Remaining credits have expiry terms of 12 months from issuance date.

At 31 December 2023, the Group recognised \$266.7 million of revenue associated with the expiry of Future Flight Credits in line with published terms and conditions. These bookings were made before the previous VA business entered voluntary administration on 20 April 2020, when all funds were placed under the control of external administrators. Post administration VA did not hold the funds associated with these bookings.

## 5. Provisions

	Dec-2024 \$m	Jun-2024 \$m
Maintenance	688.6	520.4
Employee benefits	220.7	213.3
Dividend	—	8.7
Other provisions	36.7	35.5
<b>Total provisions</b>	<b>946.0</b>	<b>777.9</b>
Current	332.0	273.7
Non-current	614.0	504.2
<b>Total provisions</b>	<b>946.0</b>	<b>777.9</b>

### Critical accounting estimates and judgements

The calculation of the maintenance provision requires the use of significant estimates and judgements. These include the expected use of the aircraft during the lease term, required timing of prescribed shop visits and forecast or contractual maintenance costs. The provision is discounted using corporate bond rates at the reporting date which most closely match the terms of maturity of the related provision. Changes in judgements and estimates relating to forecast costs and discount rates are recognised in the consolidated statement of profit or loss.

## C. Tangible assets

### 6. Property, plant and equipment

	Aircraft and aeronautic		Plant and equipment	Buildings and property		Computer equipment	Work in progress	Other	Total
Dec-2024	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Owned/leased	Owned <sup>1</sup>	Leased	Owned	Owned	Leased	Owned	Owned <sup>1</sup>	Leased	
At 1 July 2024	1,517.8	623.9	42.1	4.5	118.9	19.0	104.6	10.8	<b>2,441.6</b>
Additions	112.9	79.6	0.7	—	1.3	1.9	99.9	—	<b>296.3</b>
Lease modifications	—	26.7	—	—	(2.4)	—	—	—	<b>24.3</b>
Transfers from WIP	118.4	—	6.5	0.9	—	2.1	(127.9)	—	<b>—</b>
Disposals	(5.6)	(0.7)	—	—	—	—	—	—	<b>(6.3)</b>
Depreciation	(96.5)	(79.1)	(4.8)	(0.1)	(13.6)	(4.7)	—	(2.3)	<b>(201.1)</b>
<b>At 31 December 2024</b>	<b>1,647.0</b>	<b>650.4</b>	<b>44.5</b>	<b>5.3</b>	<b>104.2</b>	<b>18.3</b>	<b>76.6</b>	<b>8.5</b>	<b>2,554.8</b>
At cost	2,655.9	1,166.0	219.9	19.5	270.7	63.6	76.6	27.6	<b>4,499.8</b>
Accumulated depreciation and impairment	(1,008.9)	(515.6)	(175.4)	(14.2)	(166.5)	(45.3)	—	(19.1)	<b>(1,945.0)</b>
	<b>1,647.0</b>	<b>650.4</b>	<b>44.5</b>	<b>5.3</b>	<b>104.2</b>	<b>18.3</b>	<b>76.6</b>	<b>8.5</b>	<b>2,554.8</b>
Total pledged as security against interest-bearing liabilities	1,236.4	—	10.5	—	—	—	—	—	<b>1,246.9</b>

<sup>1</sup> Includes deposits and other costs incurred in respect of aircraft which have not yet been delivered of \$383.3 million (30 June 2024: \$301.2 million) . These amounts are not being depreciated.

## D. Capital structure and financial risks

### 7. Cash, cash equivalents and term deposits

	Dec-2024	Jun-2024
	\$m	\$m
Cash at bank and on hand	514.1	211.8
Short term deposits	566.7	663.8
<b>Total cash and cash equivalents</b>	<b>1,080.8</b>	875.6
<b>Term deposits at bank</b>	<b>67.8</b>	129.0
<b>Total cash, cash equivalents and term deposits</b>	<b>1,148.6</b>	1,004.6

A portion of the Group cash is held by the independent Trustee as liquidity for The Loyalty Trust, or pledged by the Group as security for certain arrangements. The amount of cash and cash equivalents not available for use of the Group is \$131.9 million (30 June 2024: \$118.2 million).

Term deposits at bank are bank term deposits with an initial term of between 4 - 6 months of which \$40.3 million matures by 31 March 2025 and all mature within the second half of FY25.

### 8. Lease liabilities

	Dec-2024	Jun-2024
	\$m	\$m
Aircraft leases	878.8	808.5
Property leases	131.8	142.3
Other leases	10.5	12.4
<b>Total lease liabilities</b>	<b>1,021.1</b>	963.2
Current	237.8	212.1
Non-Current	783.3	751.1
<b>Total lease liabilities</b>	<b>1,021.1</b>	963.2

In addition to the above, the Group has entered into lease commitments for the right to use aircraft and property which have yet to be delivered as at 31 December 2024. The undiscounted value of these contractual lease commitments which are not reflected on balance sheet is \$491.0 million (30 June 2024: \$288.2 million).



## 9. Interest-bearing liabilities

	Dec-2024 \$m	Jun-2024 \$m
Secured aircraft finance facilities	788.5	798.8
Secured loan	433.3	431.8
Unsecured loan	146.2	146.2
<b>Total interest-bearing liabilities</b>	<b>1,368.0</b>	<b>1,376.8</b>
Current	510.7	404.6
Non-current	857.3	972.2
<b>Total interest-bearing liabilities</b>	<b>1,368.0</b>	<b>1,376.8</b>

### Facility terms

	Currency	Calendar year of maturity	Dec-2024		Jun-2024	
			Carrying/ drawn amount	Facility limit	Carrying/ drawn amount	Facility limit
			\$m	\$m	\$m	\$m
Secured aircraft finance facilities						
– Aircraft	AUD	2025 - 2031	349.6	349.6	393.6	393.6
– Aircraft	USD	2025 - 2036	411.6	411.6	380.6	380.6
– Aircraft	JPY	2028	27.3	27.3	24.6	24.6
Secured loans						
– Bank	AUD	2029 - 2030	433.3	433.3	431.8	431.8
Unsecured loan						
– Shareholders	AUD	2025	146.2	146.2	146.2	146.2
			1,368.0	1,368.0	1,376.8	1,376.8

### Assets pledged as security

The Group has \$171.4 million of available standby letters of credit and guarantee facilities, of which, \$110.0 million is drawn (30 June 2024: \$131.9 million and \$78.1 million respectively). At 31 December 2024 standby letters of credit and bank guarantees on issue were secured with cash collateral or secured over property and equipment. The carrying amount of property, plant and equipment pledged as security for interest-bearing liabilities is disclosed in note 6.

## 10. Share capital

### Ordinary share capital

	Dec-2024 \$m	Jun-2024 \$m
Balance at 1 July: 731.8 million ordinary shares (2024: 731.8 million)	2,240.2	2,240.2
<b>Balance at 31 December: 731.8 million ordinary shares (2024: 731.8 million)</b>	<b>2,240.2</b>	<b>2,240.2</b>

Ordinary shares carry one vote per share and carry the right to dividends. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. All authorised shares have been issued and fully paid and have no par value.

## 11. Dividends

The following unfranked dividend was declared and paid by Virgin Australia Holdings Pty Limited (VAH) for the half-year.

	Dec-2024 \$m	Dec-2023 \$m
13.67 cents per ordinary share (2024: nil)	100.0	—
<b>Total dividends declared and paid</b>	<b>100.0</b>	<b>—</b>

## 12. Fair value measurement

Financial assets and liabilities are measured at either fair value or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices that are directly or indirectly observable
- Level 3 - Inputs are not observable based on market data

There have been no changes in the nature of financial assets and liabilities or changes to the way the Group measures fair value since 30 June 2024. Refer to the 30 June 2024 consolidated financial statements for further information.

The other financial assets also include maintenance reserve deposits which is based on level 3 inputs.

The financial instruments disclosed in the table below are all measured based on level 2 valuation methods. The carrying amounts of financial assets and liabilities not detailed in the following table approximate their fair values.

	Dec-2024		Jun-2024	
	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m
<b>Financial assets carried at fair value</b>				
Derivative financial instruments	50.1	50.1	14.4	14.4
<b>Financial liabilities carried at amortised cost</b>				
Secured aircraft finance facilities	788.5	778.8	798.8	784.9
Secured loans	433.3	450.0	431.8	450.0
Unsecured loan	146.2	150.7	146.2	150.7

## E. Other items

This section sets out other disclosures that may be relevant to understanding the financial position and performance of the Group.

### 13. Commitments and contingencies

#### Capital commitments

The Group has capital expenditure commitments to purchase property, plant and equipment and intangibles contracted at the reporting date but not recognised as liabilities. At 31 December 2024 the Group has capital expenditure commitments of \$2,137.2 million (30 June 2024: \$2,011.7 million) relating to the purchase of additional aircraft. These commitments are predominantly in US dollars. US dollar amounts are translated to Australian dollars at the 31 December 2024 closing exchange rate of 0.6188 (30 June 2024: 0.6670). Commitments relating to right of use aircraft and property leases are detailed in note 8.

#### Contingent liabilities

The Group has provided bank guarantees, standby letters of credit and surety bonds to third parties as guarantees of payment for aircraft lease security deposits and maintenance reserve deposits, non-aircraft lease commitments, a workers' compensation self-insurance licence and other arrangements entered into with third parties. As at 31 December 2024, the total outstanding is \$110.0 million (30 June 2024: \$78.1 million). Refer to note 9 for further information on facility limits.

### 14. Events subsequent to reporting date

On the 27th February, the Australia Government approved the proposed sale by Bain Capital of a minority 25 per cent investment in Virgin Australia to the Qatar Airways Group (Qatar). This follows the Australian Competition and Consumer Commission's (ACCC) Draft Determination on 18 February indicating its intention to authorise the proposed integrated alliance between Virgin Australia and Qatar, with final approval expected in March/April 2025. The proposed integrated alliance also remains subject to a decision from the International Air Services Commission (IASC) on the allocation of air rights for services between Australia and Qatar. No other matters or circumstances have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

### 15. Other information

#### a) Company information

Virgin Australia Holdings Pty Limited (VAH) (the Company) is a for-profit company incorporated and domiciled in Australia. BC Hart Investments L.P. (BC Hart) is the immediate and ultimate parent entity, domiciled in Delaware, USA. The principal activities of the Group are the operation of a domestic and short-haul international airline (including charter and cargo) and a loyalty program. The Group's principal place of business is Level 11, 275 Grey Street, Brisbane, Queensland, Australia.

The consolidated financial statements of the Company as at and for the half-year ended 31 December 2024 comprise the Company and its subsidiaries (collectively, the Group), and the Group's interests in associates.

### 15. Other information (continued)

#### b) Statement of compliance

These half-year financial statements are a condensed general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* (AASB 134). Compliance with AASB 134 ensures compliance with International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting*. The condensed half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual report.

The consolidated financial statements of VAH as at and for the half-year ended 31 December 2024 were authorised for issue by management on 28 February 2025.

#### c) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical costs, except where assets and liabilities are stated at fair value in accordance with relevant accounting policies.

The financial statements are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2024.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financials) Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in the consolidated financial statements have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

The consolidated financial statements have been prepared to assist the Directors for the purpose of their due diligence in relation to a potential Initial Public Offering.

#### d) 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 the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates are reviewed on an ongoing basis and any revisions to estimates are recognised prospectively. Key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are described in the following notes:

- Note 3 - Taxation – recognition of deferred tax assets
- Note 4 - Unearned revenue and income – unearned passenger and loyalty program revenue
- Note 5 - Maintenance provision

## 15. Other information (continued)

### e) Going concern and net liability position

The Group has prepared the financial statements for the year ended 31 December 2024 on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. At 31 December 2024 the Group's current liabilities exceeded its current assets by \$1,696.1 million (30 June 2024: \$1,584.7 million) including a current liability for unearned revenue of \$1,437.6 million (30 June 2024: \$1,513.6 million). The Group also has a net asset deficiency of \$785.7 million (30 June 2024: \$1,178.7 million).

Management has prepared cash flow forecasts that support the Group's ability to continue as a going concern over the coming 12-month period from the date of issuing these financial statements. Key considerations impacting the assumptions used within these forecasts include:

- The Group continuing to grow its operations with a focus on the Australian domestic market;
- Allowances for uncertainties in economic conditions which may impact the demand for air travel and the Group's operating costs;
- Current market expectations of fuel prices and foreign exchange risk;
- Expenditures relating to the Group's continuing investments in IT and transformation programs;
- Repayments due under debt facilities, refinancing of existing facilities falling due over the forecast period and funding secured for future aircraft deliveries; and
- Extent and timing of utilisation of travel credits held by passengers and other unearned revenue.

Based on these forecasts, together with access to its available unrestricted cash reserves, the directors consider that the Group will continue as a going concern and be able to meet its obligations as and when they fall due over the coming 12-month period from the date these financial statements were authorised for issue.

# Management's assertion statement

In the opinion of the management of Virgin Australia Holdings Pty Limited (the Company):

a) The consolidated financial statements and notes that are set out on pages 3-22:

i. present fairly the financial position of the Group as at 31 December 2024, and its performance for the half-year ended on that date in accordance with the statement of compliance and basis of preparation described in note 15; and

ii. comply with Australian Accounting Standards AASB 134 Interim Financial Reporting; and

b) There are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.



Jayne Hrdlicka

**Chief Executive Officer**

Brisbane, 28 February 2025



Race Strauss

**Chief Financial Officer**

Brisbane, 28 February 2025



# Independent Auditor's Review Report

To the Directors of Virgin Australia Holdings Pty Limited

## Conclusion

We have reviewed the accompanying **Half-year financial statements** of the **Group** prepared to meet the needs of the Directors for the purpose of their due diligence in connection with a potential initial public offering.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying Half-year financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2024 and of its performance and its cash flows for the six-month period ended on that date, in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* adopted by the Australian Accounting Standards Board and IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

The **Half-year financial statements** comprises:

- Consolidated statement of financial position as at 31 December 2024;
- Consolidated statement of profit or loss, Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 15 including selected explanatory notes.

The **Group** comprises Virgin Australia Holdings Pty Limited (the Company) and the entities it controlled at the period end, being 31 December 2024, or from time to time during the period 1 July 2024 to 31 December 2024.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year financial statements* section of our report.

We are independent of the Group in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.





## Responsibilities of Management for the Half-year financial statements

Management of the Company are responsible for:

- the preparation and fair presentation of the Half-year financial statements in accordance with *Australian Accounting Standard AASB 134 Interim Financial Reporting* adopted by the *Australian Accounting Standards Board* and *IAS 34 Interim Financial Reporting* as issued by the *International Accounting Standards Board*, and have determined that the financial reporting framework is appropriate to meet the needs of the Directors for the purpose of their due diligence in relation to a potential initial public offering;
- such internal control as Management determine is necessary to enable the preparation and fair presentation of the Half-year financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Review of the Half-year financial statements

Our responsibility is to express a conclusion on the Half-year financial statements based on our review and to report our conclusion solely to the Directors of Virgin Australia Holdings Pty Limited. As a result of the purpose for which the Half-year financial statements are prepared, the Half-year financial statements and this Auditor's Review Report may not be suitable for another purpose.

ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Half-year financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 December 2024 and of its performance and its cash flows for the six-months ended on that date, in accordance with *Australian Accounting Standard AASB 134 Interim Financial Reporting* adopted by the *Australian Accounting Standards Board* and *IAS 34 Interim Financial Reporting* as issued by the *International Accounting Standards Board*.

A review of the Half-year financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG  
Brisbane  
28 February 2025

# Corporate directory

## Principal administrative and registered office

Virgin Australia Holdings Pty Limited  
Level 11, 275 Grey St  
South Brisbane, QLD 4101 Australia  
Telephone: (07) 3295 3000 (within Australia) or +61 7 3295 3000 (outside Australia)

## Auditors

KPMG  
Level 11, Heritage Lanes  
80 Ann Street  
Brisbane, QLD 4000 Australia

# Virgin Australia Holdings Pty Limited

ACN 100 686 226

Consolidated financial statements for the year ended 30  
June 2024

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# Directors' report

The directors present their report on the consolidated entity comprising Virgin Australia Holdings Pty Limited ACN 100 686 226 (VAH or the Company) and the entities it controlled at the end of, or during, the financial year ended 30 June 2024 (collectively, VA or the Group).

## Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr Ryan Cotton (Chair)  
Ms Jayne Hrdlicka (CEO/Managing Director)  
Mr Raymond Hass  
Mr Barnaby Lyons  
Mr Michael Murphy  
Mr Warwick Negus  
Mr Joshua Hartz (Alternate Director)  
Mr Charles Lawson (Alternate Director)  
Mr Stephen Pagliuca (Alternate Director)

Except where otherwise indicated, each director named above held office for the whole financial year through to the date of this report.

## Overview and principal activities

The Group's primary business is operating a passenger airline, VA, which offers domestic and short-haul international regular passenger transport (RPT) and charter services. The Group also operates the Velocity Frequent Flyer loyalty program (Velocity).

The Group's ambition is to be the most loved airline in Australia with a winning team that attracts the very best, generates extraordinary loyalty from our guests, and delivers outstanding returns.

This is guided by five key strategic pillars:

- Operational excellence
- Experiences our guests love
- A simple, focused business
- Strong financial performance
- Virgin flair

## FY24 snapshot

In the 2024 financial year, VA continued to focus on delivering great value and choice to its core customer segments – premium leisure travellers, small and medium enterprises (SME), and value-conscious corporate travellers. The Group connected more than 19 million guests to 45 domestic and short-haul international destinations on nearly 400 daily flights. Six new Boeing 737 MAX-8 aircraft were delivered, supporting fleet growth and renewal and bringing the total number of aircraft in the Group's fleet to 101. More than 7,800 team members were directly employed at the end of the financial year, with an increase in operational and frontline roles from FY23. Membership of the Velocity business grew to more than 12 million members, or the equivalent of one member in every Australian household. With a share of approximately one-third of the Australian domestic market, VA continued to apply critical competitive pressure to the country's dominant airline group.

### Operational performance

The Group continued to focus on delivering improved operational performance in the 2024 financial year following a challenging post-COVID ramp-up.

VA's operations experienced some challenges at the end of the 2023 calendar year, however a marked turnaround in the first half of 2024 saw the airline return to pre-COVID levels of performance in April 2024, when on-time performance reached 82.6% and more than 98% of scheduled flights were completed. In the second half of the financial year, VA recorded a lower cancellation rate than its major competitor for five out of six months.

External factors including weather and air traffic control staff shortages continued to impact airline performance during the financial year.

### Group statutory performance

	2024 \$m	2023 \$m	Movement \$m	Movement %
Revenue and income	<b>5,634.1</b>	5,011.4	622.7	12.4%
Expenditure	<b>(4,951.4)</b>	(4,770.7)	(180.7)	(3.8%)
Net finance costs	<b>(137.3)</b>	(105.3)	(32.0)	(30.4%)
<b>Statutory profit before tax</b>	<b>545.4</b>	135.4	410.0	302.8%
Income tax expense	<b>—</b>	(6.3)	6.3	100.0%
<b>Statutory profit</b>	<b>545.4</b>	129.1	416.3	322.5%

Last year the Group achieved a milestone realising its first statutory profit in 11 years. The group has continued its growth over the last 12 months achieving a profit of \$545.4 million in FY24, an increase of \$416.3 million or 322.5% from the prior year.

Overall demand has remained strong in FY24 compared to the prior year, with total carried passengers increasing by 1.6% to 19.2 million. Passenger growth was driven by international route Available Seat Kilometre (ASK) growth due to the annualisation of short-haul international routes launched in FY23. For Domestic, FY24 yields were below prior year, largely due to the normalisation of the prior year imbalance of demand and supply. During FY24, the Group responded to the market with an increase in ASKs and 2.7% more flights operated compared to FY23. Strong charter trip growth and an increased uptake of ancillary services contributed to a step up in other revenue.

The FY24 revenue and income includes a \$280.7 million one-off expiry of Future Flight Credits (FFCs). FFCs, which are further discussed on page 10, relate to bookings made before the previous VA business entered voluntary administration on 20 April 2020, when all funds were placed under the control of external administrators. Post administration VA did not hold the funds associated with these bookings. Removing the FFCs and other non-underlying items would result in FY24 achieving an adjusted \$393.4 million (2023: \$337.1 million) underlying profit before tax.

## Directors' Report (continued)

Expenditure increased \$180.7 million or 3.8% to \$4,951.4 million during the year which reflects the operational growth from increased flying and investment in IT and transformation. Specific costs to note are:

- Labour and staff-related expenditure has risen significantly in FY24. Driving this increase is the pay increases and higher allowances approved during the year as part of the new Enterprise Agreements across various workstreams. Higher disruption payments in the first half of the year also contributed to the increase in the first half which subsided as operations improved in the second half of the year.
- The year-on-year costs associated with airport charges and navigation has also increased significantly. This is a result of increased rates across security fees which are a pass through from the airports and airport charges. This is further increased by more activity and increased flying to international ports.
- Aircraft fuel costs decreased due largely to a decrease in the effective fuel prices during the year.
- Other expenditure has increased broadly in line with inflation and is offset by the business actively maintaining rigorous cost management.

The Group continues to closely manage its high inflationary environment. The continuing transformation plan is ensuring the business keeps its cost base down to offset inflation while building a stronger balance sheet. In FY25 the business will continue its focus on ensuring the execution of the transformation initiatives which are crucial for mitigating the impact of inflation.

### Group underlying performance

	2024 \$m	2023 \$m	Movement \$m	Movement %
Statutory profit before tax	545.4	135.4	410.0	302.8%
<i>Add back:</i>				
Expiry of future flight credits (refer note 12) <sup>1</sup>	(277.9)	—	(277.9)	100.0%
Foreign exchange revaluation (gain)/loss on aircraft lease liabilities	(2.7)	19.8	(22.5)	(113.6%)
IPO planning and preparation costs	3.3	8.0	(4.7)	(58.8%)
IT transformation projects	35.8	54.8	(19.0)	(34.7%)
Impairment of assets and accelerated depreciation on F100 fleet	14.8	20.8	(6.0)	(28.8%)
Restructuring costs	69.2	96.2	(27.0)	(28.1%)
Other	5.5	2.1	3.4	161.9%
<b>Underlying profit before tax</b>	<b>393.4</b>	<b>337.1</b>	<b>56.3</b>	<b>16.7%</b>
Net finance costs <sup>2</sup>	126.0	102.3	23.7	23.2%
<b>Underlying EBIT</b>	<b>519.4</b>	<b>439.4</b>	<b>80.0</b>	<b>18.2%</b>

Underlying profit before tax and Underlying Earnings Before Interest and Tax (EBIT) is used by the business to assess the financial performance of the Group. Segment revenue and income and underlying expenses exclude certain items that are considered to be transformational or outside of the Group's normal operating activities and also excludes foreign exchange revaluation gains or losses on aircraft lease liabilities. Segment revenue and income and underlying expenses, underlying profit before tax and underlying EBIT are unaudited non-statutory measures. They are not measures recognised by the Australian Accounting Standards or the International Financial Reporting Standards (IFRS) and are thus non-IFRS information.

<sup>1</sup> Total segment revenue and income excludes \$280.7 million of revenue from expiry of Future Flight Credits, which is included in airline passenger revenue in the consolidated statement of profit or loss. Note expiry of future flight credits is net of \$2.8 million of associated expenses.

<sup>2</sup> Total segment finance costs are a non-IFRS measure and excludes \$11.3 million (2023: \$3.0 million) of interest and finance charges relating to restructuring costs.

## Airline performance

	2024	2023	Movement	Movement
	\$m	\$m	\$m	%
Segment revenue and income	5,145.9	4,873.4	272.5	5.6%
Underlying expenses	(4,430.4)	(4,221.8)	(208.6)	(4.9%)
Depreciation and amortisation	(323.5)	(289.3)	(34.2)	(11.8%)
<b>Underlying EBIT</b>	<b>392.0</b>	<b>362.3</b>	<b>29.7</b>	<b>8.2%</b>
<b>Underlying EBIT Margin</b>	<b>7.6%</b>	<b>7.4%</b>		<b>0.2%</b>

During FY24, the Group's Airline segment generated Underlying EBIT of \$392.0 million, representing an Underlying EBIT margin of 7.6%. This compares to an Underlying EBIT of \$362.3 million in the prior year, an Underlying EBIT margin of 7.4%. The significant improvement in Underlying EBIT reflects a 5.6% increase in segment revenue and income, attributable to greater capacity and strong uptake of new and existing ancillary products. In FY24, VA operated an average of 397 regular public transport (RPT) flights a day (2023: 350), carrying more than 19.2 million (2023: 18.9 million) domestic and international passengers throughout the year, up 1.6% from the prior year.

Airline flown revenue achieved a 2.6% growth compared to prior year and reflects revenue growth and resilience across all key segments: Corporate, SME, Leisure (via VA website) and Ancillaries.

Total underlying expenses including depreciation and amortisation increased 4.9% to \$4,430.4 million, consistent with the growth. Apart from increased activity, the large contributor to costs were:

- Labour cost increase was driven by the successful negotiations of the Cabin Crew, Engineers, Guest Services, IOC, Ramp and Virgin Tech employee agreements.
- Airport charges, navigation and station operations cost increase was due to the increase in contracted rates.

## Fleet investment

VA took delivery of six new 737 MAX-8s and retired four F100 aircraft during FY24, bringing its 737 fleet to 91 and total fleet to 101.

737 MAX-8 aircraft reduce emissions by at least 15% per flight and are up to 40% quieter compared to the older generation 737s. They also feature new generation interiors, with modern seats and quieter cabins.

In November 2023, VA announced it would increase its fleet of 737 MAX-8s by six, bringing the airline's total number of MAX-8s to 14 and total planned latest generation aircraft to 39. Delivery of these additional six aircraft was expected in the first half of FY25 but is now anticipated in the second half of FY25 due to production delays at Boeing. Up to 25 737 MAX-10s are expected to join the fleet from FY26.

VA also commenced a \$110 million interior refresh program in late 2023 to bring the interiors of its existing 737 fleet in line with the new-look MAX-8. During FY24, 14 aircraft were reconfigured to include new Economy and Business class seats with in-seat power. The investment in the existing fleet has been well-received by customers, with the customer satisfaction on refurbished aircraft on average five points higher than those travelling on aircraft with the original configuration. The roll-out of in-flight Wi-Fi continued and 67% of VA's fleet is now Wi-Fi enabled.



## Directors' Report (continued)

Virgin Australia Regional Airlines (VARA), the Group's WA-based regional and charter business, is seeking a replacement for the outgoing Fokker F100 to best service WA charter market routes. At the end of FY24, two aircraft types were being considered. A decision was made in early FY25 as referenced below in significant events after the balance date.

Aircraft	November 2020 (exiting administration)	June 2023	June 2024
	#	#	#
Boeing 737 <sup>1</sup>	58	85	91
Airbus A320	5	7	7
Fokker 100	11	7	3
<b>Total</b>	74	99	101

### Network and alliance update

During FY24, the Group operated 66 domestic and 13 international routes connecting customers with 44 destinations directly. Globally, VA's customers had access to more than 600 destinations, including through codeshare and redemption arrangements with international partner airlines. VA's international partners include United Airlines, Qatar Airways, All Nippon Airways (ANA), Singapore Airlines, Air Canada and Hawaiian Airlines.

#### *Network changes*

VA commenced two new direct services to Uluru from Melbourne and Brisbane in June 2024 in partnership with the Northern Territory Government and Voyages Indigenous Tourism Australia. The new services will inject more than 62,000 passenger seats per year to the Red Centre.

VA responded to a request from the Australian Government to lift capacity between Australia and Vanuatu following the liquidation of Air Vanuatu in May 2024. This included increasing the number of services between Brisbane and Vanuatu from two to five per week in May and June. Shortly after, VA's application to the International Air Services Commission (IASC) for additional seat capacity to Vanuatu was granted, enabling a further increase to Brisbane-Port Vila services. This brings total VA services between Australia and Vanuatu to up to seven per week, facilitating an important longstanding connection for VA.

In July 2024 VA announced it would cease operating its once-daily flight between Cairns and Tokyo, Haneda from 24 February 2025. The decision to withdraw from the route followed the slow recovery of inbound visitors travelling from Japan to Australia. VA's customers and Velocity Frequent Flyer members continue to have access to up to 17 services each week between Australia and Japan with the airline's partner, ANA.

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<sup>1</sup> Including MAX-8, 737-800 and 737-700.

## Directors' Report (continued)

### *Alliance partnerships*

In November 2023, VA submitted an application for authorisation to both the Australian Competition and Consumer Commission (ACCC) and New Zealand Ministry of Transport to enter into a unilateral codeshare and frequent flyer program arrangement on Air New Zealand's trans-Tasman services. The partnership would give VA customers the ability to buy Air New Zealand flights into Auckland, Wellington, and Christchurch through VA selling channels, complementing its existing Queenstown services and expanding the airline's footprint across the Tasman. The partnership would also allow members of Velocity to accrue and redeem points on these services, and receive recognition and high-value guest benefits such as lounge entry where applicable. VA has since received authorisation from the ACCC and at the date of this report was awaiting a determination from the New Zealand regulator. If approved, the airlines intend to launch codeshare selling during FY25.

Closer to home, a new codeshare and frequent flyer program partnership with Link Airways was launched, expanding travel opportunities for millions of regional Australians. Link Airways operates more than 90 services per week with a VA codeshare, including services to Inverell, Wollongong, and Biloela which were not previously serviced by any other major airline. The partnership allows VA customers to travel between 41 domestic and regional destinations on a single booking while earning both points and status credits. Since inception in January 2024, More than 18,000 customers have travelled on Link Airways having booked through the VA codeshare, and nearly 5,000 have connected from or to VA's own network.

### Velocity performance

	2024	2023	Movement	Movement
	\$m	\$m	\$m	%
Segment revenue and income	409.0	330.3	78.7	23.8%
Underlying expenses	(289.0)	(245.9)	(43.1)	(17.5%)
Depreciation and amortisation	(4.8)	(7.0)	2.2	31.4%
<b>Underlying EBIT</b>	<b>115.2</b>	<b>77.4</b>	<b>37.8</b>	<b>48.8%</b>
<b>Underlying EBIT Margin</b>	<b>28.2%</b>	<b>23.4%</b>		<b>4.8%</b>

During FY24, Velocity generated Underlying EBIT of \$115.2 million (2023: \$77.4 million), representing an underlying EBIT margin of 28.2% (2023: 23.4%). Revenue and income increased by 23.8% in comparison to FY23 with strong growth in financial services and consumer partner billings while airline travel demand broadly returned to pre-COVID levels driving an increase in both billings and redemptions, particularly international partners. Velocity continued to invest in the development and growth of the business by expanding the partner ecosystem and investing in talent and digital.

With more than 2,270 new members added every day, Velocity Frequent Flyer grew to 12.3 million members by the end of FY24, a 7.2% increase as compared to the prior year. The financial year saw Velocity deliver strong member engagement with a 13.0% increase in active members. Velocity membership was boosted with multiple campaigns including status match offers (inviting Gold members and above of competitor airline loyalty programs to apply for a 3-month Velocity Discover Gold Status trial membership) and expanding the partner ecosystem further with an increased footprint in travel, ride-share and utilities.

## Cashflows

	2024 \$m	2023 \$m	Movement \$m	Movement %
Operating cashflows	900.3	1,042.9	(142.6)	(13.7%)
Investing cashflows	(325.2)	54.0	(379.2)	(702.2%)
Financing cashflows	(780.7)	(848.0)	67.3	7.9%
<b>Net cash (outflow)/inflow</b>	<b>(205.6)</b>	248.9	(454.5)	(182.6%)
Cash and cash equivalents at the beginning of the year	1,087.0	833.4	253.6	30.4%
Effect of foreign exchange	(5.8)	4.7	(10.5)	(223.4%)
<b>Cash and cash equivalents at the end of the year</b>	<b>875.6</b>	1,087.0	(211.4)	(19.4%)
<b>Term deposits at bank</b>	<b>129.0</b>	—	129.0	100.0%
<b>Cash, cash equivalents and term deposits at the end of the year</b>	<b>1,004.6</b>	1,087.0	(82.4)	(7.6%)

Operating cashflows decreased by \$142.6 million to \$900.3 million driven by lower working capital with normalising of the booking curve back to pre-COVID levels. FY23 saw a significant increase in demand post border lockdowns which has since returned to more normal levels in FY24. This was offset by improvement in EBITDA.

Investing cash inflows during FY24 were \$325.2 million, a \$379.2 million increase, driven primarily by higher heavy maintenance capital expenditure with more scheduled maintenance events and an increase in aircraft induction costs with additional aircraft deliveries as well as transfers to term deposits.

Financing cash outflows for FY24 were \$780.7 million, with a \$366.5 million dividend paid to shareholders in June 2024. During the year the existing debt facilities were refinanced with a new facility at the Velocity level totalling \$450.0 million. Payment of lease liabilities increased year on year with additional leased aircraft deliveries and existing aircraft rolling off power by the hour arrangements (variable activity based lease payments).

At 30 June 2024, The Group's total cash, cash equivalents and term deposits balance including term deposits was \$1,004.6 million with unrestricted cash of \$757.4 million.

## Financial position

	2024 \$m	2023 \$m	Movement \$m	Movement %
Cash, cash equivalents and term deposits	1,004.6	1,087.0	(82.4)	(7.6%)
Property, plant and equipment	2,441.6	2,065.4	376.2	18.2%
Other assets	538.8	568.9	(30.1)	(5.3%)
<b>Total assets</b>	<b>3,985.0</b>	<b>3,721.3</b>	<b>263.7</b>	<b>7.1%</b>
Unearned revenue and income	(1,513.6)	(1,856.2)	342.6	18.5%
Lease liabilities	(963.2)	(811.0)	(152.2)	(18.8%)
Interest-bearing liabilities	(1,376.8)	(1,454.5)	77.7	5.3%
Other liabilities	(1,310.1)	(959.8)	(350.3)	(36.5%)
<b>Total liabilities</b>	<b>(5,163.7)</b>	<b>(5,081.5)</b>	<b>(82.2)</b>	<b>(1.6%)</b>
<b>Net liabilities</b>	<b>(1,178.7)</b>	<b>(1,360.2)</b>	<b>181.5</b>	<b>13.3%</b>

The Group is in a net liability position at 30 June 2024 of \$1,178.7 million (2023: \$1,360.2 million).

Total assets were \$3,985.0 million as at 30 June 2024, represents an increase of \$263.7 million on the prior year. This was driven by an increase in property plant and equipment and right of use assets due to the delivery of six MAX-8 aircraft, extension of aircraft leases, spare engine purchases and spend in relation to the interior refresh program.

The \$82.2 million increase in total liabilities to \$5,163.7 million is driven by the revision of the maintenance provisions and lease liabilities due to fleet growth and lease extensions and higher payables and accruals from growing operations. This was partly offset with a reduction in unearned revenue reflecting the credits taken up or expired in FY24, and the decrease in interest bearing liabilities reflecting repayments made throughout the year.

Deferred tax assets of \$431.4 million (2023: \$595.0 million) that relate to prior year tax losses and other temporary differences have not been reflected on the balance sheet. Refer note 6 of the consolidated financial statements for further details.

### Review of operations

#### Technology update

The Group remains focused on the digital transformation of the business following a \$300 million investment in technology launched under a multi-year roadmap in 2021. Since this time, the Technology function has undergone significant rebuilding, enhancing its capability to support the airline's transformation and demonstrating its ability to deliver large-scale business and technology change at pace.

The team's focus initially was on transformation in customer, commercial and loyalty to relaunch the airline, and transformation in technology to build capability and address legacy technology and cyber risks. In FY24, the focus has shifted to optimisation and preparing for the future, including building operational resilience.

Numerous business changes have been delivered including a new portal for VARA charter customers, and new forms of digital payment including PayPal, Apple Pay and PayID options. The Technology function has also been central to the rollout of the new automated passenger recovery system, and VA's baggage tracking tool.

#### *Technology investments*

Following a domestic pilot program in May 2023, VA expanded its baggage tracking tool in January 2024 to include all domestic and international routes, as well as additional tracking notifications for guests. The first-to-market technology means customers can now track their bags end-to-end via the VA app, receiving push notifications when their baggage has been checked in, loaded onto the aircraft, transferred to a connecting carrier, and upon arrival. The tool also advises which baggage carousel bags can be collected from once the guest is at their final destination. It has been used more than 4.5 million times by guests since the pilot program was launched. VA maintained industry-leading mishandled luggage rates of under 2 bags per 1,000 passengers during FY24, well below the latest reported global average.

A self-service disruption management tool for guests impacted by a flight disruption has also been rolled out across the VA network. The tool allows guests to view revised flight details, explore alternate flight options across a three-day window, and book accommodation and transport through the VA app.

Following the investment in digital customer touchpoints, call volumes reduced by nearly 10% in FY24 compared to FY23, with average call centre wait times down to less than a minute at the end of FY24. VA has also seen significant increases in customer Net Promoter Score (NPS) and app store scores, demonstrating an improvement in customer experience.

#### Customer initiatives

##### *Bring on Wonderful*

VA delivered the second instalment of its uplifting brand campaign, Bring on Wonderful, in April 2024. The campaign features VA baggage handlers who unexpectedly break out into dance, injecting some wonderful into the start of a family holiday. The light-hearted campaign followed the airline's significant investment in customer experience innovations during 2023 and 2024 and came as operational performance returned to pre-COVID levels.

##### *Velocity partnerships*

Velocity reached 12.3 million members during the 2024 financial year, with the program now boasting the equivalent of one member in every Australian household. As membership continued to grow, new partners joined the Velocity mix, including DiDi, AGL and Experience Oz. A significantly expanded partnership with All Nippon Airways (ANA), launched in July 2023 increasing codeshare opportunities and member loyalty benefits on ANA's global network.

## Directors' Report (continued)

### **Awards**

The Group won two prestigious AirlineRatings.com Airline Excellence Awards during the financial year: Best Cabin Crew for the sixth consecutive year and for the first time, Best Regional Airline for VARA. VA was also listed in the top 10 premium airlines globally in May 2024, with partner airline Qatar Airways topping the list. The Airline Excellence Awards are judged by editors with over 200 years of combined aviation experience and consider more than 350 airlines globally.

### **Pets on board**

In March 2024 VA signalled its intent to be the first airline in the country to operate flights where pets could travel with their owners in the cabin. The announcement, which reached millions globally, preceded broad stakeholder engagement which was ongoing at the end of FY24. Under the proposal, the service would be limited to small cats and dogs on specific domestic routes, and pets would be restricted to certain designated rows, placed under the seat in front of the owner in a VA-approved pet carrier.

### **Flight credits**

In September 2023, VA announced the extension of 'COVID' flight credits for the third time, giving customers until 30 June 2025 to use their credits. 'COVID' credits were issued between 21 April 2020 and 31 July 2022 and relate to the period of time following VA's exit from administration and throughout COVID-19. At the time VA extended the validity of 'COVID' credits, approximately 90% had already been used by customers. 'COVID' credits were designed to be simple to use. They remain valid to book travel on all VA flights, including long-haul international codeshare flights with a VA flight number in both business and economy classes. Direct booking credits can also be used with no minimum spend and for any passenger, not just those on the original booking.

On 31 December 2023, \$280.7 million in Future Flight Credits (FFCs) expired, more than three years after they were created. These credits related to bookings made before the previous VA business entered voluntary administration on 20 April 2020, when all funds were placed under the control of external administrators. FFCs were created by VA's new owner, Bain Capital, to provide an immediate mechanism for guests to recapture the full value of their pre-administration bookings. This step was approved by the Federal Court of Australia, and FFCs were acknowledged by the Australian Competition and Consumer Commission (ACCC) as distinct from other types of credits held by VA and other airlines.

## **People update**

The Group's workforce reached more than 7,800 employees by the end of FY24.

During FY24 the business worked collaboratively with unions and team member representatives to finalise nine new Enterprise Agreements (EAs) across various workgroups. One key EA was VA Cabin Crew, which was voted up by 90% of team members, the first time in the history of the airline that a cabin crew EA has been approved on the first ballot. The VA pilot EA continues to be progressed into FY25.

In December 2023, VA confirmed it would insource its Brisbane, Sydney, and Melbourne international ramp (baggage handling) operations from early 2024, complementing existing insourced domestic ramp operations across mainline ports. The decision reflected VA's commitment to upskill and deliver additional career opportunities for its ramp workgroup.

### Sustainability and community update

#### *Decarbonization and climate change*

VA takes a multi-faceted approach to decarbonization and prioritises efforts on ways to reduce direct emissions through operational efficiencies and fleet renewal.

Fleet modernisation is one of the most powerful levers to reduce operational emissions in the short-to-medium term. The introduction of more fuel-efficient MAX family aircraft supports the airline's 2030 ambition of reducing carbon emissions intensity by 22% and commitment to targeting net zero emissions by 2050. As mentioned above, VA took delivery of six 737 MAX-8s in FY24.

Sustainable Aviation Fuel (SAF) is essential to energy transition in the aviation industry. It does, however, remain economically challenging with current global prices between two and five times higher than conventional jet fuel. VA is a member of the Australian Government's Jet Zero Council (JZC), which was established in June 2023. The JZC brings together various industry stakeholders to provide advice to Government on the aviation industry's transition to net zero emissions. VA has taken on the leadership of the SAF accounting workstream, in conjunction with Boeing. SAF accounting enables the environmental attributes of the fuel to be accounted for separately from the physical fuel, and provides a potential option for airlines to participate in the global SAF market, whilst an Australian industry is established.

This year, VA entered into a sustainability-focused Memorandum of Understanding (MoU) with Boeing, a long-term partner of the business. The MoU is intended to focus collaboration on several areas of sustainability, including SAF, carbon offsetting, First Nations Engagement and workforce development and inclusion, and Australia-US bilateral clean energy co-operation.

Recognising the long-term challenge of decarbonisation, VA has a Fly Carbon Neutral Program which enables guests to opt-in to offset the carbon emissions from their flights. In FY24, VA started to investigate opportunities to optimise this program. This work will continue into FY25.

The Group recognises the need to meet multiple emissions reduction requirements, including voluntary commitments and legislated mechanisms, particularly the Safeguard Mechanism applicable to VA's domestic operations and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) relevant to VA's international operations. The Group, therefore, has developed an integrated carbon strategy to help optimise these requirements and achieve lowest cost carbon abatement. Operationalising key initiatives under this strategy will be a key focus in FY25.

The Group acknowledges the potential impact of climate change and its impacts on the business. Climate-related risks and opportunities will be addressed in the 2024 Sustainability Report. The Group is closely monitoring the introduction of the new Australian Sustainability Reporting Standards and is working to ensure the business is ready to report in line with these requirements.

#### *Environmental regulation*

The Group is subject to environmental regulations under federal, state, territory, local and international jurisdictions. The Group is committed to environmental sustainability and meeting all of its regulatory obligations. These objectives are managed through:

- Regular environmental risk and compliance reporting to management, the Board and external stakeholders;
- Accountability assigned for environmental performance and compliance to relevant executives across the Group;
- A robust Environmental Management Systems (EMS) to identify environmental issues/risks, implement management programs and monitor the effectiveness of actions. The EMS is aligned to ISO:14001;
- Engagement with regulators to maintain oversight and support the evolution of regulatory obligations.

Based on the information provided and enquiries made, the Board is not aware of any material non-compliances during this reporting period.



## Directors' Report (continued)

### ***Diversity, equity and inclusion***

VA has a Belonging strategy which reflects the Group's commitment to recognising and celebrating the things that make each person unique. This is enabled by six diversity pillars: social impact, gender equity, ability, cultures and origins, pride and generations. Two important annual events championed under the Belonging strategy are International Women's Day and Pride.

To mark International Women's Day in 2024, VA operated a special flight dispatched, crewed, and managed by an all-female team. Australia's first female pilot of a major airline, Deborah Lawrie AM, was part of an all-women crew of pilots, cabin crew, ground crew, baggage handlers, air traffic controllers, a pushback driver and refueller. The flight, which received national media attention, was an opportunity to inspire the next generation of women and showcase the diverse roles aviation can offer.

VA flew hundreds of guests to Sydney aboard its signature Pride Flight services ahead of the 2024 Sydney Gay and Lesbian Mardi Gras in March. Pride Flight, which has become a legacy event for the airline after four consecutive years, was operated by LGBTQIA+ people and allies. As in previous years, \$30 from the sale of each ticket was donated to Minus18, an Australian charity improving the lives of LGBTQIA+ youth.

### ***Community partnerships***

VA maintained several community partnerships in FY24, including Starlight Children's Charity, Garma Festival, Adelaide Fringe, and What Ability. These organisations and events align with VA's purpose, values, and policies, and make a significant contribution to the Australian community.

### ***Supporting Bonza customers and people***

After Bonza went into voluntary administration in April 2024, the VA team quickly offered support to its customers and people. In the weeks following Bonza suspending operations, VA flew Bonza passengers free of charge who were stranded away from home to the closest airport to their final planned destination. Support was also offered to Bonza's team members and several hundred applications from former Bonza employees were received, with Bonza team members joining VA in a range of roles including cabin crew, flight crew, and guest services.

### ***Industry advocacy***

The Australian Government released its Aviation Green Paper in September 2023, the first step in developing a White Paper to set the policy direction of the sector for the coming decades. As a key participant in Australia's aviation ecosystem, VA responded to the paper with various policy and regulatory recommendations aimed at driving competition and creating a sustainable aviation sector for the long term. Key topics included:

- Increasing airline competition through strong regulatory oversight and enforcement, including creating a fit-for-purpose framework for negotiations between monopoly airports and airlines;
- Support for the aviation industry's contribution to net zero;
- Opportunities to improve the external complaint-handling service (Airline Customer Advocate) and noise complaints service (Noise Complaints Information Service); and
- Greater transparency and consultation around bilateral air rights agreements.

In its 2024-2025 budget, the Australian Government announced a \$1.7 billion investment into accelerating the development of a domestic SAF industry in Australia. The announcement was welcomed by VA, which noted the critical importance of decarbonising the industry while ensuring air travel remains affordable for Australian travellers.



### Significant changes in the state of affairs and key developments

There were no significant changes in the state of affairs of the Group during the financial year that are not otherwise disclosed in this report.

### Significant events after the balance date

Post 30 June, the decision was taken to replace the F100 fleet utilised in the Group's charter operations with Embraer E2 jets, with a firm order of eight aircraft.

After Regional Express Holdings Limited and a number of its subsidiaries (Rex) entered voluntary administration and grounded its 737-jet fleet in July 2024, VA offered to reaccommodate disrupted customers with a cancelled booking on an overlapping route free of charge. Rex customers were given two weeks to make this request. VA also announced it was looking to secure three of Rex's 737 aircraft due to delays in the delivery of VA's 737 MAX-8s. VA also signalled it would partner with Rex's regional business to enable access to VA's domestic and international destinations through potential codeshare or interline arrangements in the future.

No further matters or circumstances have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group.

### Dividends

During the year the Company declared and paid unfranked dividends of \$366.5 million. A further \$8.7 million in unfranked dividends were declared within the financial year and were paid after the balance sheet date.

### Business strategies, prospects and likely developments

The operating and financial review sets out information on the business strategies and prospects for future financial years and refers to likely developments in VA's operations and the expected results of those operations in future financial years. Information is provided to enable stakeholders to make an informed assessment about the business strategies and prospects for future financial years of the Group. Information that could give rise to likely material detriment to VA, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included.

### Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a director or an officer of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company has directors' and officers' liability insurance contracts in place, for all current and former officers of the Company (including directors and the company secretary). The directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the insurance contract.

### Auditor independence

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is included in this Directors' report.

### Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in the consolidated financial statements and Directors' report have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors:



**Michael Murphy**  
Director  
Sydney



**Jayne Hrdlicka**  
Director  
Brisbane

This report is made on 23 August 2024



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Virgin Australia Holdings Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Virgin Australia Holdings Pty Limited for the financial year ended 30 June 2024 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that appears to read 'T211'.

Trent Duvall  
Partner

Brisbane  
23 August 2024

# Consolidated statement of profit or loss

For the year ended 30 June 2024

	Notes	2024 \$m	2023 \$m
<b>Revenue and income</b>			
Airline passenger and freight revenue	2	5,287.4	4,747.0
Loyalty program revenue	2	334.6	252.7
Other income		12.1	11.7
<b>Revenue and income</b>		<b>5,634.1</b>	<b>5,011.4</b>
<b>Expenditure</b>			
Labour and staff related	3	(1,212.8)	(1,117.4)
Fuel and oil		(1,196.2)	(1,225.9)
Airport charges, navigation and station operations		(965.3)	(876.7)
Commissions, other marketing and reservations		(421.4)	(398.8)
Depreciation and amortisation	4	(341.0)	(308.5)
Contract and other maintenance		(327.0)	(279.6)
Communications and technology		(124.2)	(129.6)
Aircraft variable leases		(91.2)	(89.6)
Impairment of assets		(0.8)	(3.3)
Net foreign exchange gain/(loss)		4.4	(29.0)
Ineffective and non-designated derivatives		—	(1.1)
Other		(275.9)	(311.2)
<b>Expenditure</b>		<b>(4,951.4)</b>	<b>(4,770.7)</b>
<b>Statutory profit before net finance costs and tax</b>		<b>682.7</b>	<b>240.7</b>
Finance income		56.0	40.9
Finance costs		(193.3)	(146.2)
<b>Net finance costs</b>	5	<b>(137.3)</b>	<b>(105.3)</b>
<b>Statutory profit before tax</b>		<b>545.4</b>	<b>135.4</b>
Income tax expense	6	—	(6.3)
<b>Statutory profit</b>		<b>545.4</b>	<b>129.1</b>
		<b>cents</b>	<b>cents</b>
Basic/diluted earnings per share	7	<b>74.5</b>	17.6

The consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	2024 \$m	2023 \$m
<b>Statutory profit</b>	<b>545.4</b>	129.1
<b>Items that are or may be subsequently reclassified to profit or loss</b>		
Foreign currency translation of foreign entities	1.3	0.3
Effective portion of changes in fair value of cash flow hedges <sup>1</sup>	26.7	11.7
Net change in hedge reserve for time value of options <sup>1</sup>	(27.4)	(52.5)
Transfer of effective hedging losses to profit or loss <sup>1</sup>	7.8	5.2
De-designation of cash flow hedges transferred to profit or loss <sup>1</sup>	—	1.1
<b>Total other comprehensive income/(loss)</b>	<b>8.4</b>	(34.2)
<b>Total comprehensive income</b>	<b>553.8</b>	94.9

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

<sup>1</sup> Net of tax

# Consolidated statement of financial position

As at 30 June 2024

	Notes	2024 \$m	2023 \$m
<b>Current assets</b>			
Cash and cash equivalents	17	875.6	1,087.0
Term deposits at bank	17	129.0	—
Receivables	9	280.3	247.1
Inventories	10	29.3	32.3
Derivative financial instruments	22	14.4	10.4
Other financial assets	11	22.9	106.7
<b>Total current assets</b>		<b>1,351.5</b>	<b>1,483.5</b>
<b>Non-current assets</b>			
Receivables	9	36.9	22.5
Other financial assets	11	108.5	97.5
Property, plant and equipment	14	2,441.6	2,065.4
Intangible assets	15	46.5	52.4
<b>Total non-current assets</b>		<b>2,633.5</b>	<b>2,237.8</b>
<b>Total assets</b>		<b>3,985.0</b>	<b>3,721.3</b>
<b>Current liabilities</b>			
Payables		532.2	424.8
Unearned revenue and income	12	1,513.6	1,846.2
Lease liabilities	18	212.1	217.8
Interest-bearing liabilities	19	404.6	514.0
Provisions	13	273.7	200.1
<b>Total current liabilities</b>		<b>2,936.2</b>	<b>3,202.9</b>
<b>Non-current liabilities</b>			
Unearned revenue and income	12	—	10.0
Lease liabilities	18	751.1	593.2
Interest-bearing liabilities	19	972.2	940.5
Provisions	13	504.2	334.9
<b>Total non-current liabilities</b>		<b>2,227.5</b>	<b>1,878.6</b>
<b>Total liabilities</b>		<b>5,163.7</b>	<b>5,081.5</b>
<b>Net liabilities</b>	33(e)	<b>(1,178.7)</b>	<b>(1,360.2)</b>
<b>Equity</b>			
Share capital	20	2,240.2	2,240.2
Reserves		(526.2)	(537.5)
Accumulated losses		(2,892.7)	(3,062.9)
<b>Total equity</b>		<b>(1,178.7)</b>	<b>(1,360.2)</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated statement of changes in equity

For the year ended 30 June 2024

		Share capital	Foreign currency translation reserve	Hedge reserve	Share- based payment reserve	Other reserves <sup>1</sup>	Accumulated losses	Total equity
	Notes	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2023</b>		<b>2,240.2</b>	<b>10.6</b>	<b>(19.8)</b>	<b>25.3</b>	<b>(553.6)</b>	<b>(3,062.9)</b>	<b>(1,360.2)</b>
<b>Statutory profit</b>		—	—	—	—	—	<b>545.4</b>	<b>545.4</b>
<b>Other comprehensive income</b>								
Foreign currency translation of foreign entities		—	1.3	—	—	—	—	<b>1.3</b>
Effective portion of changes in fair value of cash flow hedges <sup>2</sup>		—	—	26.7	—	—	—	<b>26.7</b>
Net change in hedge reserve for time value of options <sup>2</sup>		—	—	(27.4)	—	—	—	<b>(27.4)</b>
Transfer of effective hedging losses to profit or loss <sup>2</sup>		—	—	7.8	—	—	—	<b>7.8</b>
<b>Total other comprehensive income</b>		—	<b>1.3</b>	<b>7.1</b>	—	—	—	<b>8.4</b>
<b>Total comprehensive income</b>		—	<b>1.3</b>	<b>7.1</b>	—	—	<b>545.4</b>	<b>553.8</b>
<b>Net change in fair value of cash flow hedges transferred to initial carrying value of hedged item</b>		—	—	<b>1.9</b>	—	—	—	<b>1.9</b>
<b>Transactions with owners</b>								
Share-based payment transactions	29	—	—	—	1.0	—	—	<b>1.0</b>
Dividends	21	—	—	—	—	—	(375.2)	<b>(375.2)</b>
<b>Total transactions with owners</b>		—	—	—	<b>1.0</b>	—	<b>(375.2)</b>	<b>(374.2)</b>
<b>Balance at 30 June 2024</b>		<b>2,240.2</b>	<b>11.9</b>	<b>(10.8)</b>	<b>26.3</b>	<b>(553.6)</b>	<b>(2,892.7)</b>	<b>(1,178.7)</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

<sup>1</sup> Other reserves includes transactions with owners in their capacity as owners.

<sup>2</sup> Net of tax

# Consolidated statement of changes in equity

For the year ended 30 June 2024

		Share capital	Foreign currency translation reserve	Hedge reserve	Share- based payment reserve	Other reserves <sup>3</sup>	Accumulated losses	Total equity
	Notes	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2022</b>		<b>2,970.2</b>	<b>10.3</b>	<b>14.7</b>	<b>19.5</b>	<b>(553.6)</b>	<b>(3,192.0)</b>	<b>(730.9)</b>
<b>Statutory profit</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>129.1</b>	<b>129.1</b>
<b>Other comprehensive income</b>								
Foreign currency translation of foreign entities		—	0.3	—	—	—	—	<b>0.3</b>
Effective portion of changes in fair value of cash flow hedges <sup>4</sup>		—	—	11.7	—	—	—	<b>11.7</b>
Net change in hedge reserve for time value of options <sup>4</sup>		—	—	(52.5)	—	—	—	<b>(52.5)</b>
Transfer of effective hedging losses to profit or loss <sup>4</sup>		—	—	5.2	—	—	—	<b>5.2</b>
De-designation of cash flow hedges transferred to profit or loss <sup>4</sup>		—	—	1.1	—	—	—	<b>1.1</b>
<b>Total comprehensive loss</b>		<b>—</b>	<b>0.3</b>	<b>(34.5)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(34.2)</b>
<b>Total comprehensive income</b>		<b>—</b>	<b>0.3</b>	<b>(34.5)</b>	<b>—</b>	<b>—</b>	<b>129.1</b>	<b>94.9</b>
<b>Transactions with owners</b>								
Share-based payment transactions	29	—	—	—	5.8	—	—	<b>5.8</b>
Capital return to shareholder	20	(730.0)	—	—	—	—	—	<b>(730.0)</b>
<b>Total transactions with owners</b>		<b>(730.0)</b>	<b>—</b>	<b>—</b>	<b>5.8</b>	<b>—</b>	<b>—</b>	<b>(724.2)</b>
<b>Balance at 30 June 2023</b>		<b>2,240.2</b>	<b>10.6</b>	<b>(19.8)</b>	<b>25.3</b>	<b>(553.6)</b>	<b>(3,062.9)</b>	<b>(1,360.2)</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

<sup>3</sup> Other reserves includes transactions with owners in their capacity as owners.

<sup>4</sup> Net of tax



# Consolidated statement of cash flows

For the year ended 30 June 2024

	Notes	2024 \$m	2023 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		5,791.4	5,774.9
Payments to suppliers and employees		(4,891.1)	(4,732.0)
<b>Net cash from operating activities</b>	8	<b>900.3</b>	1,042.9
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(329.1)	(148.5)
Proceeds from disposal of property, plant and equipment		6.5	—
Acquisition of intangible assets		(2.3)	(0.6)
Interest received <sup>1</sup>		55.5	33.9
Payments for term deposits at bank		(187.0)	—
Proceeds from term deposits at bank		58.0	—
Payments for deposits in other financial assets		(43.7)	(120.6)
Proceeds from deposits in other financial assets		116.9	289.8
<b>Net cash (used in)/from investing activities</b>		<b>(325.2)</b>	54.0
<b>Cash flows from financing activities</b>			
Proceeds from interest-bearing liabilities	19	471.0	310.2
Payment of transaction costs relating to interest-bearing liabilities	19	(20.7)	(11.6)
Repayment of interest-bearing liabilities	19	(536.2)	(153.2)
Interest paid (interest-bearing liabilities)		(85.6)	(59.1)
Payment of lease liabilities		(181.6)	(154.4)
Interest paid (lease liabilities)		(61.1)	(49.9)
Capital return to shareholder		—	(730.0)
Dividends paid		(366.5)	—
<b>Net cash used in financing activities</b>		<b>(780.7)</b>	(848.0)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(205.6)</b>	248.9
Cash and cash equivalents at 1 July		1,087.0	833.4
Effect of exchange rate fluctuations on cash and cash equivalents		(5.8)	4.7
<b>Cash and cash equivalents</b>	17	<b>875.6</b>	1,087.0
<b>Term deposits at bank</b>	17	<b>129.0</b>	—
<b>Cash, cash equivalents and term deposits at bank at the end of the year</b>	17	<b>1,004.6</b>	1,087.0

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

<sup>1</sup> Interest received of \$33.9 million has been reclassified from financing to investing cash flows in the comparative period to align with current period presentation.

# Notes to the financial statements

## A. Results

### 1. Operating segments

The Group's reportable operating segments have been identified based on the financial information currently provided to the Group's Chief Operating Decision Maker (CODM), the Chief Executive Officer, who is responsible for allocating resources and assessing the performance of the operating segments. The following operating segments have been determined based on the key business activities of the Group:

- Airlines – the Group's aviation activities, including domestic, international, charter (Virgin Australia Regional Airlines) and freight.
- Velocity – the Group's loyalty program.

	Airlines	Velocity	Eliminations	Total
2024	\$m	\$m	\$m	\$m
External segment revenue and income <sup>1</sup>	5,018.8	342.5	(7.9)	5,353.4
Inter-segment revenue	127.1	66.5	(193.6)	—
<b>Segment revenue and income</b>	<b>5,145.9</b>	<b>409.0</b>	<b>(201.5)</b>	<b>5,353.4</b>
<b>Underlying EBITDA</b>	<b>715.5</b>	<b>120.0</b>	<b>12.2</b>	<b>847.7</b>
Depreciation and amortisation <sup>2</sup>	(323.5)	(4.8)	—	(328.3)
<b>Underlying EBIT</b>	<b>392.0</b>	<b>115.2</b>	<b>12.2</b>	<b>519.4</b>
Finance income				56.0
Finance costs <sup>3</sup>				(182.0)
<b>Underlying profit before tax</b>				<b>393.4</b>
Expiry of future flight credits (refer note 12)				277.9
Foreign exchange revaluation gain on aircraft lease liabilities				2.7
IPO planning and preparation costs				(3.3)
IT transformation projects				(35.8)
Impairment of assets and accelerated depreciation on F100 fleet				(14.8)
Restructuring costs				(69.2)
Other				(5.5)
<b>Profit before tax</b>				<b>545.4</b>
Income tax expense				—
<b>Statutory profit</b>				<b>545.4</b>

<sup>1</sup> Total segment revenue and income excludes \$280.7 million of revenue from expiry of Future Flight Credits, which is included in airline passenger revenue in the consolidated statement of profit or loss. Note expiry of future flight credits is net of \$2.8 million of associated expenses.

<sup>2</sup> Total segment depreciation and amortisation is a non-IFRS measure and excludes \$12.7 million (2023: \$12.2 million) of accelerated depreciation on F100 fleet.

<sup>3</sup> Total segment finance costs are a non-IFRS measure and excludes \$11.3 million (2023: \$3.0 million) of interest and finance charges relating to restructuring costs.

## Notes to the financial statements (continued)

### 1. Operating segments (continued)

<b>2023</b>	<b>Airlines \$m</b>	<b>Velocity \$m</b>	<b>Eliminations \$m</b>	<b>Total \$m</b>
External segment revenue and income	4,758.7	265.4	(12.7)	<b>5,011.4</b>
Inter-segment revenue	114.7	64.9	(179.6)	—
<b>Segment revenue and income</b>	<b>4,873.4</b>	<b>330.3</b>	<b>(192.3)</b>	<b>5,011.4</b>
<b>Underlying EBITDA</b>	<b>651.6</b>	<b>84.4</b>	<b>(0.3)</b>	<b>735.7</b>
Depreciation and amortisation	(289.3)	(7.0)	—	<b>(296.3)</b>
<b>Underlying EBIT</b>	<b>362.3</b>	<b>77.4</b>	<b>(0.3)</b>	<b>439.4</b>
Finance income				<b>40.9</b>
Finance costs				<b>(143.2)</b>
<b>Underlying profit before tax</b>				<b>337.1</b>
Foreign exchange revaluation loss on aircraft lease liabilities				<b>(19.8)</b>
IPO planning and preparation costs				<b>(8.0)</b>
IT transformation projects				<b>(54.8)</b>
Impairment of assets and accelerated depreciation of F100 fleet				<b>(20.8)</b>
Restructuring costs				<b>(96.2)</b>
Other				<b>(2.1)</b>
<b>Profit before tax</b>				<b>135.4</b>
Income tax expense				<b>(6.3)</b>
<b>Statutory profit</b>				<b>129.1</b>

Underlying EBITDA and Underlying EBIT are used by the CODM to assess the financial performance of the Group's segments. Underlying profit or loss before tax, Underlying EBITDA and Underlying EBIT are unaudited non-statutory measures. They are not measures recognised by the Australian Accounting Standards or the International Financial Reporting Standards (IFRS) and are thus non-IFRS information.

Underlying profit or loss before tax represents profit or loss before tax excluding certain revenue and expenses that are considered to be transformational or outside of the Group's normal operating activities and also excludes foreign exchange revaluation gains or losses on aircraft lease liabilities. Underlying EBIT represents underlying profit or loss before tax excluding finance income and finance costs. Underlying EBITDA represents Underlying EBIT excluding depreciation and amortisation.

Inter-segment pricing is determined on an arm's length basis or a cost-plus margin basis.

Costs related to the Group's corporate functions (e.g. legal, human resources, finance, information technology, etc.) have been primarily included in the results of the Airline segment.

### 2. Revenue

Airline passenger revenue is allocated proportionately to the area in which point of sale occurs. During the year, 96% of airline passenger revenue was generated from Australia (2023: 97%). Loyalty program revenue is attributed to the Australian geographic region. Certain other amounts are not allocated to a geographic region as it is impractical to do so.

#### Accounting policy

Revenue is measured based on the consideration specified in a contract with a customer. The Group considers whether it is a principal or agent in relation to services by considering whether it controls the service prior to that service being transferred to the customer. The Group acts as an agent when collecting revenue in relation to airline passenger services provided by other carriers. Commissions received from other carriers are paid subsequent to carriage being performed, in accordance with normal industry credit terms.

##### *i. Airline passenger revenue*

Airline passenger revenue comprises revenue from passenger and charter ticket sales including the provision of ancillary flight benefits, such as baggage and change fees, which are not considered to be distinct from the passenger ticket. Airline passenger and ancillary revenue is recognised in profit or loss when carriage is performed, net of sales discounts, certain commissions and Goods and Services Tax.

Airline passenger revenue is generally received in advance of carriage and is deferred to the consolidated statement of financial position as unearned revenue until the revenue recognition criteria are satisfied.

The Group is a party to various alliance arrangements. Revenue under these arrangements is recognised in profit or loss when the Group performs the carriage or otherwise fulfils all relevant contractual commitments.

The incremental costs in relation to ticket sales are recognised as an expense when incurred on the basis that airline passenger revenue is expected to be recognised within 12 months.

Members of the Velocity Frequent Flyer program accumulate loyalty points by, inter alia, travelling on qualifying airline services. The transaction price related to ticket sales is proportionately allocated to the obligation to provide awards to members and to the ticket sales, based on their relative stand-alone selling prices. The portion allocated to the obligation to provide awards to members is deferred to the consolidated statement of financial position as unearned loyalty program revenue until the revenue recognition criteria are satisfied.

##### *ii. Freight revenue*

Freight revenue comprises revenue from freight carried on domestic and international flights. Revenue is recognised in profit or loss when carriage of the freight is performed, net of sales discounts, certain commissions and Goods and Services Tax.

Freight services are generally paid for subsequent to carriage being performed, based on the Group's normal credit terms.

### 2. Revenue (continued)

#### iii. Loyalty program revenue

The Group receives participation fee revenue from participation partners for the rights to have loyalty points allocated to members of the Velocity Frequent Flyer program. This results in an obligation of the Group to provide awards to members when these points are redeemed.

Loyalty program revenue is comprised of two performance obligations. The stand-alone selling price of the obligation to provide awards to members is calculated using expected redemption costs plus a reasonable profit margin and adjusted for the proportion of points not expected to be redeemed (breakage). It is deferred to the consolidated statement of financial position as unearned revenue. The residual amount, which represents marketing services, is recognised when the points are issued, and the Group has a right to invoice the participation partner. This occurs as the service is provided, which occurs over time. The consideration is generally received subsequent to the issue of points based on the Group's normal credit terms.

### 3. Labour and staff related

Labour and staff related expenses includes the salary, wages, on-costs, recruitment costs, payments to defined contribution plans and share based payments for the Group.

The Group contributes to several defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Such contributions are charged to profit or loss in the periods during which services are rendered by employees. The amount recognised as an expense within Labour and staff related expenses for the year ended 30 June 2024 was \$83.1 million (2023: \$83.6 million).

Share-based compensation benefits are provided to employees via the Management Equity Plan (MEP) as described in note 29. The amount recognised as an expense within Labour and staff related expenses for the year ended 30 June 2024 was \$1.0 million (2023: \$5.8 million).

### 4. Depreciation and amortisation

	Notes	2024 \$m	2023 \$m
Depreciation of property, plant and equipment	14	178.3	166.4
Depreciation of right of use assets	14	154.5	129.9
Amortisation of intangibles	15	8.2	12.2
<b>Total depreciation and amortisation</b>		<b>341.0</b>	<b>308.5</b>

## 5. Net finance costs

	2024 \$m	2023 \$m
Interest on cash, cash equivalents and term deposits	56.0	40.9
<b>Total finance income</b>	<b>56.0</b>	40.9
Interest and finance charges	(103.0)	(71.0)
Interest on lease liabilities	(61.1)	(58.8)
Unwinding of discount on provisions	(29.2)	(16.4)
<b>Total finance costs</b>	<b>(193.3)</b>	(146.2)
<b>Net finance costs</b>	<b>(137.3)</b>	(105.3)

## 6. Taxation

Virgin Australia Holdings Pty Limited (VAH) and its 100% owned Australian resident subsidiaries are part of the VAH income tax consolidated group (TCG).

The head entity and each of the members of the VAH TCG have entered into a tax sharing agreement. Under the terms of the agreement, the members of the VAH TCG have agreed to pay (or receive) an amount to (or from) the head entity (VAH), based on the notional current tax liability or notional current tax asset of the relevant member.

In addition to its own current and deferred tax amounts, VAH, as head entity of the VAH TCG recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the TCG, subject to the satisfaction of the recognition requirements in AASB 112 *Income Taxes*.

### a) Reconciliation of income tax expense

	2024 \$m	2023 \$m
<b>Statutory profit before tax</b>	<b>545.4</b>	135.4
Tax expense at the Australian tax rate of 30% (2023: 30%)	(163.6)	(40.6)
<i>Tax effect of amounts which are not included in taxable income:</i>		
Utilisation of previously unrecognised tax losses	190.5	116.6
Net movements in temporary differences not recognised	(26.9)	(81.3)
Other non-deductible or non-assessable amounts	—	(1.0)
<b>Income tax expense</b>	<b>—</b>	(6.3)
<b>Represented by:</b>		
Deferred tax expense	—	(6.3)
<b>Income tax expense</b>	<b>—</b>	(6.3)

## Notes to the financial statements (continued)

### 6. Taxation (continued)

#### b) Deferred tax

The composition of the Group's unrecognised net deferred tax asset and the net deferred tax expense recognised in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Consolidated statement of financial position		Consolidated statement of profit or loss		Consolidated statement of other comprehensive income	
	2024	2023	2024	2023	2024	2023
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Deferred tax assets</b>						
Provisions	238.9	166.5	72.4	53.7	—	—
Payables	8.7	7.1	1.6	2.1	—	—
Unearned loyalty program revenue	165.2	148.6	16.6	15.9	—	—
Other liabilities	6.8	6.9	(0.1)	3.2	—	—
Lease liabilities <sup>1</sup>	282.5	237.9	44.6	1.2	—	—
Other assets	40.6	49.7	(9.1)	(0.7)	—	—
Equity-raising costs (recognised in equity)	—	0.1	(0.1)	(0.2)	—	—
Tax losses carried forward	154.4	344.9	(190.5)	(118.4)	—	—
<b>Total deferred tax assets</b>	<b>897.1</b>	<b>961.7</b>	<b>(64.6)</b>	<b>(43.2)</b>	<b>—</b>	<b>—</b>
<b>Deferred tax liabilities</b>						
Property, plant and equipment <sup>1</sup>	(417.6)	(343.7)	(73.9)	2.0	—	—
Maintenance assets	(48.1)	(23.0)	(25.1)	(0.4)	—	—
Cash flow hedges	—	—	—	—	—	6.3
<b>Total deferred tax liabilities</b>	<b>(465.7)</b>	<b>(366.7)</b>	<b>(99.0)</b>	<b>1.6</b>	<b>—</b>	<b>6.3</b>
<b>Net deferred tax assets before derecognition</b>	<b>431.4</b>	<b>595.0</b>	<b>(163.6)</b>	<b>(41.6)</b>	<b>—</b>	<b>6.3</b>
Deferred tax asset not recognised	(431.4)	(595.0)	163.6	35.3	—	—
<b>Net deferred tax assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(6.3)</b>	<b>—</b>	<b>6.3</b>

<sup>1</sup> The deferred tax balances for 2023 for Lease liabilities and Property, plant and equipment have been restated due to the application of 'AASB 2021-5 Deferred Tax related to Assets and Liabilities arising from a Single Transaction'. This change had no impact on the Consolidated Statement of Financial Position or Consolidated Statement of Profit or Loss.

## 6. Taxation (continued)

### c) Unrecognised deferred tax assets

	Gross		Deferred tax	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
<b>Carried forward tax loss as at 1 July</b>	<b>1,149.7</b>	1,544.3	<b>344.9</b>	463.3
Carried forward tax losses utilised	<b>(576.0)</b>	(388.6)	<b>(172.8)</b>	(116.6)
Prior year tax adjustments	<b>(58.9)</b>	(6.0)	<b>(17.7)</b>	(1.8)
<b>Tax losses carried forward</b>	<b>514.8</b>	1,149.7	<b>154.4</b>	344.9
<b>Other unrecognised temporary differences</b>	<b>923.3</b>	833.7	<b>277.0</b>	250.1
<b>Total unrecognised deferred tax assets</b>	<b>1,438.1</b>	1,983.4	<b>431.4</b>	595.0

The Group's unused tax losses do not expire under current tax legislation.

### Critical accounting estimates and judgements

Deferred tax assets for deductible temporary differences and carried forward tax losses are recognised only to the extent that it is probable that taxable profit will be available against which they can be utilised. Judgement is required in determining the probability, timing and extent of future taxable profits, particularly in tax jurisdictions where there is a history of losses.

The Group generated a taxable profit in the year ended 30 June 2024 resulting in the utilisation of \$576.0 million of its carried forward tax losses (\$447.5 million<sup>1</sup> utilised in the year ended 30 June 2023). Whilst this result continues to demonstrate an improvement in market conditions and business performance in the current year, management has had regard to the requirements of AASB 112 in determining whether there is convincing evidence supporting the recoverability of deferred tax assets arising from tax losses and temporary differences. As a result, the Group has determined to only recognise deferred tax assets to the extent that there is an offsetting deferred tax liability on the Group's consolidated financial statements.

The use of forward-looking information increases the degree of judgement required. Revisions to estimates of the future profits of the Group (and the timing of these profits) and the tax positions of the Group could necessitate future adjustments to the deferred tax balances recognised in the financial report.

The unrecognised deferred tax asset on tax losses carried forward also includes an estimate of the impact of the historic application of forgiven debts, in connection with the Group's prior entrance into and exit from Voluntary Administration. As the Creditor's Trust has recently paid final dividends to creditors, the Group will shortly revise the previous estimate of the forgiveness of debts and its impact on unrecognised carried forward tax losses.

Any tax losses that are carried forward by the Group will be subject to Australia's loss integrity provisions, should they be utilised in future periods.

<sup>1</sup> Prior year carried forward tax losses utilised of \$447.5 million is made up of \$388.6 million of FY23 carried forward tax losses utilised and \$58.9 million of prior year tax adjustments recognised in FY24.



## 6. Taxation (continued)

### Accounting policy

#### *i. Income tax expense or benefit*

Income tax expense or benefit comprises current and deferred tax expense. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

#### *ii. Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates and tax laws enacted or substantively enacted at the reporting date.

#### *iii. Deferred tax*

Deferred tax is recognised for all taxable temporary differences arising from the difference between the carrying amount of assets and liabilities and their corresponding tax base. It is measured using tax rates and tax laws that are expected to apply when the assets are recovered or liabilities are settled based on those tax rates which are enacted or substantively enacted at the reporting date. Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- relating to investments in subsidiaries and associates, and interests in joint arrangements, where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future; or
- arising on initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for deductible temporary differences and carried forward tax losses to the extent that it is probable that taxable profit will be available against which they can be utilised. Australian Accounting Standards require a more stringent test be applied in determining the probability of recovery of a deferred tax asset arising from tax losses.

### d) Pillar Two top up tax

The Group is within the scope of the Pillar Two top up tax that has been substantively enacted in New Zealand for income years beginning on or after 1 January 2025 and is proposed to be enacted in Australia for income years beginning on or after 1 January 2024. The first period for which a Pillar Two return will be required is the income year ending on 30 June 2025. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group is in the process of undertaking necessary analysis in preparation for complying with the Pillar Two model rules for the income year ending on 30 June 2025. The Group has not yet determined the possibility of exposure to Pillar Two top up tax in the jurisdictions in which the Group operates. The potential exposure to Pillar Two top up tax is not currently known or able to be reasonably estimated.

## 7. Earnings per share

	2024 \$m	2023 \$m
Statutory profit	545.4	129.1
	No '000	No '000
Weighted average number of ordinary shares for basic EPS	731,758	731,758
Effect of share options and performance rights on issue <sup>1</sup>	—	—
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>731,758</b>	<b>731,758</b>
	cents	cents
Basic earnings per share	74.5	17.6
Diluted earnings per share	74.5	17.6

Basic earnings per share (EPS) is calculated by dividing the statutory profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS adjusts the basic EPS for the effects of any instruments that could potentially be converted to ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

<sup>1</sup> Class A shares issued under the Group's Management Equity Plan have been excluded from the calculation of diluted EPS on the basis that their conversion to ordinary shares is contingent on future events. Refer to note 29 for details of the number of options this relates to.

## 8. Reconciliation of statutory profit to net cash from operating activities

	2024 \$m	2023 \$m
<b>Statutory profit</b>	<b>545.4</b>	129.1
<i>Adjustments for non-cash items</i>		
Depreciation and amortisation	<b>341.0</b>	308.5
Share-based payments expense	<b>1.0</b>	5.8
Impairment losses	<b>0.8</b>	3.3
Unrealised foreign exchange (gains)/losses	<b>(13.3)</b>	20.7
Net change in fair value of cashflow hedges	<b>9.0</b>	(34.5)
Net finance costs	<b>137.3</b>	105.3
Income tax expense	—	6.3
Other non-cash items	—	9.5
<b>Net adjusted profit after adjusting for non-cash items</b>	<b>1,021.2</b>	554.0
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in receivables	<b>(47.4)</b>	(37.5)
Decrease/(increase) in inventories	<b>3.0</b>	7.6
Decrease/(increase) in derivative financial instruments	<b>(4.0)</b>	17.6
Increase/(decrease) in payables	<b>59.9</b>	88.5
Increase/(decrease) in provisions	<b>210.2</b>	145.6
Increase/(decrease) in unearned revenue	<b>(342.6)</b>	267.1
<b>Net cash from operating activities</b>	<b>900.3</b>	1,042.9

## B. Working capital and other assets and liabilities

This section sets out information relating to the working capital and other assets and liabilities of the Group. Working capital includes the assets and liabilities that are used in the day-to-day trading operations of Group.

### 9. Receivables

	2024 \$m	2023 \$m
Trade receivables	196.2	185.0
Other receivables	93.5	64.5
Allowance for expected credit losses	(5.8)	(6.8)
Prepayments	33.3	26.9
<b>Total receivables</b>	<b>317.2</b>	<b>269.6</b>
Current	280.3	247.1
Non-current	36.9	22.5
<b>Total receivables</b>	<b>317.2</b>	<b>269.6</b>

### 10. Inventories

	2024 \$m	2023 \$m
Engineering expendables	25.0	25.0
Consumables stores	4.3	6.6
Other	—	0.7
<b>Total inventories</b>	<b>29.3</b>	<b>32.3</b>

### Accounting policy

Inventories are measured at the lower of cost and net realisable value. The costs of engineering consumables and uniforms are assigned to the individual items of inventory based on weighted average costs. Cost of catering inventory is determined using the first-in, first-out (FIFO) cost method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Inventories expensed during the financial year totalled \$29.9 million (2023: \$26.9 million). In addition, inventories have been reduced by \$5.8 million (2023: \$11.1 million) as a result of a write down to net realisable value.

## 11. Other financial assets

	2024 \$m	2023 \$m
Deposits	66.3	167.3
Maintenance reserve deposits	65.1	36.9
<b>Total other financial assets</b>	<b>131.4</b>	204.2
Current	22.9	106.7
Non-current	108.5	97.5
<b>Total other financial assets</b>	<b>131.4</b>	204.2

### Accounting policy

Deposits include aircraft and other security deposits which are recognised at amortised cost. Maintenance reserve deposits are payments made to lessors under lease agreements and are measured at fair value with any resulting gains or losses recognised in the consolidated statement of profit or loss.

## 12. Unearned revenue and income

	2024 \$m	2023 \$m
Unearned passenger revenue	947.1	1,342.0
Unearned loyalty program revenue	553.3	491.3
Other unearned income	13.2	22.9
<b>Total unearned revenue and income</b>	<b>1,513.6</b>	1,856.2
Current	1,513.6	1,846.2
Non-current	—	10.0
<b>Total unearned revenue and income</b>	<b>1,513.6</b>	1,856.2

Revenue of \$960.5 million was recognised in the current financial year that was included in the opening balance of unearned revenue.

### Critical accounting estimates and judgements

#### i. Unearned passenger revenue

The Group issues credit vouchers in a range of circumstances and classifies these as current as there are no restrictions on the ability of passengers to utilise these credits. Credit vouchers are recognised as revenue when carriage is performed, following redemption of the voucher or when the likelihood of a passenger utilising the voucher becomes remote, based on historical and expected future trends.

## 12. Unearned revenue and income (continued)

### i. *Unearned passenger revenue (continued)*

Judgement is used in estimating the revenue to be recognised from the proportion of unused tickets and credit vouchers which are expected to expire. In determining the proportion of passengers who are not expected or able to utilise their ticket or credit voucher in the financial year, management have considered:

- the changes made to fare rules in response to the disruptions caused by COVID-19;
- the terms and conditions associated with credit vouchers issued by the Group, including the extended period of time provided to passengers to utilise these credits; and
- the significant impact on behaviour of passengers as a result of the COVID-19 pandemic, market conditions and the broader economic conditions.

At 30 June 2024, the Group holds a total of \$187.8 million of flight credits (included within unearned passenger revenue) after recognising the impact of passengers who are not expected to utilise their credits. This includes credits issued between 21 April 2020 and 31 July 2022 (COVID credits) of \$107.0 million with an expiry date of 30 June 2025 (30 June 2023: \$146.8 million). Remaining credits have expiry terms of 12 months from issuance date.

During the year, the Group recognised \$280.7 million of revenue (30 June 2023: nil) associated with the expiry of Future Flight Credits on 31 December 2023 in line with published terms and conditions. These bookings were made before the previous VA business entered voluntary administration on 20 April 2020, when all funds were placed under the control of external administrators. Post administration VA did not hold the funds associated with these bookings.

### ii. *Unearned loyalty program revenue*

At each reporting date, the Group estimates the amount of outstanding points that are expected to be redeemed based on the terms and conditions of the program, experience, historical and future trends. Changes in this estimate are recognised as revenue. In the current financial year, the following areas have been considered in forming assumptions relating to the behaviour of partners and members in the Program which in turn impact upon the estimated stand-alone selling price and breakage rate applicable to loyalty points:

- Uncertainty in member behaviour towards engagement with the loyalty program;
- The expected level of engagement by members with new partner arrangements; and
- Initiatives to engage with partners and members in the program.

## Accounting policy

Refer to note 2 for the Group's revenue recognition policies.

Unearned passenger revenue comprises revenue from passenger ticket sales received in advance of carriage and is classified as current as all passenger tickets are expected to be used within 12 months. It is recognised as revenue when carriage is performed or, in the case of passengers not uplifted, when a passenger is not expected or able to utilise their ticket based on historical and future trends and fare rules.

Unearned loyalty program revenue comprises the obligation to provide awards to members in relation to points which have been issued but not yet redeemed. It is recognised as revenue when the points are redeemed or, in the case of points redeemed for qualifying airline services provided by the Group, when carriage is performed. Revenue per point is recognised using a weighted average value based on the balance of unearned loyalty program revenue divided by the number of points expected to be redeemed. Unearned loyalty revenue is classified as current as there are no restrictions on the ability of members to redeem their points. The Group expects a portion of the balance to be redeemed beyond 12 months.

### 13. Provisions

	2024 \$m	2023 \$m
Employee benefits	213.3	177.9
Maintenance	520.4	319.8
Dividend	8.7	—
Other provisions	35.5	37.3
<b>Total provisions</b>	<b>777.9</b>	<b>535.0</b>
Current	273.7	200.1
Non-current	504.2	334.9
<b>Total provisions</b>	<b>777.9</b>	<b>535.0</b>

### Provision movements

	Maintenance \$m	Dividend \$m	Other \$m	Total \$m
<b>2024</b>				
Balance at 1 July 2023	319.8	—	37.3	357.1
Provisions made	185.3	375.2	4.2	564.7
Provisions utilised	(7.5)	(366.5)	(6.0)	(380.0)
Provisions reversed	(2.5)	—	—	(2.5)
Unwinding of discount	29.1	—	—	29.1
Effect of exchange rate fluctuations	(3.8)	—	—	(3.8)
<b>Balance at 30 June 2024</b>	<b>520.4</b>	<b>8.7</b>	<b>35.5</b>	<b>564.6</b>

### Critical accounting estimates and judgements

The calculation of the maintenance provision requires the use of significant estimates and judgements. These include the expected use of the aircraft during the lease term, required timing of prescribed shop visits and forecast or contractual maintenance costs. The provision is discounted using corporate bond rates at the reporting date which most closely match the terms of maturity of the related provision. Changes in judgements and estimates relating to forecast costs and discount rates are recognised in the consolidated statement of profit or loss.

### 13. Provisions (continued)

#### *i. Employee benefits*

Liabilities for annual leave are measured at their nominal amounts and represent the amounts expected to be paid when the liabilities are settled.

Provisions for long-term employee benefits, such as long service leave, represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to the reporting date. It is calculated using expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bond rates at the reporting date which most closely match the terms of maturity of the related liabilities.

A liability for bonuses is recognised in the employee benefits provision when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit;
- The amounts to be paid are determined before the time of completion of the Group annual report; or
- Past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### *ii. Maintenance*

If the Group is obligated under its lease agreements to complete an overhaul prior to return of the aircraft based on either use or condition of the aircraft, a provision is recognised for the present value of the expected payment either:

- at inception of the lease, with a corresponding amount recognised in the cost base of the corresponding right-of-use asset. Changes in this provision are recognised as an adjustment to the right-of-use asset; or
- over the life of the lease, as obligations arise, which is recognised as an expense in the consolidated statement of profit or loss.

#### *iii. Dividend*

Dividend provisions for dividend declared but not yet paid at 30 June 2024.

#### *iv. Other*

The other category includes provisions for make good on leased property and legal costs.



## C. Tangible and intangible assets

### 14. Property, plant and equipment

	Aircraft and aeronautic		Plant and equipment	Buildings and property		Computer equipment	Work in progress	Other	Total
2024	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Owned/leased	Owned <sup>1</sup>	Leased	Owned	Owned	Leased	Owned	Owned <sup>1</sup>	Leased	
At 1 July 2023	1,393.3	404.7	47.5	4.8	134.5	10.8	58.3	11.5	<b>2,065.4</b>
Additions	98.3	278.7	0.5	—	2.0	4.0	261.7	3.8	<b>649.0</b>
Lease modifications	—	64.6	—	—	8.3	—	—	—	<b>72.9</b>
Transfers from WIP	201.4	—	3.1	0.2	—	10.3	(215.0)	—	<b>—</b>
Transfers between categories	—	—	0.3	(0.3)	—	—	—	—	<b>—</b>
Impairment	(0.8)	—	—	—	—	—	—	—	<b>(0.8)</b>
Disposals	(11.3)	—	(0.4)	—	—	—	(0.4)	—	<b>(12.1)</b>
Depreciation	(163.1)	(124.1)	(8.9)	(0.2)	(25.9)	(6.1)	—	(4.5)	<b>(332.8)</b>
<b>At 30 June 2024</b>	<b>1,517.8</b>	<b>623.9</b>	<b>42.1</b>	<b>4.5</b>	<b>118.9</b>	<b>19.0</b>	<b>104.6</b>	<b>10.8</b>	<b>2,441.6</b>
At cost	2,480.4	1,062.0	212.8	18.5	272.0	59.7	104.6	27.6	<b>4,237.6</b>
Accumulated depreciation and impairment	(962.6)	(438.1)	(170.7)	(14.0)	(153.1)	(40.7)	—	(16.8)	<b>(1,796.0)</b>
	<b>1,517.8</b>	<b>623.9</b>	<b>42.1</b>	<b>4.5</b>	<b>118.9</b>	<b>19.0</b>	<b>104.6</b>	<b>10.8</b>	<b>2,441.6</b>
Total pledged as security against interest-bearing liabilities	1,194.5	—	11.4	—	—	—	—	—	<b>1,205.9</b>

<sup>1</sup> Includes deposits and other costs incurred in respect of aircraft which have not yet been delivered of \$301.2 million (2023: \$276.9 million) . These amounts are not being depreciated.

## Notes to the financial statements (continued)

### 14. Property, plant and equipment (continued)

	Aircraft and aeronautic		Plant and equipment	Buildings and property		Computer equipment	Work in progress	Other	Total
2023	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Owned/leased	Owned <sup>1</sup>	Leased	Owned	Owned	Leased	Owned	Owned	Leased	
At 1 July 2022	1,461.4	319.3	57.6	4.6	127.2	12.6	5.7	10.9	<b>1,999.3</b>
Additions	48.3	154.2	—	0.4	15.8	1.7	98.1	—	<b>318.5</b>
Lease modifications	—	33.9	—	—	14.2	—	—	5.1	<b>53.2</b>
Transfers from WIP	43.7	—	2.7	—	—	1.2	(45.5)	—	<b>2.1</b>
Impairment	(0.5)	—	(2.8)	—	—	—	—	—	<b>(3.3)</b>
Disposals	(10.2)	—	(0.2)	—	—	—	—	—	<b>(10.4)</b>
Depreciation	(151.7)	(102.7)	(9.8)	(0.2)	(22.7)	(4.7)	—	(4.5)	<b>(296.3)</b>
Foreign exchange movements	2.3	—	—	—	—	—	—	—	<b>2.3</b>
<b>At 30 June 2023</b>	<b>1,393.3</b>	<b>404.7</b>	<b>47.5</b>	<b>4.8</b>	<b>134.5</b>	<b>10.8</b>	<b>58.3</b>	<b>11.5</b>	<b>2,065.4</b>
At cost	2,232.7	718.7	210.3	18.6	263.6	46.0	58.3	23.8	<b>3,572.0</b>
Accumulated depreciation and impairment	(839.4)	(314.0)	(162.8)	(13.8)	(129.1)	(35.2)	—	(12.3)	<b>(1,506.6)</b>
	<b>1,393.3</b>	<b>404.7</b>	<b>47.5</b>	<b>4.8</b>	<b>134.5</b>	<b>10.8</b>	<b>58.3</b>	<b>11.5</b>	<b>2,065.4</b>
Total pledged as security against interest-bearing liabilities	1,243.2	—	13.4	—	—	—	—	—	<b>1,256.6</b>

<sup>1</sup> Includes deposits and other costs incurred in respect of aircraft which have not yet been delivered of \$276.9 million. These amounts are not being depreciated.

## 14. Property, plant and equipment (continued)

### Accounting policy

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price plus any costs directly attributable to the acquisition. This may include gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of day-to-day servicing of owned and leased aircraft, including minor airframe checks are recognised in profit or loss as incurred. The cost of major cyclical maintenance and modifications to aircraft are capitalised as improvements where future economic benefits are expected and depreciated over the shorter of the remaining lease term, the estimated useful life of the improvement or the time to the next major maintenance event. The useful life is revised at each reporting date to match the timing of the next scheduled maintenance event.

Refer to note 18 for the Group accounting policy in relation to right-of-use assets.

If the Group is obligated under its lease agreements to complete an overhaul prior to return of the aircraft based on either use or condition of the aircraft, a provision is recognised at inception of the lease, or as obligations arise, for the present value of the expected payment. Where the maintenance expenditure is expected to give rise to economic benefits over the term of the lease, a corresponding asset is also recognised, reflecting the maintenance components within the payments. The asset is depreciated on a straight-line basis over the life of the lease.

Depreciation is recognised on a straight-line basis over the estimated useful life, taking into account estimated residual values. Assets are depreciated from the date they are purchased and are ready for use, or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimation of useful lives and residual values requires judgement. Australian dollar residual value estimates are based on US dollar market estimates of future aircraft values and estimates of future use of the aircraft, including maintenance profiles. The estimated useful lives in years of each class of asset are as follows:

	2024	2023
Buildings	10-40	10-40
Aircraft and aeronautic related assets		
– Modifications to leased aircraft	6-13	6-13
– Rotables and maintenance parts	9-22	9-22
– Airframe, engines and landing gear	5-22	5-22
– Major cyclical maintenance	1-10	1-10
Plant and equipment		
– Leasehold improvements	1-15	1-15
– Other	5-26	5-26
Computer equipment	3-5	3-5
Right-of-use assets		
– Aircraft	1-9	1-9
– Property	1-33	1-33
– Other	1-5	1-5

## 15. Intangible assets

	Software	Contract assets	Work in progress	Total
	\$m	\$m	\$m	\$m
<b>2024</b>				
Balance at 1 July 2023	13.9	38.5	—	<b>52.4</b>
Additions	—	—	2.3	<b>2.3</b>
Amortisation	(5.2)	(3.0)	—	<b>(8.2)</b>
<b>Balance at 30 June 2024</b>	<b>8.7</b>	<b>35.5</b>	<b>2.3</b>	<b>46.5</b>
At cost	141.1	47.5	2.3	<b>190.9</b>
Accumulated amortisation and impairment	(132.4)	(12.0)	—	<b>(144.4)</b>
<b>Total intangible assets</b>	<b>8.7</b>	<b>35.5</b>	<b>2.3</b>	<b>46.5</b>
	Software	Contract assets	Work in progress	Total
	\$m	\$m	\$m	\$m
<b>2023</b>				
Balance at 1 July 2022	16.8	41.5	9.9	<b>68.2</b>
Additions	0.3	—	0.3	<b>0.6</b>
Transfers to Property, Plant & Equipment	—	—	(2.1)	<b>(2.1)</b>
Transfers from Work in Progress	8.1	—	(8.1)	<b>—</b>
Disposals	(2.1)	—	—	<b>(2.1)</b>
Amortisation	(9.2)	(3.0)	—	<b>(12.2)</b>
<b>Balance at 30 June 2023</b>	<b>13.9</b>	<b>38.5</b>	<b>—</b>	<b>52.4</b>
At cost	207.2	47.5	—	<b>254.7</b>
Accumulated amortisation and impairment	(193.3)	(9.0)	—	<b>(202.3)</b>
<b>Total intangible assets</b>	<b>13.9</b>	<b>38.5</b>	<b>—</b>	<b>52.4</b>

The Group's software assets have useful lives of between 1 and 5 years (2023: 1 and 5 years). An intangible contract asset was recognised during a prior financial year following the completion and commencement of use of Terminal 1 at Perth Airport. The asset has a useful life of 20 years. The remaining amortisation period is 12 years (2023: 13 years).

## D. Capital structure and financial risks

### 16. Capital management

Capital management is a key focus of the Board and executive leadership team and it is the Group's policy to maintain a strong capital base that provides the ability to manage the business through cyclical downturns and ensure it can adequately meet its future growth needs.

The Board monitors:

- The liquidity of the Group, including unrestricted and total cash balances;
- Key credit metrics such as net debt/Underlying EBITDA;
- Future financing requirements including those relating to aircraft purchases, with determination of financing being based on competitively priced financing alternatives available at the time of the financing transaction; and
- Compliance with debt covenants.

Refer to note 22 for information regarding key market, credit and liquidity risks.

The following table summarises the Group's net cash/debt position as monitored by key management personnel:

	Notes	2024 \$m	2023 \$m
Cash, cash equivalents (including restricted cash) and term deposits	17	1,004.6	1,087.0
Current lease liabilities	18	(212.1)	(217.8)
Current interest-bearing liabilities	19	(404.6)	(514.0)
<b>Adjusted current net cash (non-IFRS measure)</b>		<b>387.9</b>	355.2
Non-current lease liabilities	18	(751.1)	(593.2)
Non-current interest-bearing liabilities	19	(972.2)	(940.5)
<b>Adjusted net debt (non-IFRS measure)</b>		<b>(1,335.4)</b>	(1,178.5)

### 17. Cash, cash equivalents and term deposits

	2024 \$m	2023 \$m
Cash at bank and on hand	211.8	395.4
Short term deposits	663.8	691.6
<b>Total cash and cash equivalents</b>	<b>875.6</b>	1,087.0
<b>Term deposits at bank</b>	<b>129.0</b>	—
<b>Total cash, cash equivalents and term deposits</b>	<b>1,004.6</b>	1,087.0

A portion of the Group cash is held by the independent Trustee as liquidity for The Loyalty Trust, or pledged by the Group as security for certain arrangements. The amount of cash and cash equivalents not available for use of the Group is \$118.2 million (30 June 2023: \$241.9 million).

Term deposits at bank are bank term deposits with an initial term of between 4 - 6 months of which \$90 million matures by 30 September 2024 and all mature within the first half of FY25.

## 18. Lease liabilities

	Aircraft leases	Property leases	Other leases	Total
2024	\$m	\$m	\$m	\$m
Balance at 1 July 2023	632.6	165.0	13.4	811.0
Additions	278.7	2.0	3.9	284.6
Modifications or cessations	64.6	—	—	64.6
Interest	48.8	11.4	0.9	61.1
Repayments	(201.1)	(36.1)	(5.5)	(242.7)
Foreign exchange revaluation	(15.1)	—	(0.3)	(15.4)
<b>Balance at 30 June 2024</b>	<b>808.5</b>	<b>142.3</b>	<b>12.4</b>	<b>963.2</b>
Current	181.3	25.6	5.2	212.1
Non-current	627.2	116.7	7.2	751.1
<b>Total lease liabilities</b>	<b>808.5</b>	<b>142.3</b>	<b>12.4</b>	<b>963.2</b>

	Aircraft leases	Property leases	Other leases	Total
2023	\$m	\$m	\$m	\$m
Balance at 1 July 2022	552.1	153.2	12.3	717.6
Additions	154.2	15.8	—	170.0
Modifications or cessations	32.1	13.7	3.3	49.1
Interest	39.4	18.4	1.0	58.8
Repayments	(163.2)	(36.1)	(5.0)	(204.3)
Foreign exchange revaluation	18.0	—	1.8	19.8
<b>Balance at 30 June 2023</b>	<b>632.6</b>	<b>165.0</b>	<b>13.4</b>	<b>811.0</b>
Current	180.6	32.6	4.6	217.8
Non-current	452.0	132.4	8.8	593.2
<b>Total lease liabilities</b>	<b>632.6</b>	<b>165.0</b>	<b>13.4</b>	<b>811.0</b>

The Group has entered into lease commitments for the right to use aircraft and property which have yet to be delivered as at 30 June 2024. The undiscounted value of these contractual lease commitments which are not reflected on balance sheet is \$288.2 million (30 June 2023: \$467.8 million).

## 18. Lease liabilities (continued)

### Accounting policy

The Group leases assets, including aircraft, engines, real estate, ground support equipment and aircraft spare parts. Under AASB 16 Leases, a contract is a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. ROU assets are presented in property, plant and equipment (see note 14) and are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Each separately identifiable component of an ROU asset is depreciated over the lesser of the lease term or the component's useful life.

Lease liabilities are presented in interest-bearing liabilities and are initially measured at the present value of future lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the scope, lease term, in-substance fixed lease payments or assessment to purchase the underlying asset. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero. The Group remeasures its foreign currency denominated lease liabilities using the exchange rate at each reporting date. Any changes to the lease liabilities due to exchange rate changes are recognised in profit or loss. Variable lease payments that do not depend on an index or a rate are recognised as an aircraft variable lease expense in the period during which the event or condition that triggers the payment occurs.

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group is subjected to customary restrictions in aircraft leases which limit the Group from subleasing aircraft to third parties without lessor consent. Property leases are also subjected to similar restrictions whereby the Group cannot assign, sublease or license certain properties without consent.

## 19. Interest-bearing liabilities

	2024 \$m	2023 \$m
Secured aircraft finance facilities	798.8	885.0
Secured loan	431.8	130.9
Bridge loan	—	292.4
Unsecured loan	146.2	146.2
<b>Total interest-bearing liabilities</b>	<b>1,376.8</b>	<b>1,454.5</b>
Current	404.6	514.0
Non-current	972.2	940.5
<b>Total interest-bearing liabilities</b>	<b>1,376.8</b>	<b>1,454.5</b>

For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, refer to note 22.

### Refinancing of the bridge loan and Velocity syndicated facility loan

In April 2024, Velocity Frequent Flyer Pty Ltd (VFF) (a wholly owned subsidiary of the Group) entered into a \$450.0 million syndicated facility. The facility comprises an amortising tranche which matures in April 2029 and a bullet tranche which matures in April 2030. The facility is secured over the assets of Velocity Frequent Flyer Holdco Pty Ltd and certain subsidiaries and guaranteed by entities outlined in note 25 footnote (5). The carrying value at 30 June 2024 is \$431.8 million (2023: nil). The purpose of the loan was to refinance existing debt and manage liquidity in line with the business's capital management policy.

### Facility terms

	Currency	Calendar year of maturity	2024		2023	
			Carrying/ drawn amount	Facility limit	Carrying/ drawn amount	Facility limit
			\$m	\$m	\$m	\$m
Secured aircraft finance facilities						
– Aircraft	AUD	2025 - 2031	393.6	393.6	479.4	479.4
– Aircraft	USD	2024 - 2036	380.6	380.6	378.4	410.6
– Aircraft	JPY	2028	24.6	24.6	27.2	27.2
Secured loans						
– Bank	AUD	2029 - 2030	431.8	431.8	130.9	130.9
– Bridge loan	AUD	2025	—	—	292.4	292.4
Unsecured loan						
– Shareholders	AUD	2025	146.2	146.2	146.2	146.2
			1,376.8	1,376.8	1,454.5	1,486.7



## 19. Interest-bearing liabilities (continued)

### Assets pledged as security

The Group has \$131.9 million of available standby letters of credit and guarantee facilities, of which, \$78.1 million is drawn (2023: \$138.3 million and \$91.0 million respectively). At 30 June 2024 standby letters of credit and bank guarantees on issue were secured with cash collateral or secured over property and equipment. The carrying amount of property, plant and equipment pledged as security for interest-bearing liabilities is disclosed in note 14.

### Reconciliation of movements in interest-bearing liabilities to cashflows

	2024 \$m	2023 \$m
Balance at 1 July	1,454.5	1,287.6
<i>Changes from financing cash flows</i>		
Repayment of interest-bearing liabilities	(536.2)	(153.2)
Proceeds from borrowings	471.0	310.2
<b>Total changes from financing cash flows</b>	<b>(65.2)</b>	157.0
<i>Other changes</i>		
Foreign exchange revaluation	(3.2)	11.5
Interest capitalised to loan balance	0.7	6.4
Transaction costs capitalised	(20.7)	(11.6)
Amortisation of deferred borrowing costs	10.7	3.6
<b>Total other changes</b>	<b>(12.5)</b>	9.9
<b>Balance at 30 June</b>	<b>1,376.8</b>	1,454.5

## 20. Share capital

### a) Ordinary share capital

	2024 \$m	2023 \$m
Balance at 1 July: 731.8 million ordinary shares (2023: 731.8 million)	2,240.2	2,970.2
Capital return paid to a shareholder: nil ordinary shares	—	(730.0)
<b>Balance at 30 June: 731.8 million ordinary shares (2023: 731.8 million)</b>	<b>2,240.2</b>	<b>2,240.2</b>

Ordinary shares carry one vote per share and carry the right to dividends. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. All authorised shares have been issued and fully paid and have no par value.

### b) 'A' class shares

During the current financial year, nil 'A' class shares (2023: 3.0 million) backed in full by a limited recourse loan, were issued to employees under the Management Equity Plan (MEP). The 'A' class shares are held in trust until they vest in accordance with the rules of the plan. Further details are outlined in note 29.

'A' class shares carry no voting rights other than on resolutions which only holders of 'A' class shares can vote on. In the event of a winding up of the Company, 'A' class shares rank pari passu with ordinary shares (provided that in the case of a distribution/dividend to ordinary shares prior to a winding up of the Company, 'A' class shares will only participate in such distribution/dividend if so determined by the Board of the Company in its absolute discretion). 'A' class shares are also considered to represent treasury shares.

## 21. Dividends

The following unfranked dividends were declared by the Group for the year. The dividend declared in relation to 'A' class shares remained unpaid at 30 June 2024 and was recognised in current provisions.

	2024 \$m	2023 \$m
50.09 cents per ordinary share (2023: Nil)	366.5	—
16.67 cents per 'A' class share (2023: Nil)	8.7	—
<b>Total dividends declared</b>	<b>375.2</b>	<b>—</b>

The following franking credits are available for use in a subsequent reporting period. The ability to use franking credits is dependent on the ability to declare dividends.

	2024 \$m	2023 \$m
<i>Dividend franking account balance</i>		
Exempting franking credits from acquisition of Skywest Group based on tax rate of 30% (2023: 30%)	4.2	4.2

## 22. Financial risk management

The Group has exposure to a variety of financial risks, including market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. There have been no significant changes in the Group's risk management strategy from the previous period.

The Group manages these risk exposures using various financial instruments. The Board has determined hedging limits for financial risks and these are documented in the Treasury Risk Management Policy. Transactions entered into must be carried out within these guidelines unless otherwise approved by the Board. Implementation of this policy is delegated to management, who have flexibility to act within the bounds of the authorised policy limits. The Group's policy is to not enter, issue or hold derivative financial instruments for speculative trading purposes. Compliance with the policy is monitored on an ongoing basis through regular reporting to the Board.

### a) Market risk

Market risk is the risk that changes in market prices, such as fuel prices, foreign exchange rates and interest rates, will affect the Group's cash flows and profits. The objective of market risk management is to manage and control market exposures, within tolerances.

The Group enters into derivatives and non-derivative financial assets to manage market risks relating to fuel prices (commodity and currency risk). Derivatives are recognised at fair value, both initially and on an ongoing basis. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group assesses, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be "highly effective".

Hedges of highly probable forecast transactions which are exposed to variations in cash flows that could ultimately affect profit or loss are called cash flow hedges. Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss. Cumulative gains and losses in other comprehensive income, including those relating to discontinued hedges, are recognised in profit or loss in the periods in which the hedged item will affect profit or loss.

The following table summarises the fair value of the Group's cash flow hedges relating to non-derivative financial assets, foreign exchange contracts and fuel hedging contracts as at the reporting date:

	2024	2023
	\$m	\$m
Forward foreign exchange contracts	1.6	3.3
Fuel hedging contracts	12.8	7.1
<b>Total derivative financial instruments</b>	<b>14.4</b>	10.4

## 22. Financial risk management (continued)

### a) Market risk (continued)

#### i. Fuel price risk management

Fuel price risk arises on the Group's exposure to jet fuel prices. The underlying contracted purchase price for jet fuel is denominated in USD and is referenced to market movements in crude oil prices and refining margins. Expenditure on jet fuel represents a material cost to the Group. Exposure to movements in jet fuel prices gives rise to two separate underlying risks to be managed:

- Foreign exchange risk relating to movements in the AUD/USD exchange rate; and
- Commodity price risk resulting from movements in crude oil prices and refining margins.

The Group's fuel price risk management strategy aims to provide the airline with protection against sudden and significant increases in fuel prices while ensuring that the airline is not competitively disadvantaged in the event of a substantial decrease in the price of fuel.

The Group's risk management policy is to hedge anticipated jet fuel consumption subject to limits determined by the Board. This exposure is managed by using Singapore Jet Kerosene and Brent Crude commodity swaps, option contracts and other fuel related derivatives. These contracts are designated as hedges of price risk on specific volumes of future jet fuel consumption. The Group considers Brent Crude to be a separately identifiable and measurable component of Singapore Jet Kerosene. Over the long term, the price of Brent Crude has been highly correlated with the price of Singapore Jet Kerosene.

Ineffectiveness on fuel derivatives can arise from timing differences on the notional amount between the hedging instrument and hedged item, or changes in market dynamics which may cause the Group to reassess exposure to jet fuel. As at 30 June 2024, the Group has nil hedging ineffectiveness on derivative positions (2023: \$1.1 million).

Realised gains or losses on fuel hedging contracts arise due to differences between the actual fuel prices on settlement, the forward rates of derivative contracts and the cost of option premiums paid.

	2024	2023
	\$m	\$m
Fuel hedging loss recognised in fuel and oil expenses	(9.0)	(20.2)

The following table sets out the notional amount and the hedged price range (minimum and maximum strike/contract rates) of the Group's fuel hedging instruments:

	Hedged prices <sup>1</sup>	Notional amount	Carrying amount	Change in fair value of hedged instrument <sup>2</sup>	Change in fair value of hedged item <sup>2</sup>
	\$/bbl	Bbl(m)	\$m	\$m	\$m
<b>AUD fuel costs</b>					
<b>2024</b>	<b>120-151</b>	<b>3.9</b>	<b>12.8</b>	<b>12.8</b>	<b>(12.8)</b>
2023	109-158	5.3	7.1	7.1	(7.1)

<sup>1</sup> The Group's hedge price reflects the range of strikes on call options which protect against upward movements in price while retaining full participation to downward movements.

<sup>2</sup> The change in fair value of the hedge instrument and the hedged item are used in assessing hedge effectiveness.

## 22. Financial risk management (continued)

### a) Market risk (continued)

The following table summarises the sensitivity of the Group's financial assets and liabilities to a reasonably possible change in fuel prices. The Group hedges the majority of its fuel price exposure with Brent Crude as there is a lack of liquidity in hedging products for Singapore Jet Kerosene. An AUD 20 per barrel (bbl) (2023: AUD 20 bbl) increase or decrease in the price of Brent Crude (with no change in refining margin) would have increased/(decreased) equity and the profit or loss (before tax) by the amounts shown below. This assumes all other variables remain constant and is based on the designated hedge relationship at the reporting dates. The impacts below would have an equal but opposite impact on the carrying value of the financial asset/liability.

	2024		2023	
	Profit/(loss) <sup>1</sup>	Equity	Profit/(loss) <sup>1</sup>	Equity
	\$m	\$m	\$m	\$m
<b>Net derivative financial assets</b>				
AUD 20/bbl increase (2023: 20/bbl)	—	52.2	—	37.9
AUD 20/bbl decrease (2023: 20/bbl)	—	(3.7)	—	(23.6)

### ii. Foreign exchange risk management

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Group undertakes transactions in US dollars, including the cost of purchasing fuel, aircraft, aircraft lease payments, some maintenance costs, the sale of airline passenger tickets and the repayment of USD debt and interest. The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2024	2023	2024	2023
AUD:USD	0.66	0.68	0.67	0.67

### iii. Exposure to foreign exchange risk

The Group is predominately exposed to USD foreign exchange risk. The Group's exposure to USD foreign exchange risk, in entities with functional currencies other than USD, at the reporting date was as follows, based on notional amounts (presented in AUD equivalents):

	Notes	2024	2023
		\$m	\$m
Cash and cash equivalents	17	503.7	223.0
Receivables	9	41.3	41.6
Other financial assets	11	115.6	103.0
Payables		(102.6)	(59.6)
Lease liabilities	18	(818.7)	(643.5)
Interest-bearing liabilities	19	(270.1)	(269.9)
<b>Gross statement of financial position exposure</b>		<b>(530.8)</b>	<b>(605.4)</b>

<sup>1</sup> As all derivatives impacted by the sensitivity to market movements are designated as effective hedges, there is no profit or loss impact.

## 22. Financial risk management (continued)

### a) Market risk (continued)

To protect against exchange rate movements, the Group uses foreign exchange option contracts and USD cash and cash equivalents to hedge highly probable forecasted purchases of jet fuel and other operating costs for the ensuing financial periods. Realised gains or losses on these contracts arise due to differences in exchange rates from the hedge designation to maturity of the hedge relationship.

Ineffectiveness on foreign exchange derivatives can arise from timing differences on the notional amount between the hedged instrument and hedged item. At 30 June 2024, there is no hedging ineffectiveness recognised on foreign exchange derivatives designated in a hedge relationship (2023: nil).

	2024 \$m	2023 \$m
FX hedging gains recognised in aircraft variable leases, contract and other maintenance, fuel and oil, commissions, other marketing and reservations, net foreign exchange gain/(loss) and finance costs	3.5	15.0

The following table sets out the notional amount and the hedged rate of the Group's foreign exchange hedging instruments:

	Hedged prices	Notional amount	Carrying amount	Change in fair value of hedged instrument <sup>1</sup>	Change in fair value of hedged item <sup>1</sup>
	AUD/USD	US\$m	\$m	\$m	\$m
<b>USD operating costs</b>					
<b>2024</b>	<b>0.65-0.67</b>	<b>593.5</b>	<b>1.6</b>	<b>1.6</b>	<b>(1.6)</b>
2023	0.65-0.68	262.3	3.3	3.3	(3.3)

<sup>1</sup> The change in fair value of the hedge instrument and the hedged item are used in assessing hedge effectiveness.

## 22. Financial risk management (continued)

### a) Market risk (continued)

#### iv. Sensitivity to foreign exchange rates

The following table summarises the sensitivity of the Group's foreign currency denominated financial assets and liabilities to a reasonably possible change in the exchange rate to the US dollar. This excludes monetary assets and liabilities denominated in a foreign currency which are held by controlled entities with a US dollar functional currency for which changes in exchange rates are recognised within the foreign currency translation reserve. A 10% (2023: 10%) appreciation or depreciation of the AUD against the USD would have increased/(decreased) equity and profit or loss (before tax) by the amounts shown below. This assumes all other variables remain constant.

		10% appreciation in AUD		10% depreciation in AUD	
	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
	\$m	\$m	\$m	\$m	\$m
<b>2024</b>					
Net-derivative financial asset	13.4	—	(1.2)	—	1.5
Non-derivative financial asset	660.6	(60.1)	—	73.4	—
Non-derivative financial liability	(1,191.4)	108.3	—	(132.4)	—
		48.2	(1.2)	(59.0)	1.5
<b>2023</b>					
Net-derivative financial asset	9.8	—	(0.9)	—	1.1
Non-derivative financial asset	367.6	(33.4)	—	40.8	—
Non-derivative financial liability	(973.0)	88.5	—	(108.1)	—
		55.1	(0.9)	(67.3)	1.1

#### v. Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from cash and cash equivalents and interest-bearing liabilities. The carrying value of these financial instruments is set out in the table below. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by entering into fixed and floating rate debt and lease arrangements. The residual exposure to variable interest rates is managed by holding floating rate assets to create a natural hedge and may include entering into floating-to-fixed interest rate swaps to hedge part of this exposure (no interest rate swaps were in place in the current or prior financial years). The Group accounts for variable rate financial assets and financial liabilities at amortised cost using the effective interest rate method. There were no gains or losses on interest rate hedging activities for the Group during the current or prior financial years.

## 22. Financial risk management (continued)

### a) Market risk (continued)

#### vi. Exposure to interest rate risk and sensitivity to interest rates

The fixed and variable components of the Group's cash, cash equivalents and term deposits and interest-bearing liabilities are set out in the table below. Non-interest-bearing amounts are not reported separately in the table. The impact on profit or loss (before tax) of a 100 basis point increase or decrease in interest rates, assuming all other variables remain constant, is also set out below. There are no impacts on equity.

	Carrying amount	Interest rate profile		Profit/(loss) sensitivity	
		Fixed rate instruments	Variable rate instruments	100 bps increase	100 bps decrease
	\$m	\$m	\$m	\$m	\$m
<b>2024</b>					
Cash and cash equivalents	875.6	35.9	839.7	8.4	(8.4)
Term deposits at bank <sup>1</sup>	129.0	129.0	—	—	—
Lease liabilities	(963.2)	(963.2)	—	—	—
Interest-bearing liabilities	(1,376.8)	(622.4)	(754.4)	(7.5)	7.5
	(1,335.4)	(1,420.7)	85.3	0.9	(0.9)
<b>2023</b>					
Cash and cash equivalents	1,087.0	63.1	1,023.9	10.2	(10.2)
Lease liabilities	(811.0)	(811.0)	—	—	—
Interest-bearing liabilities	(1,454.5)	(678.8)	(775.7)	(7.8)	7.8
	(1,178.5)	(1,426.7)	248.2	2.4	(2.4)

<sup>1</sup> At 30 June 2024 the term deposits had a weighted average term to maturity of 67 days.



## 22. Financial risk management (continued)

### b) Credit risk

Credit risk is the risk of financial loss to the Group a customer or counterparty to a financial asset fails to meet its contractual obligations. Financial assets include cash and cash equivalents, receivables, derivative financial instruments and other financial assets (including security deposits).

Exposure to credit risk in relation to cash and cash equivalents, derivative financial instruments and other financial assets arises principally from financial institution, credit card acquirers and aircraft lessors. The Group limits its exposure to financial institutions via a series of Board approved counterparty credit limits based on the long-term credit rating of the counterparty. Hedging transactions and cash investments in liquid securities are conducted with financial institutions that have an investment grade rating (BBB+ and above) where possible. The Group also limits exposure by transacting with multiple aircraft lessors in various countries.

#### i. Receivables

Exposure to credit risk in relation to receivables arises principally from trade debtors and other counterparties (travel agents, industry settlement organisations and credit provided direct to customers).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty and is assessed based on trading performance of the counterparty. The Group has credit policies in place under which each new trade debtor is analysed individually for creditworthiness before the Group's standard payment terms are offered. Purchase limits are established for each counterparty and reviewed on a regular basis to ensure that sales made on credit terms are made to counterparties with an appropriate credit history. The Group continuously monitors counterparty credit limits on defaults, incorporating this information into credit risk controls.

The demographics of the Group's customer base, including default risk of the industry, have less of an influence on credit risk. A significant proportion of the Group's revenue is received through credit cards, however, there are no significant concentrations of credit risk.

Of the trade receivables as at 30 June 2024, deemed neither past due nor impaired, customers who represent more than 5% of the balance have an investment grade credit rating and the credit exposure is short term in nature with no history of default. The average credit period on revenue is 17 days (2023: 16 days). In the event of a default, the Group would cease trading with the customer and any credit extended would be withdrawn. A provision for doubtful receivables account in respect of trade receivables is used to record expected credit losses (ECLs). The Group uses an allowance matrix to measure the lifetime ECLs of trade receivables from individual customers because trade receivables is comprised of a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable being written off.

The Group considers individual customer data and publicly available information, including any forward-looking statements, when assessing whether there has been an increase in credit risk with individual debtors since the initial recognition of the financial assets and when estimating ECLs. The Group considers a financial asset to be in default when the counterparty is unlikely to pay its credit obligations in full. If the Group is satisfied that no recovery of the amount owing is possible, subsequent to engagement with the debtor and any commercial negotiations, the financial asset is written off.

## 22. Financial risk management (continued)

### b) Credit risk (continued)

An ageing analysis of Trade and other receivables is included in the table below:

	2024		2023	
	Gross	Allowance for credit losses	Gross	Allowance for credit losses
	\$m	\$m	\$m	\$m
Not past due	246.5	—	212.7	—
1-30 days past due	24.1	—	24.4	—
31-60 days past due	12.3	—	1.0	—
+61 days past due	6.8	(5.8)	11.4	(6.8)
<b>Trade and Other receivables</b>	<b>289.7</b>	<b>(5.8)</b>	<b>249.5</b>	<b>(6.8)</b>

#### ii. Exposure to credit risk

The Group's maximum exposure to credit risk at the reporting date equates to the carrying amount of its financial assets and is set out in the table below.

	Notes	2024 \$m	2023 \$m
Cash, cash equivalents and term deposits	17	1,004.6	1,087.0
Trade and other receivables	9	283.9	242.7
Derivative financial instruments	22	14.4	10.4
Other financial assets	11	131.4	204.2
		<b>1,434.3</b>	<b>1,544.3</b>

## 22. Financial risk management (continued)

### c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Interest-bearing liabilities are denominated in AUD, USD and JPY (refer to note 19) and therefore the contractual cash flows noted in the table below may differ as a result of the foreign exchange rate that applies at the date the USD and JPY denominated instrument is settled. Any breach in financial covenants relating to financing arrangements may result in a requirement for the Group to repay the relevant loans earlier than indicated by the contractual cash flows. At reporting date, the Group was in compliance with its covenants.

The following table summarises the periods in which cash flows are contractually required to occur. Actual timing may differ.

	Carrying amount	Contractual cash flows			Total
		< 1 year	1-5 years	> 5 years	
	\$m	\$m	\$m	\$m	\$m
<b>2024</b>					
Payables	(532.2)	(532.2)	—	—	(532.2)
Lease liabilities	(963.2)	(276.5)	(628.3)	(359.3)	(1,264.1)
Interest-bearing liabilities	(1,376.8)	(482.5)	(907.0)	(297.3)	(1,686.8)
	(2,872.2)	(1,291.2)	(1,535.3)	(656.6)	(3,483.1)
<b>2023</b>					
Payables	(424.8)	(424.8)	—	—	(424.8)
Lease liabilities	(811.0)	(231.7)	(605.5)	(177.6)	(1,014.8)
Interest-bearing liabilities	(1,454.5)	(606.7)	(909.2)	(141.7)	(1,657.6)
	(2,690.3)	(1,263.2)	(1,514.7)	(319.3)	(3,097.2)

The Group also has contractual commitments for the acquisition of property, plant and equipment and intangible assets, which are detailed in note 28.

#### *Liquidity risk management*

The Group's primary cash investment objective is to ensure sufficient liquidity is available to run the business in a variety of stressed scenarios, ensuring that the Group can continue to meet its contractual obligations, including operating expenses, debt maturities and capital commitments. Regular cash projections are provided to the Board and senior management and policies include minimum liquidity requirements which must be maintained.

The Group also maintains various lines of credit, which are detailed in note 19. The Group's capital management policies are detailed in note 16. The Group's funding plans and basis of going concern are detailed in note 33(e).

## 23. Fair value measurement

Financial assets and liabilities are measured at either fair value or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices that are directly or indirectly observable
- Level 3 - Inputs are not observable based on market data

The financial instruments disclosed in the table below are all measured based on level 2 valuation methods. The carrying amounts of financial assets and liabilities not detailed in the following table approximate their fair values.

	2024		2023	
	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m
<b>Financial assets carried at fair value</b>				
Derivative financial instruments	14.4	14.4	10.4	10.4
<b>Financial liabilities carried at amortised cost</b>				
Secured aircraft finance facilities	798.8	784.9	885.0	859.2
Secured loans	431.8	450.0	130.9	131.5
Bridge loan	—	—	292.4	300.0
Unsecured loan	146.2	150.7	146.2	150.7

### i. Derivative financial instruments

The fair value of financial instruments that are not traded in an active market (i.e. over-the-counter derivatives) is based on Level 2 inputs. These financial instruments relate to fuel and foreign exchange hedging contracts principally with counterparties with investment grade credit ratings. The fair value of these instruments is determined using estimated discounted cash flows based on the forward curve on fuel prices and foreign exchange rates at the reporting date.

### ii. Interest-bearing liabilities

The fair value of the Group's interest-bearing liabilities is determined based on Level 2 inputs by discounting the remaining contractual cash flows at the relevant credit-adjusted market interest rates at the reporting date.

### iii. Maintenance reserve deposits

The fair value of maintenance reserve deposits on leased aircraft is based on Level 3 inputs. Fair value is calculated as the present value of the estimated costs of future maintenance events, based on historical transactions with third party maintenance providers. In the Group's view, there are no reasonably possible changes in these unobservable inputs that could significantly impact the fair value measurement. Refer to note 11 for further disclosure.

### iv. Other financial assets and liabilities carried at amortised cost

The fair value of cash, cash equivalents and term deposits, receivables and payables approximate their carrying amounts largely due to the short-term nature of these instruments. The fair value of other financial assets and variable rate liabilities that are not recognised net of transaction costs approximate their carrying amounts.

## 24. Offsetting financial assets and liabilities

The Group enters into contractual arrangements such as the International Air Transport Association (IATA) and International Swaps and Derivatives Association (ISDA) Master Agreements 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 contractual terms.

Amounts are recognised net in the consolidated statement of financial position where the Group has a legally enforceable right to set off and there is intention to settle on a net basis. Where there is no legally enforceable right to offset recognised amounts, the balances are recognised gross.

As at 30 June 2024, the amounts shown as financial assets and financial liabilities (including provisions) would each have been \$142.1 million lower (2023: \$118.0 million) in the event the right to offset was currently enforceable.

## E. Group structure

This section sets out the legal structure of the Group. It provides information on business combinations, details on controlled entities, joint ventures, associates, non-controlling interests and unconsolidated structures. The parent entity in the Group is Virgin Australia Holdings Pty Limited.

### 25. Controlled entities

These consolidated financial statements comprise the financial statements of the Company and the following subsidiaries which are wholly owned in the current and prior financial years unless otherwise noted. The reporting period end for all subsidiaries is the same as the parent entity. Country of incorporation is detailed in tables below.

#### Australia

VBNC5 Pty Ltd <sup>1,2</sup>	VB PDP 2010-11 Pty Ltd <sup>1,2</sup>	BC Hart Company Pty Ltd <sup>1,2</sup>
Virgin Australia Airlines Holdings Pty Limited <sup>1,2</sup>	Virgin Australia Airlines Pty Ltd <sup>1,2</sup>	Virgin Tech Pty Ltd <sup>1,2</sup>
Short Haul 2017 No. 2 Pty Ltd <sup>3</sup>	Short Haul 2017 No. 3 Pty Ltd <sup>3</sup>	Short Haul 2018 No. 1 Pty Ltd <sup>3</sup>
VA Borrower 2019 No. 2 Pty Ltd <sup>3</sup>	VB Ventures Pty Ltd <sup>2</sup>	VB Leaseco Pty Ltd <sup>1,2,4</sup>
VB Leaseco No 2 Pty Ltd <sup>3</sup>	VB 800 2009 Pty Ltd <sup>3</sup>	Short Haul 2014 No. 1 Pty Ltd <sup>3</sup>
Short Haul 2014 No. 2 Pty Ltd <sup>3</sup>	ULCC Air Pty Ltd <sup>1,2,4</sup>	Virgin Australia Cargo Pty Ltd <sup>1,2,4</sup>
Virgin Australia Regional Airlines Pty Ltd <sup>1,2</sup>	Velocity Frequent Flyer Holdco Pty Ltd <sup>5</sup>	Velocity Frequent Flyer 1 Pty Ltd <sup>5</sup>
Velocity Frequent Flyer 2 Pty Ltd <sup>5</sup>	Velocity Frequent Flyer Pty Ltd <sup>5</sup>	Velocity Rewards Pty Ltd
Torque Solutions (Australia) Pty Ltd <sup>5</sup>	Virgin Australia International Operations Pty Ltd <sup>1,4</sup>	Virgin Australia International Holdings Pty Ltd <sup>2,6</sup>
Virgin Australia International Airlines Pty Ltd <sup>2,6</sup>	ULCC Air International Pty Ltd <sup>2,6</sup>	Virgin Australia Airlines (SE Asia) Pty Ltd <sup>2,6</sup>
Virgin Australia Holidays Pty Ltd <sup>7</sup>	VAH Newco No.2 Pty Ltd <sup>7</sup>	ACN 098 904 262 Pty Ltd <sup>7</sup>
VB Investco Pty Ltd <sup>7</sup>	VA Borrower 2024 Pty Ltd <sup>3,8</sup>	

<sup>1</sup> These controlled entities are party to a Deed of Cross Guarantee with Virgin Australia Holdings Pty Limited dated 24 March 2021 amended 29 June 2021 (Deed of Revocation) and 29 June 2022 (Deed of Assumption). Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 28 September 2016, where these controlled entities were required under the *Corporations Act 2001* to prepare, audit and lodge financial reports, they have been relieved for the financial year ended 30 June 2024, subject to the exceptions as set out below in footnote 4. Refer to note 26 for further information regarding the Deed of Cross Guarantee.

<sup>2</sup> These entities provided security over their assets (other than assets over which security was not available to be granted, e.g. because of contractual or legal restrictions) to secure the bridge loan described in note 19. This security was extinguished upon repayment of the bridge loan in April 2024.

<sup>3</sup> The issued capital of these entities is pledged as security for the secured aircraft finance facilities in note 19.

<sup>4</sup> For the years 30 June 2023 and 30 June 2024, these companies were ineligible for relief under the Deed of Cross Guarantee, having not met the large proprietary company reporting threshold.

<sup>5</sup> These entities have given security over their assets (other than assets over which security is not available to be granted because of contractual restrictions) to secure the secured bank loan disclosed in note 19.

<sup>6</sup> The Company consolidates these entities in accordance with the requirements of Australian Accounting Standards, despite holding minimal issued capital as the Company is exposed to or has rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over the entities and they are therefore controlled entities of the Company.

<sup>7</sup> These entities were de-registered between 1 July 2023 and 30 June 2024.

<sup>8</sup> Incorporated on 22 February 2024.

## 25. Controlled entities (continued)

### New Zealand

Virgin Australia Airlines (NZ) Limited<sup>6,9</sup>

Virgin Australia (NZ) Employment and Crewing Limited<sup>9</sup>

### Australia - Trusts

The Loyalty Trust<sup>10</sup>

Key Employee Performance Plan Trust<sup>10</sup>

## Accounting policy

The Company controls an entity when it 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. Controlled entities are consolidated from the date on which control commences and are de-consolidated from the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Significant judgement may be required to determine if an entity is controlled by the Company. The Company consolidates a number of entities in which it holds minimal or no issued capital. There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of the Group.

## 26. Deed of Cross Guarantee

Virgin Australia Holdings Pty Limited and certain wholly owned subsidiaries have entered into a Deed of Cross Guarantee (Deed).

Details of the companies which are party to the Deed, or which have entered into a Deed of Revocation or Deed of Assumption to the Deed in the relevant year can be found in note 25 and are marked (1). The effect of the Deed is that Virgin Australia Holdings Pty Limited has guaranteed to pay any outstanding liabilities upon the winding up of any wholly owned subsidiary that is party to the Deed. Wholly owned subsidiaries that are party to the Deed have also given a similar guarantee in the event that Virgin Australia Holdings Pty Limited or another party to the Deed is wound up.

The wholly owned subsidiaries that are identified in note 25 and marked (1) are relieved from the requirements to prepare and lodge audited financial statements or are otherwise ineligible for reporting relief as indicated in the note.

<sup>9</sup> Effective August 2024 these entities are in liquidation and de-registered in Australia however are registered in New Zealand.

<sup>10</sup> The Company administers the Key Employee Performance Plan Trust and The Loyalty Trust through appointed Trustees.

## 26. Deed of Cross Guarantee (continued)

### Consolidated statement of profit or loss of the Deed Group

	2024 \$m	2023 \$m
Revenue and income	5,247.1	4,507.3
Impairment reversal/(impairment) of assets	1,026.7	(3.3)
Expenses	(4,691.4)	(4,370.3)
<b>Profit before net finance costs and tax</b>	<b>1,582.4</b>	<b>133.7</b>
Finance income	62.2	57.1
Finance costs	(215.0)	(172.3)
<b>Profit before tax</b>	<b>1,429.6</b>	<b>18.5</b>
Income tax benefit	141.8	(6.3)
<b>Profit</b>	<b>1,571.4</b>	<b>12.2</b>

### Consolidated statement of profit or loss and other comprehensive income and accumulated losses of the Deed Group

	2024 \$m	2023 \$m
Profit	1,571.4	12.2
Other comprehensive income that may be reclassified subsequently to profit or loss	8.4	(34.2)
<b>Other comprehensive income/(loss), net of tax</b>	<b>8.4</b>	<b>(34.2)</b>
<b>Total comprehensive profit/(loss)</b>	<b>1,579.8</b>	<b>(22.0)</b>
Accumulated losses at 1 July	(3,452.9)	(3,465.1)
Dividends declared	(375.2)	—
Transfers from reserves	96.3	34.2
<b>Accumulated losses at 30 June</b>	<b>(2,152.0)</b>	<b>(3,452.9)</b>



## 26. Deed of Cross Guarantee (continued)

## Consolidated statement of financial position of the Deed Group

	2024 \$m	2023 \$m
<b>Current assets</b>		
Cash and cash equivalents	749.1	860.3
Term deposits at bank	50.0	—
Receivables	348.0	421.7
Inventories	29.3	32.3
Derivative financial instruments	14.4	10.4
Other financial assets	22.1	105.9
<b>Total current assets</b>	<b>1,212.9</b>	<b>1,430.6</b>
<b>Non-current assets</b>		
Receivables	236.8	22.5
Other financial assets	107.6	96.4
Investment in subsidiary	1,185.2	1,026.8
Property, plant and equipment	2,431.5	2,055.3
Intangible assets	39.8	42.4
<b>Total non-current assets</b>	<b>4,000.9</b>	<b>3,243.4</b>
<b>Total assets</b>	<b>5,213.8</b>	<b>4,674.0</b>
<b>Current liabilities</b>		
Payables	1,323.4	1,710.9
Unearned revenue and income	724.8	1,010.7
Lease liabilities	211.2	216.4
Interest-bearing liabilities	404.4	382.1
Provisions	269.0	189.3
<b>Total current liabilities</b>	<b>2,932.8</b>	<b>3,509.4</b>
<b>Non-current liabilities</b>		
Unearned revenue and income	—	10.0
Lease liabilities	742.9	586.1
Interest-bearing liabilities	920.4	1,320.5
Provisions	503.3	334.3
<b>Total non-current liabilities</b>	<b>2,166.6</b>	<b>2,250.9</b>
<b>Total liabilities</b>	<b>5,099.4</b>	<b>5,760.3</b>
<b>Net assets/(liabilities)</b>	<b>114.4</b>	<b>(1,086.3)</b>
<b>Equity</b>		
Share capital	2,256.7	2,256.7
Reserves	9.7	109.9
Accumulated losses	(2,152.0)	(3,452.9)
<b>Total equity</b>	<b>114.4</b>	<b>(1,086.3)</b>

## 27. Parent entity disclosures

	2024 \$m	2023 \$m
<b>Results of Virgin Australia Holdings Pty Limited</b>		
Profit	1,672.0	437.8
<b>Total comprehensive profit</b>	<b>1,672.0</b>	<b>437.8</b>
<b>Financial position of Virgin Australia Holdings Pty Limited</b>		
Current assets	780.1	39.8
<b>Total assets</b>	<b>790.3</b>	<b>49.0</b>
Current liabilities	(172.0)	(728.3)
<b>Total liabilities</b>	<b>(172.0)</b>	<b>(728.3)</b>
<b>Net assets/(liabilities)</b>	<b>618.3</b>	<b>(679.3)</b>
Share capital	2,256.7	2,256.7
Reserves	(11.4)	(12.3)
Accumulated losses	(1,627.0)	(2,923.7)
<b>Total equity</b>	<b>618.3</b>	<b>(679.3)</b>

The Company is party to a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of a number of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed, are disclosed in note 26.

The Company does not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2024 (2023: nil).

## F. Other items

This section sets out other disclosures that may be relevant to understanding the financial position and performance of the Group.

### 28. Commitments and contingencies

#### Capital commitments

The Group has capital expenditure commitments to purchase property, plant and equipment and intangibles contracted at the reporting date but not recognised as liabilities. At 30 June 2024 the Group has capital expenditure commitments of \$2,011.7 million (30 June 2023: \$1,955.7 million) relating to the purchase of additional aircraft. These commitments are predominantly in US dollars. US dollar amounts are translated to Australian dollars at the 30 June 2024 closing exchange rate of 0.6670 (30 June 2023: 0.6663). Commitments relating to right of use aircraft and property leases are detailed in note 18.

The Group has provided bank guarantees, standby letters of credit and surety bonds to third parties as guarantees of payment for aircraft lease security deposits and maintenance reserve deposits, non-aircraft lease commitments, a workers' compensation self-insurance licence and other arrangements entered into with third parties. As at 30 June 2024, the total outstanding is \$78.1 million (30 June 2023: \$91.0 million). Refer to note 19 for further information on facility limits.

### 29. Share-based payments

The Group established an equity-settled Management Equity Plan (MEP) on 13 May 2021. The fair value of equity instruments granted is recognised as an employee benefits expense over the expected vesting period with a corresponding increase in equity. The MEP is designed to provide long-term incentives for senior managers and executives to deliver long-term returns.

Under the MEP, a fully paid 'A' class share issued by the Group is backed in full by a limited recourse loan, with a maximum term of 10 years, solely for the employee's purpose of acquiring the shares. This limited recourse loan arrangement results in the share issue being treated as an option grant in accordance with AASB 2 *Share-based Payment* and AASB 139 *Financial Instruments: Recognition and Measurement*. The options are exercised on the date or dates when the loan is repaid. As the A class shares are held on trust until they vest, these are treated as treasury shares and accordingly derecognised in the statement of changes in equity in accordance with AASB 2 *Share-based Payment*.

The shares vest on the occurrence of an exit event which may include the sale of the Group and/or an initial public offering (IPO). Vesting conditions include the individual needing to be an employee at the time of the exit event and certain share price targets associated with the terms of the exit event.

Market vesting conditions are included in assumptions used to determine the grant date fair value. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each period, the Group revises its estimate of the number of options that are expected to vest and the expected vesting date. It recognises the impact of the revision to original estimates, if any, to the cumulative amount recognised as an expense with a corresponding adjustment to equity.

## 29. Share-based payments (continued)

No new options were granted in the current year. The weighted average fair value of options granted during the prior year was \$0.58. Significant inputs used in the measurement of the fair values for options granted in FY23 at grant date were as follows:

	Grant date		
	15 Mar '23	27 Jan '23	26 Aug '22
Share price on grant date	\$2.10	\$2.10	\$1.00
Loan value per share (exercise price)	\$2.10	\$2.10	\$1.00
Share price volatility <sup>1</sup>	35%	35%	35%
Dividend yield	0%	0%	0%
Risk free rate	3.22-3.27%	3.34-3.39%	3.41-3.45%
Weighted average time to maturity	6.5 years	6.6 years	6.8 years
<b>Fair value</b>	<b>\$0.66-0.84</b>	<b>\$0.68-0.85</b>	<b>\$0.15-0.42</b>

The estimation of the fair value of share-based payment awards requires judgement with respect to the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions. The MEP awards have been valued using a combination of Monte-Carlo simulation and Black-Scholes modelling.

The number of options under the MEP and the weighted average exercise price (WAEP) were as follows:

	2024	WAEP	2023	WAEP
	000	\$	000	\$
Outstanding at beginning of year	54,700	1.05	52,256	1.00
Granted during the year	—	—	3,029	1.84
Forfeited during the year	(2,479)	1.06	(585)	1.00
<b>Outstanding at the end of the year</b>	<b>52,221</b>	<b>1.05</b>	<b>54,700</b>	<b>1.05</b>

Share options outstanding at the end of the period had an exercise price of \$1.00 - \$2.10, and a weighted-average time to maturity at year end of 7.4 years (2023: 6.6 years). No options issued under the MEP vested and were exercised or expired during the year and none were exercisable at year-end.

### Accounting policy

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised in the labour and staff related expense within the consolidated statement of profit or loss, together with a corresponding increase in equity reserves, over the period in which the service and any performance conditions are fulfilled (the vesting period). Settlement of options, upon vesting, are recognised as contributed equity.

<sup>1</sup> The expected volatility was determined having regard to the historical share price volatility of the Group prior to its delisting and the volatility of comparable companies.

### 30. Related parties

#### a) Key management personnel

Key management personnel (KMP) are those persons having responsibility and authority for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. From March 2023 the number of executive KMP reduced to the CEO, CFO and CEO of Velocity. The comparative presented includes the remuneration of all KMP prior to the date of this change. The total remuneration of KMP of the Group is set out below.

	2024 \$'000	2023 \$'000
Salaries and short-term benefits	4,750	7,899
Post-employment benefits	82	83
Share-based payments	557	2,793
	5,389	10,775

Unsecured loans provided to certain KMP totalling \$71,000 were outstanding at 30 June 2024 (2023: \$106,000). The loans are interest free and repayable over a 3-year period.

#### b) Transactions and balances with the ultimate parent and its controlled entities

The Group was provided with management and other consulting services during the year by a shareholder related party. A fixed annual fee, together with the reimbursement of expenses incurred by the shareholder related party, are payable for these services as rendered. Under the terms of the agreement, the shareholder related party may also charge a termination fee, in the event that the Group is involved in an Initial Public Offering ("IPO"). The Group has provided an indemnity to the shareholder related party, its employees and certain other parties specified in the agreement for any liabilities or claims that arise in relation to services provided.

### 31. Auditor's remuneration

Details of amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services are set out below.

	2024 \$'000	2023 \$'000
<b>Audit and review services</b>		
Audit and review of the financial statements of the Company and any other entity within the Group	1,582	1,673
<b>Other assurance services</b>		
Sustainability and other regulatory assurance services	315	186
<b>Other services</b>		
Due diligence services	1,210	1,211
Taxation services	4	13
Other	10	87
	3,121	3,170

## 32. Events subsequent to reporting date

Post 30 June, the decision was taken to replace the F100 fleet utilised in the Group's charter operations with Embraer E2 jets, with a firm order of eight aircraft.

After Regional Express Holdings Limited and a number of its subsidiaries (Rex) entered voluntary administration and grounded its 737-jet fleet in July 2024, VA offered to reaccommodate disrupted customers with a cancelled booking on an overlapping route free of charge. Rex customers were given two weeks to make this request. VA also announced it was looking to secure three of Rex's 737 aircraft due to delays in the delivery of VA's 737 MAX-8s. VA also signalled it would partner with Rex's regional business to enable access to VA's domestic and international destinations through potential codeshare or interline arrangements in the future.

No further matters or circumstances have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group.

## 33. Other information

### a) Company information

Virgin Australia Holdings Pty Limited (VAH) (the Company) is a for-profit company incorporated and domiciled in Australia. BC Hart Investments L.P. (BC Hart) is the immediate and ultimate parent entity, domiciled in Delaware, USA. The principal activities of the Group are the operation of a domestic and short-haul international airline (including charter and cargo) and a loyalty program. The Group's principal place of business is Level 11, 275 Grey Street, Brisbane, Queensland, Australia.

The consolidated financial statements of the Company as at and for the year ended 30 June 2024 comprise the Company and its subsidiaries (collectively, the Group), and the Group's interests in associates.

### b) Statement of compliance

These consolidated financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the directors on 23 August 2024.

### 33. Other information (continued)

#### c) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical costs, except where assets and liabilities are stated at fair value in accordance with relevant accounting policies.

The financial statements are presented in Australian dollars, unless otherwise noted, which is the functional currency of the Company.

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and in accordance with that instrument, amounts in the consolidated financial statements have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

#### d) 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 the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates are reviewed on an ongoing basis and any revisions to estimates are recognised prospectively. Key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are described in the following notes:

- Note 6 - Taxation – recognition of deferred tax assets
- Note 12 - Unearned revenue and income – unearned passenger and loyalty program revenue
- Note 13 - Maintenance provision

#### e) Going concern and net liability position

The Group has prepared the financial statements for the year ended 30 June 2024 on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. At 30 June 2024 the Group's current liabilities exceeded its current assets by \$1,584.7 million (2023: \$1,719.4 million) including a current liability for unearned revenue of \$1,513.6 million (2023: \$1,846.2 million). The Group also has a net asset deficiency of \$1,178.7 million (2023: \$1,360.2 million).

Management has prepared cash flow forecasts that support the Group's ability to continue as a going concern over the coming 12-month period from the date of issuing these financial statements. Key considerations impacting the assumptions used within these forecasts include:

- The Group continuing to grow its operations with a focus on the Australian domestic market;
- Allowances for uncertainties in economic conditions which may impact the demand for air travel and the Group's operating costs;
- Current market expectations of fuel prices and foreign exchange risk;
- Expenditures relating to the Group's continuing investments in IT and transformation programs;
- Repayments due under debt facilities, refinancing of existing facilities falling due over the forecast period and funding secured for future aircraft deliveries; and
- Extent and timing of utilisation of travel credits held by passengers and other unearned revenue.

Based on these forecasts, together with access to its available unrestricted cash reserves, the directors consider that the Group will continue as a going concern and be able to meet its obligations as and when they fall due over the coming 12-month period from the date these financial statements were authorised for issue.

### 33. Other information (continued)

#### f) Accounting policies

Accounting policies have been applied consistently by all the Group's entities and to all periods presented in the consolidated financial statements. The following accounting policies apply to the consolidated financial statements as a whole.

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies included throughout the financial statements and made updates to the information disclosed in certain instances in line with the amendments.

##### *i. New standards and interpretations not yet adopted by the Group*

The Group has not identified any standards or interpretations that have been issued but are not yet effective that would have a material impact on the Group when adopted.

##### *ii. Foreign currency transactions and balances*

Foreign currency transactions are initially recorded in the functional currency at the exchange rate at the date the transaction qualifies for recognition or the average exchange rate for the month if that is a reasonable approximation of the exchange rates for that month. Subsequently, foreign currency monetary balances are translated to the functional currency at the spot rates of exchange on the reporting date and the resultant exchange differences are recognised in profit or loss. Non-monetary balances that are measured in terms of historical cost are not re-translated. Non-monetary balances that are measured at fair value are translated at the date the fair value was determined with the gain or loss treated in line with the gain or loss recognised on changes to the fair value of the item.

##### *iii. Foreign operations*

The Group has foreign operations which operate in an economic environment in which the predominant currency is not Australian dollars, and which apply a functional currency other than Australian dollars. The assets and liabilities of these operations are translated from their functional currency to Australian dollars at the exchange rates at the reporting dates. The income and expenses are translated to Australian dollars at the exchange rate at the date of the transaction or the average exchange rate for the month if that is a reasonable approximation of the exchange rates on the transaction dates for that month. All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When an operation is disposed of, the cumulative amount in the foreign currency translation reserve relating to that operation is reclassified to profit or loss. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur are reclassified to other comprehensive income in the consolidated financial statements. These exchange differences are reclassified to profit or loss on disposal of the foreign operation.



### 33. Other information (continued)

#### *iv. Impairment*

The Group assesses at each reporting date whether there is an indication that an asset is impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use. Where the asset does not generate inflows that are largely independent of those from other assets or groups of assets, these assets are grouped together into a cash-generating unit (CGU). A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. The Group has determined that its CGUs are consistent with its operating segments.

If an impairment loss was recognised in a prior period for an asset other than goodwill, and the carrying value of the CGU exceeds its recoverable amount, management makes a judgement as to whether any portion of the impairment should be reversed in the profit or loss during the current reporting period. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset after the reversal cannot exceed the amount that would have been determined, net of amortisation or depreciation had no impairment loss been recognised.

# Consolidated entity disclosure statement

## For the year ended 30 June 2024

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of the financial year.

Entity Name	Body corporate, partnership or trust	Place of incorporation and operation	% of share capital held directly or indirectly by the Company in the body corporate	Australian or Foreign tax resident	Jurisdiction for Foreign tax resident
VBNC5 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
VB PDP 2010-11 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
BC Hart Company Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Virgin Australia Airlines Holdings Pty Limited	Body corporate	Australia	100%	Australia	n/a
Virgin Australia Airlines Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Virgin Tech Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Short Haul 2017 No. 2 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Short Haul 2017 No. 3 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Short Haul 2018 No. 1 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
VA Borrower 2019 No. 2 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
VB Ventures Pty Ltd	Body corporate	Australia	100%	Australia	n/a
VB Leaseco Pty Ltd	Body corporate	Australia	100%	Australia	n/a
VB Leaseco No 2 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
VB 800 2009 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Short Haul 2014 No. 1 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Short Haul 2014 No. 2 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
ULCC Air Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Virgin Australia Cargo Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Virgin Australia Regional Airlines Pty Ltd	Body corporate	Australia	100%	Australia	n/a

# Consolidated entity disclosure statement (continued)

For the year ended 30 June 2024

Entity Name	Body corporate, partnership or trust	Place of incorporation and operation	% of share capital held directly or indirectly by the Company in the body corporate	Australian or Foreign tax resident	Jurisdiction for Foreign tax resident
Velocity Frequent Flyer Holdco Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Velocity Frequent Flyer 1 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Velocity Frequent Flyer 2 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Velocity Frequent Flyer Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Velocity Rewards Pty Ltd	Body corporate - Trustee of the Loyalty Trust	Australia	100%	Australia	n/a
Torque Solutions (Australia) Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Virgin Australia International Operations Pty Ltd <sup>1</sup>	Body corporate	Australia	<0.01%	Australia	n/a
Virgin Australia International Holdings Pty Ltd <sup>1</sup>	Body corporate	Australia	<0.01%	Australia	n/a
Virgin Australia International Airlines Pty Ltd <sup>1,2</sup>	Body corporate	Australia	<0.01%	Australia	n/a
ULCC Air International Pty Ltd <sup>1</sup>	Body corporate	Australia	<0.01%	Australia	n/a
Virgin Australia Airlines (SE Asia) Pty Ltd <sup>1</sup>	Body corporate	Australia	<0.01%	Australia	n/a
VA Borrower 2024 Pty Ltd	Body corporate	Australia	100%	Australia	n/a
Virgin Australia Airlines (NZ) Limited <sup>1</sup>	Body corporate	New Zealand	100%	Foreign	New Zealand
Virgin Australia (NZ) Employment and Crewing	Body corporate	New Zealand	100%	Foreign	New Zealand
The Loyalty Trust	Trust	n/a	n/a	Australia	n/a
Key Employee Performance Plan Trust	Trust	n/a	n/a	Australia	n/a

<sup>1</sup> The Company consolidates these entities in accordance with the requirements of Australian Accounting Standards, despite holding minimal issued capital as the Company is exposed to or has rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over the entities and they are therefore controlled entities of the Company.

<sup>2</sup> Virgin Australia International Airlines Pty Ltd is incorporated in Australia and has a registered branch in Samoa. The branch operations have income tax obligations in Samoa.

# Directors' declaration

In the opinion of the directors of Virgin Australia Holdings Pty Limited (the Company):

- a) The consolidated financial statements and notes that are set out on pages 16-69 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position of the Group as at 30 June 2024 and its financial performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporation Regulations 2001*; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the Group entities identified and marked (1) in note 25 to the consolidated financial statements 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 the Company and those group entities pursuant to *ASIC Instrument 2016/785*; and;

The notes to the consolidated financial statements include a statement of compliance with International Financial Reporting Standards (see note 33(b)).

Signed in accordance with a resolution of the directors:



**Michael Murphy**

Director

Sydney, 23 August 2024



**Jayne Hrdlicka**

Director

Brisbane, 23 August 2024



# Independent Auditor's Report

To the shareholders of Virgin Australia Holdings Pty Limited

## Opinion

We have audited the **Financial Report** of Virgin Australia Holdings Pty Limited (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the **Group's** financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2024
- Consolidated statement of profit or loss, Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes, including material accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

## 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 these requirements.

## Other Information

Other Information is financial and non-financial information in Virgin Australia Holdings Pty Limited's annual report 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.

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 the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and that 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: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our Auditor's Report.

KPMG

Trent Duvall  
Partner

Brisbane  
23 August 2024

Jason Adams  
Partner

Brisbane  
23 August 2024

# Corporate directory

## Principal administrative and registered office

Virgin Australia Holdings Pty Limited  
Level 11, 275 Grey St  
South Brisbane, QLD 4101 Australia  
Telephone: (07) 3295 3000 (within Australia) or +61 7 3295 3000 (outside Australia)

## Auditors

KPMG  
Level 11, Heritage Lanes  
80 Ann Street  
Brisbane, QLD 4000 Australia

# Virgin Australia Holdings Pty Limited

ACN 100 686 226

Consolidated financial statements for the year ended 30 June 2023





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## Directors' report

The directors present their report on the consolidated entity comprising Virgin Australia Holdings Pty Limited ACN 100 686 226 (VAH or the Company) and the entities it controlled at the end of, or during, the financial year ended 30 June 2023 (collectively, VA or the Group).

### Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr Ryan Cotton (Chair)	Mr Warwick Negus
Ms Jayne Hrdlicka (CEO/Managing Director)	Mr Joshua Hartz (Alternate Director)
Mr Raymond Hass	Mr Charles Lawson (Alternate Director)
Mr Barnaby Lyons	Mr Stephen Pagliuca (Alternate Director)
Mr Michael Murphy	

Except where otherwise indicated, each director named above held office for the whole financial year through to the date of this report.

### Principal activities and overview of the Group

The Group's primary business is operating a passenger airline focusing on domestic and short-haul international regular public transport (RPT) services as well as providing charter services (Airline). Additionally, the Group operates the Velocity Frequent Flyer loyalty program (Velocity). Its range of aviation products and services catered to various segments of the Australian aviation market, serving corporate, government, leisure, low-cost, regional, and charter travellers.

The Group's ambition is to be the most loved airline in Australia with a winning team that attracts the very best, generates extraordinary loyalty from our guests, and delivers outstanding returns.

This is guided by five key strategic pillars:

- Operational excellence;
- Experiences our guests love;
- A simple, focused business;
- Strong financial performance; and
- Virgin flair.

In the 2023 financial year, VA continued to focus on delivering great value and choice to its core customer segments – premium leisure travellers, small and medium enterprises (SME), and value-conscious corporate travellers.



## Performance

The 2023 financial year saw a continued recovery in the aviation sector, with high demand for travel and supply chains starting to normalise. While reliability and operational stability remained a focus for the Group and year-on-year improvements were recorded, challenges remained in some areas of the industry relating to labour shortages and supply chain issues.

Immediately post the removal of Covid-19 related travel restrictions in the first half of the year, demand exceeded available capacity, raising yields. This moderated to a more normalised position in the second half of the year as capacity levels caught up with demand.

This year also saw increased competition in the Australian aviation industry as existing and new entrants offered Australian travellers more choice through increased capacity, including the expansion of some local airlines into new routes and jet services.

### Group statutory performance

	2023 \$m	2022 \$m	Movement \$m	Movement %
Revenue and income	5,011.4	2,233.9	2,777.5	124%
Expenditure	(4,770.7)	(2,703.8)	(2,066.9)	(76%)
Net finance costs	(105.3)	(98.0)	(7.3)	(7%)
<b>Statutory profit/(loss) before tax</b>	<b>135.4</b>	<b>(567.9)</b>	<b>703.3</b>	<b>124%</b>
Income tax benefit/(expense)	(6.3)	2.4	(8.7)	(363%)
<b>Statutory profit/(loss)</b>	<b>129.1</b>	<b>(565.5)</b>	<b>694.6</b>	<b>123%</b>

The Group's statutory profit improved significantly over the past twelve months from a loss of \$565.5 million in FY22, to a profit of \$129.1 million in FY23, an increase of \$694.6 million or 123%. This represents the Group's first statutory profit generated in eleven years.

The improvement in statutory profit was primarily driven by a 124% increase in revenues with the Group returning to more normal operating conditions following COVID-19 and higher demand for air travel. This demand is reflected in a 93% increase in passengers carried from the prior year to 18.9 million, with increases across the leisure, corporate and SME markets. Leisure demand has returned to be above FY19 levels whilst corporate demand is still below FY19 levels. The Group increased capacity in response to this higher demand with available seat kilometres (ASK) 85% higher.

Expenditure increased \$2,066.9 million or 76% to \$4,770.7 million during the year which reflects the operational growth from increased flying and investment in IT and transformation. Aircraft fuel costs increased \$728.3 million or 146% to \$1,225.9 million consistent with the capacity growth and a 16% increase in fuel prices during the year. All other expenditure including labour costs and airport charges increased \$1,338.6 million or 61% to \$3,544.8 million with the increased flying and loyalty activities during the year. The ongoing transformation plan that has been in place since the business came out of administration has provided a much-improved cost base in the business, as well as a stronger balance sheet.



## Group underlying performance

	2023	2022	Movement	Movement
	\$m	\$m	\$m	%
Statutory profit/(loss) before tax	135.4	(567.9)	703.3	124%
<i>Add back:</i>				
Restructuring costs	96.2	112.6	(16.4)	(15%)
IT transformation projects	54.8	27.1	27.7	102%
Impairment of assets and accelerated depreciation of F100 fleet	20.8	9.4	11.4	121%
Foreign exchange revaluation loss on aircraft lease liabilities	19.8	39.7	(19.9)	(50%)
IPO costs	8.0	-	8.0	100%
Other	2.1	2.9	(0.8)	(28%)
<b>Total underlying expenses</b>	<b>201.7</b>	<b>191.7</b>	<b>10.0</b>	<b>5%</b>
<b>Underlying profit/(loss) before tax</b>	<b>337.1</b>	<b>(376.2)</b>	<b>713.3</b>	<b>190%</b>
Add back: Net finance costs <sup>^</sup>	102.3	98.0	4.3	4%
<b>Underlying EBIT</b>	<b>439.4</b>	<b>(278.2)</b>	<b>717.6</b>	<b>258%</b>

<sup>^</sup> Excludes \$3.0m in costs included in Restructuring costs above (2022: nil).

Underlying profit or loss before tax and Underlying EBIT is used by the business to assess the financial performance of the Group. Underlying profit or loss before tax represents profit or loss before tax excluding underlying expenses. Underlying expenses excludes certain items that are considered to be transformational or outside of the Group's normal operating activities and also excludes foreign exchange revaluation gains or losses on aircraft lease liabilities. Underlying EBIT represents Underlying profit or loss before tax excluding finance income and finance costs. Underlying expenses, Underlying profit or loss before tax and Underlying EBIT are non-statutory measures. They are not a measure recognised by the Australian Accounting Standards or the International Financial Reporting Standards (IFRS) and are thus non-IFRS information.



## Airline performance

	2023	2022	Movement	Movement
	\$m	\$m	\$m	%
Revenue and income	4,873.4	2,151.8	2,721.6	126%
Underlying expenses	(4,221.8)	(2,240.7)	(1,981.1)	88%
Depreciation and amortisation	(289.3)	(252.9)	(36.4)	14%
<b>Underlying EBIT</b>	<b>362.3</b>	<b>(341.8)</b>	<b>704.1</b>	<b>206%</b>

During FY23, the Group's Airline segment generated Underlying Earnings Before Interest and Taxes (EBIT) of \$362.3 million, representing an underlying EBIT margin of 7.4%. This compares to a loss of \$341.8 million in the prior year, an EBIT margin of -15.9%. The significant improvement in EBIT reflects a 126% increase in revenues as customer demand remained robust following the end of COVID-19 related travel restrictions early in the financial year. On average, VA operated over 350 regular public transport (RPT) flights a day, carrying more than 18.9 million domestic and international passengers throughout the year, up 93% from the prior year.

Total underlying expenses including depreciation and amortisation increased 81% to \$4,511.1 million, consistent with the growth in capacity. This was despite fuel expenses increasing 146% and some temporary impacts in the second half from weather and COVID-related staff shortages given there has been a significant focus on improving operational performance.

## Fleet

VA has pursued a strategy of using every available aircraft in its fleet to service high travel demand to help Australian travellers access value and choice when they fly.

In August 2022, VA announced an increase to its order of Boeing 737-8 aircraft, bringing the total order to eight. These aircraft will reduce emissions by 15 per cent per flight compared to 737-800 NG models, playing an important role in achieving VA's climate change ambitions. The first of the 737-8s, Monkey Mia, was delivered by Boeing on 28 June 2023, with the remaining seven expected by the end of FY24. The delivery of Monkey Mia means the Group's fleet grew to 99 aircraft by the end of FY23, an increase from 74 when the business relaunched under new ownership in November 2020. The average age of the fleet, excluding the Fokker F100s which will soon be retired from service, is 12.1 years.

	June 2023	November 2020	Movement	Movement
	#	#	#	%
737 aircraft (including -700, -800 and -8)	85	58	27	47%
A320 aircraft	7	5	2	40%
F100 aircraft	7	11	(4)	(36%)
<b>Total</b>	<b>99</b>	<b>74</b>	<b>25</b>	<b>34%</b>

During the financial year, VA also took delivery of seven new 737-700 aircraft (bringing the total to nine), which are gradually replacing the outgoing Western Australia-based F100 fleet as they are retired from service. Each 737-700 can fly more passengers for a similar amount of fuel to the F100s, resulting in 30 per cent less emissions per seat per trip.

VA will continue to grow its streamlined 737 fleet. In addition to the 737-8s, VA has an additional 25 Boeing 737-10 aircraft on order, which will transport more passengers for a similar amount of fuel to the current 737 NG aircraft, resulting in 17 per cent less emissions per seat per trip.



In July 2023 VA announced plans to refresh the interior cabins on its existing Boeing 737 fleet as part of an investment of approximately \$110 million to improve the flying experience for customers. Commencing in the first half of the 2024 financial year and set to be complete in the next two years, the upgrade includes:

- Installation of in-seat power for all Business Class and Economy seats;
- Installation of new Business Class seats, consistent with the new Boeing 737-8 aircraft;
- Installation of new or refreshed Economy seats, with seat design to be consistent with the new Boeing 737-8 aircraft;
- Introduction of in-flight Wi-Fi and complimentary in-flight entertainment (via a guest's own personal device) to the majority of the remaining fleet; and
- A harmonised seat configuration resulting in more seats per aircraft and a more efficient booking configuration, made possible by the introduction of a new design cabin divider between Business Class and Economy.

## Network expansion

With VA operating all available aircraft in its fleet, domestic capacity returned to around 100 per cent of pre-COVID levels by the second half of FY23.

VA is also focused on growing its short-haul international network. VA started operating its new year-round, daily Cairns-Tokyo (Haneda) service in late June 2023. The service, which is operating on the airline's new 737-8 aircraft, adds over 2,000 seats between the destinations each week and will bring more than 30,000 additional inbound visitors to North Queensland annually. It also signals the strengthening of VA's partnership with All Nippon Airways (ANA), with expanded codeshare services and reciprocal loyalty benefits to be implemented throughout FY24.

VA also recommenced flying between Australia and Vanuatu and Samoa in March 2023 and started its new direct Gold Coast-Bali service in the same month. It followed VA returning to New Zealand for the first time in nearly 1,000 days in November 2022, with the resumption of flights between Queenstown and Brisbane, Sydney, and Melbourne. Having also launched flights to Fiji in the previous year, VA now flies to six international destinations.

## Velocity performance

	2023 \$m	2022 \$m	Movement \$m	Movement %
Revenue and income	<b>330.3</b>	196.6	133.7	68%
Underlying expenses	<b>(245.9)</b>	(129.2)	(116.7)	(90%)
Depreciation and amortisation	<b>(7.0)</b>	(7.9)	0.9	11%
<b>Underlying EBIT</b>	<b>77.4</b>	59.5	17.9	30%

During FY23, Velocity, the group's Loyalty segment, generated Underlying EBIT of \$77.4 million, representing an underlying EBIT margin of 23.4% (FY22: \$59.5 million). Revenue and income increased by 68% in comparison to FY22 as airline travel demand grew driving an increase in both billings and redemptions, particularly international partners. Velocity continued to invest in the development and growth of the business by expanding the partner ecosystem and investing in talent and digital.



With more than 2,000 new members added every day, Velocity Frequent Flyer grew to 11.5 million members by the end of FY23, a 6.5% increase as compared to the prior year. The financial year saw Velocity deliver strong member engagement with a 50% increase in active members. Velocity membership was boosted in September 2022 when Virgin Australia and Velocity Frequent Flyer launched the Switch-A-Roo status match offer, inviting Gold members and above of competitor airline loyalty programs to apply for a 3-month Velocity Discover Gold Status trial membership.

New and expanded partnership programs with financial services, retail, new airline partners and continued investments in loyalty infrastructure and capability contributed to improved member activity. In May 2023, Velocity announced it would partner with Luxury Escapes, allowing their respective customers to earn and redeem Velocity Points on luxury holiday packages, hotels, cruises, tours and experiences, setting a new benchmark in value and rewards.

With a growing network of global partners, Velocity members are now connected to more than 500 destinations around the world via VA and partner airlines.

## Cashflows

	2023	2022	Movement	Movement
	\$m	\$m	\$m	%
Operating cashflows	1,042.9	261.9	781.0	298%
Investing cashflows	20.1	(299.1)	319.2	107%
Financing cashflows	(814.1)	(51.1)	(763.0)	(1,493%)
<b>Net cash inflow/(outflow)</b>	<b>248.9</b>	<b>(88.3)</b>	<b>337.2</b>	<b>382%</b>
Cash at the beginning of the year	833.4	916.7	(83.3)	(9%)
Effect of foreign exchange	4.7	5.0	(0.3)	(6%)
<b>Cash at the end of the year</b>	<b>1,087.0</b>	<b>833.4</b>	<b>253.6</b>	<b>30%</b>

Operating cashflows improved by \$781.0 million to \$1,042.9 million as compared to prior year driven by strong growth in cash earnings as measured by EBITDA and improvements in working capital principally from increased future bookings.

Investing cash inflows during FY23 were \$20.1 million, a \$319.2 million improvement, despite an increase in capital expenditure primarily from aircraft maintenance. This increase in capital expenditure has been offset by net collateral releases from forward sales deposits due to an improved credit profile.

Financing cash outflows for FY23 were \$814.1 million, principally reflecting a \$730 million capital return to a shareholder. This was funded from a combination of existing cash reserves and a new \$300 million bridge loan.

At 30 June 2023, the Group's total cash balance was \$1,087.0 million with unrestricted cash of \$845.1 million.





## Financial position

	2023	2022	Movement	Movement
	\$m	\$m	\$m	%
Cash and cash equivalents	1,087.0	833.4	253.6	30%
Property, plant and equipment	2,065.4	1,999.3	66.1	3%
Other assets	568.9	740.0	(171.1)	(23%)
<b>Total assets</b>	<b>3,721.3</b>	<b>3,572.7</b>	<b>148.6</b>	<b>4%</b>
Unearned revenue and income	(1,856.2)	(1,589.1)	(267.1)	17%
Lease liabilities	(811.0)	(717.6)	(93.4)	13%
Interest-bearing liabilities	(1,454.5)	(1,287.6)	(166.9)	13%
Other liabilities	(959.8)	(709.3)	(250.5)	35%
<b>Total liabilities</b>	<b>(5,081.5)</b>	<b>(4,303.6)</b>	<b>(777.9)</b>	<b>18%</b>
<b>Net liabilities</b>	<b>(1,360.2)</b>	<b>(730.9)</b>	<b>(629.3)</b>	<b>86%</b>

Total assets were \$3,721.3m as at 30 June 2023, an increase of \$148.6m which principally reflects higher cash and cash equivalents from the improved performance of the underlying business, the release of collateral due to this improved performance and an increase in future bookings. In addition, property plant and equipment has increased from higher maintenance spend. This was partly offset by lower other assets which reflects the net collateral releases as noted above.

The \$777.9 million increase in total liabilities to \$5,081.5 million reflects the growth in flying activity with lease liabilities higher due to new aircraft and other liabilities higher principally reflecting increased maintenance provisions consistent with the growth in flying. The Group took delivery of the first 737-8 aircraft as it looks to modernise its fleet and ultimately move to a single fleet type. The increase in unearned revenue reflects an increase in future bookings (with higher cash as noted) and the increase in interest bearing liabilities reflecting the additional debt in the form of a \$300 million bridge loan to partly fund the capital return.

The Group is in a net liability position at 30 June 2023 of \$1,360.2 million (2022: \$730.9 million). Factors contributing to a net liability position include losses accumulated in prior years as well as the impacts of transactions recognised directly in equity (including a \$730.0 million capital return to a shareholder during the current financial year and a \$714 million buy-back of the non-controlling interest in Velocity Frequent Flyer in 2020). \$595.0 million of deferred tax assets that relate to prior year tax losses and other temporary differences have not been reflected on the balance sheet. Refer note 7 of the consolidated financial statements for further details.



## Review of operations

### Technology

The Group uses technology as a platform for improved productivity and is progressing with the delivery of its committed \$300 million investment in technology. This targeted investment has been focused on optimising guest and member experiences, improving operational efficiency, modernising technology platforms, and enabling business transformation.

Key milestones achieved in the last 12 months include:

- The new loyalty management system for the Velocity Frequent Flyer program, which was delivered in November 2022;
- A new baggage scanning system was rolled out to all Australian ports, resulting in continued decreases in cases of baggage mismanagement;
- An automated passenger recovery system, called Rapid Rebook, went live in February 2023, allowing customers to easily self-manage flight and hotel bookings in the event of schedule disruption;
- The Oracle Cloud system went live in March 2023, making it simpler and more efficient for VA to engage with suppliers, purchase items and manage expenses; and
- A new Point of Sale (POS) system has been implemented on all aircraft.

### Customer highlights

#### Bring on Wonderful

The Group's new brand mission and campaign, Bring on Wonderful, was launched in October 2022 with the aim of reimagining the airline experience for Australian travellers. Its launch marked a new chapter in VA's 22-year history, following a 24-month business transformation.

Bring on Wonderful introduced a series of new customer experience innovations. The first of which, the Middle Seat Lottery, garnered huge international attention when it launched with subsequent media reaching more than 2 billion people globally. The Middle Seat Lottery turned the least favourite seat in the plane to the most wonderful, with \$230,000 in prizes up for grabs for travellers who choose or are assigned a middle seat on VA flights until July 2023.

#### Customer initiatives

VA continues to make improvements to its service and product offerings to better focus on the airline's heartland customer. Recent improvements include:

- Roll-out of high-speed in-flight Wi-Fi. Wi-Fi will gradually be installed on most planes in the airline's fleet over the next 18 months, giving guests access to high-speed internet when they fly;
- Reopening of fast-track security screening facilities at Brisbane, Sydney and Melbourne airports between 5am and 10am on weekdays; and
- Launch of Australia's first baggage tracking pilot program between Sydney and Brisbane, to be rolled out across mainline ports during the 2023 calendar year.

#### Pride Flight

VA more than doubled its Pride Flight services to Sydney in 2023, with the launch of maiden Pride Flight services from Adelaide and Perth, and the first international service from San Francisco, operated in partnership with United Airlines. Pride Flight services in February were operated entirely by LGBTQIA+ pilots, crew and allies, and \$30 from the sale of each ticket on Virgin Australia-operated services was donated to the Minus18 LGBTQIA+ youth charity.



## Environmental regulation

The Group is subject to environmental regulations under federal, state, territory, and international jurisdictions. The Group is committed to environmental sustainability and meeting all its regulatory obligations. These objectives are managed through the following elements:

- Regular environmental risk and compliance reporting to management, the Board and external stakeholders;
- Accountability assigned for environmental performance and compliance to relevant executives across the Group;
- The use of robust management systems to identify environmental issues/risks, implement management programs and monitor the effectiveness of actions; and
- Engagement with regulators to maintain oversight and supporting the evolution of regulatory obligations.

Based on the information provided and enquiries made, the Board is not aware of any material non-compliances during this reporting period.

## Significant changes in the state of affairs and key developments

The 2023 financial year marked a return to profitability for VA for the first time in 11 years. The Group recognised a statutory profit before tax of \$135.4 million. This result was assisted by the strong return to domestic travel and a business-wide focus on cost control, with investments targeted to the areas most important to customers.

## Significant events after the balance date

No matters or circumstances have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

## Dividends

No dividends were declared or paid during the year ended 30 June 2023 or during the prior corresponding year.

## Business strategies, prospects and likely developments

The operating and financial review sets out information on the business strategies and prospects for future financial years and refers to likely developments in Virgin Australia's operations and the expected results of those operations in future financial years. Information is provided to enable stakeholders to make an informed assessment about the business strategies and prospects for future financial years of the Group. Information that could give rise to likely material detriment to Virgin Australia, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included.



## Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a director or an officer of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company has directors' and officers' liability insurance contracts in place, for all current and former officers of the Company (including directors and the company secretary). The directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the insurance contract.

## Auditor independence

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is included in this Directors' report.

## Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in the consolidated financial statements and Directors' report have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors:

A handwritten signature in blue ink that reads "Michael Murphy".

**Michael Murphy**  
Director  
Sydney

A handwritten signature in black ink that reads "Jayne Hrdlicka".

**Jayne Hrdlicka**  
Director  
Brisbane

This report is made on 21 September 2023





# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Virgin Australia Holdings Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Virgin Australia Holdings Pty Limited for the financial year ended 30 June 2023 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that appears to read 'Trent'.

Trent Duvall  
Partner

Sydney  
21 September 2023

## Consolidated statement of profit or loss

For the year ended 30 June 2023

	Note	2023 \$m	2022^ \$m
<b>Revenue and income</b>			
Airline passenger and freight revenue	2	4,747.0	1,911.8
Loyalty program revenue	2	252.7	141.1
Other income		11.7	181.0
<b>Revenue and income</b>		<b>5,011.4</b>	<b>2,233.9</b>
<b>Expenditure</b>			
Aircraft variable leases		(89.6)	(52.8)
Airport charges, navigation and station operations		(876.7)	(473.8)
Contract and other maintenance		(279.6)	(166.1)
Commissions, other marketing and reservations		(398.8)	(166.8)
Communications and technology		(129.6)	(97.5)
Foreign exchange gain/(loss)		(29.0)	(41.4)
Fuel and oil		(1,225.9)	(497.6)
Labour and staff related	4	(1,117.4)	(727.5)
Other		(311.2)	(211.7)
Depreciation and amortisation	5	(308.5)	(264.1)
Impairment of assets		(3.3)	(6.1)
Ineffectiveness on cash flow hedges		(1.1)	1.6
<b>Expenditure</b>		<b>(4,770.7)</b>	<b>(2,703.8)</b>
<b>Statutory profit/(loss) before net finance costs and tax</b>		<b>240.7</b>	<b>(469.9)</b>
Finance income		40.9	1.8
Finance costs		(146.2)	(99.8)
<b>Net finance costs</b>	6	<b>(105.3)</b>	<b>(98.0)</b>
<b>Statutory profit/(loss) before tax</b>		<b>135.4</b>	<b>(567.9)</b>
Income tax benefit/(expense)	7	(6.3)	2.4
<b>Statutory profit/(loss)</b>		<b>129.1</b>	<b>(565.5)</b>
		<b>cents</b>	<b>cents</b>
Basic earnings/(loss) per share	8	17.6	(77.3)
Diluted earnings/(loss) per share	8	17.6	(77.3)

^ Certain comparatives have been amended to align with the current period presentation. This resulted in a reclassification of \$11.0m from Loyalty program revenue to Airline passenger revenue together with a decrease of \$3.6m in Loyalty program revenue and a corresponding increase in Commissions, other marketing and reservations expenditure. These reclassifications had no net impact on the statutory loss.

The consolidated statement of profit or loss should be read in conjunction with the accompanying notes.



## Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Note	2023 \$m	2022 \$m
<b>Statutory profit/(loss)</b>		<b>129.1</b>	<b>(565.5)</b>
<b>Items that are or may be subsequently reclassified to profit or loss</b>			
Foreign currency translation of foreign entities		0.3	1.6
Effective portion of changes fair value of cash flow hedges, net of tax		11.7	63.5
Net change in hedge reserve for time value of options, net of tax		(52.5)	(3.6)
Transfer of effective hedging losses/(gains) to profit or loss, net of tax		5.2	(53.1)
De-designation of cash flow hedges transferred to profit or loss, net of tax		1.1	(1.1)
<b>Total other comprehensive profit/(loss)</b>		<b>(34.2)</b>	<b>7.3</b>
<b>Total comprehensive profit/(loss)</b>		<b>94.9</b>	<b>(558.2)</b>

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



## Consolidated statement of financial position

As at 30 June 2023

	Note	2023 \$m	2022 \$m
<b>Current assets</b>			
Cash and cash equivalents	18	1,087.0	833.4
Receivables	10	247.1	217.4
Inventories	11	32.3	39.9
Derivative financial instruments	23	10.4	28.0
Other financial assets	12	106.7	303.1
<b>Total current assets</b>		<b>1,483.5</b>	<b>1,421.8</b>
<b>Non-current assets</b>			
Receivables	10	22.5	14.7
Other financial assets	12	97.5	68.7
Property, plant and equipment	15	2,065.4	1,999.3
Intangible assets	16	52.4	68.2
<b>Total non-current assets</b>		<b>2,237.8</b>	<b>2,150.9</b>
<b>Total assets</b>		<b>3,721.3</b>	<b>3,572.7</b>
<b>Current liabilities</b>			
Payables		424.8	336.3
Unearned revenue and income	13	1,846.2	1,569.1
Lease liabilities	19	217.8	151.2
Interest-bearing liabilities	20	514.0	164.0
Provisions	14	200.1	184.8
<b>Total current liabilities</b>		<b>3,202.9</b>	<b>2,405.4</b>
<b>Non-current liabilities</b>			
Unearned revenue and income	13	10.0	20.0
Lease liabilities	19	593.2	566.4
Interest-bearing liabilities	20	940.5	1,123.6
Provisions	14	334.9	188.2
<b>Total non-current liabilities</b>		<b>1,878.6</b>	<b>1,898.2</b>
<b>Total liabilities</b>		<b>5,081.5</b>	<b>4,303.6</b>
<b>Net liabilities</b>		<b>(1,360.2)</b>	<b>(730.9)</b>
<b>Equity</b>			
Share capital	21	2,240.2	2,970.2
Reserves		(537.5)	(509.1)
Accumulated losses		(3,062.9)	(3,192.0)
<b>Total equity</b>		<b>(1,360.2)</b>	<b>(730.9)</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.





## Consolidated statement of changes in equity

For the year ended 30 June 2023

		Share capital	Foreign currency translation reserve	Hedge reserve	Share-based payment reserve	Other reserves*	Accumulated losses	Total equity
	Note	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2022</b>		<b>2,970.2</b>	<b>10.3</b>	<b>14.7</b>	<b>19.5</b>	<b>(553.6)</b>	<b>(3,192.0)</b>	<b>(730.9)</b>
<b>Statutory profit/(loss)</b>		-	-	-	-	-	129.1	129.1
<b>Other comprehensive income</b>								
Foreign currency translation of foreign entities		-	0.3	-	-	-	-	0.3
Effective portion of changes fair value of cash flow hedges, net of tax		-	-	11.7	-	-	-	11.7
Net change in hedge reserve for time value of options, net of tax		-	-	(52.5)	-	-	-	(52.5)
Transfer of effective hedging losses to profit or loss, net of tax		-	-	5.2	-	-	-	5.2
De-designation of cash flow hedges transferred to profit or loss, net of tax		-	-	1.1	-	-	-	1.1
<b>Total other comprehensive profit/(loss)</b>		-	<b>0.3</b>	<b>(34.5)</b>	-	-	-	<b>(34.2)</b>
<b>Total comprehensive profit/(loss)</b>		-	<b>0.3</b>	<b>(34.5)</b>	-	-	129.1	94.9
<b>Transactions with owners</b>								
Share-based payment transactions	30	-	-	-	5.8	-	-	5.8
Capital return to shareholder	31	(730.0)	-	-	-	-	-	(730.0)
<b>Total transactions with owners</b>		<b>(730.0)</b>	-	-	<b>5.8</b>	-	-	<b>(724.2)</b>
<b>Balance at 30 June 2023</b>		<b>2,240.2</b>	<b>10.6</b>	<b>(19.8)</b>	<b>25.3</b>	<b>(553.6)</b>	<b>(3,062.9)</b>	<b>(1,360.2)</b>

\* Other reserves includes transactions with owners in their capacity as owners.

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



## Consolidated statement of changes in equity

For the year ended 30 June 2022

		Share capital	Foreign currency translation reserve	Hedge reserve	Share-based payment reserve	Other reserves*	Accumulated losses	Total equity
	Note	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2021</b>		2,970.2	8.7	9.0	16.5	(553.6)	(2,626.5)	(175.7)
<b>Statutory profit/(loss)</b>		-	-	-	-	-	(565.5)	(565.5)
<b>Other comprehensive income</b>								
Foreign currency translation of foreign entities		-	1.6	-	-	-	-	1.6
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	63.5	-	-	-	63.5
Net change in hedge reserve for time value of options, net of tax				(3.6)				(3.6)
Transfer of effective hedging gains to profit or loss, net of tax		-	-	(53.1)	-	-	-	(53.1)
De-designation of cash flow hedges transferred to profit or loss, net of tax		-	-	(1.1)	-	-	-	(1.1)
<b>Total other comprehensive profit/(loss)</b>		-	1.6	5.7	-	-	-	7.3
<b>Total comprehensive profit/(loss)</b>		-	1.6	5.7	-	-	(565.5)	(558.2)
<b>Transactions with owners</b>								
Share-based payment transactions	30	-	-	-	3.0	-	-	3.0
<b>Total transactions with owners</b>		-	-	-	3.0	-	-	3.0
<b>Balance at 30 June 2022</b>		2,970.2	10.3	14.7	19.5	(553.6)	(3,192.0)	(730.9)

\* Other reserves includes transactions with owners in their capacity as owners.

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



## Consolidated statement of cash flows

For the year ended 30 June 2023

	Note	2023 \$m	2022 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers and government support		5,774.9	2,668.8
Payments to suppliers and employees		(4,732.0)	(2,406.9)
<b>Net cash from operating activities</b>		<b>1,042.9</b>	<b>261.9</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(148.5)	(102.0)
Proceeds on disposal of property, plant and equipment		-	0.4
Acquisition of intangible assets		(0.6)	(6.3)
Payments for deposits in other financial assets		(120.6)	(304.1)
Proceeds from deposits in other financial assets		289.8	112.9
<b>Net cash from /(used in) investing activities</b>		<b>20.1</b>	<b>(299.1)</b>
<b>Cash flows from financing activities</b>			
Interest received		33.9	1.1
Proceeds from interest-bearing liabilities	20	310.2	209.6
Payments of transaction costs relating to interest-bearing liabilities	20	(11.6)	-
Repayment of interest-bearing liabilities	20	(153.2)	(108.9)
Interest paid (interest-bearing liabilities)		(59.1)	(36.2)
Payment of lease liabilities		(154.4)	(81.5)
Interest paid (lease liabilities)		(49.9)	(34.8)
Capital return to shareholder		(730.0)	-
Payments to Creditors' Trust		-	(0.4)
<b>Net cash used in financing activities</b>		<b>(814.1)</b>	<b>(51.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>248.9</b>	<b>(88.3)</b>
Cash and cash equivalents at 1 July		833.4	916.7
Effect of exchange rate fluctuations on cash and cash equivalents		4.7	5.0
<b>Cash and cash equivalents</b>	18	<b>1,087.0</b>	<b>833.4</b>

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.



## Notes to the financial statements

### A. Results

#### 1. Operating segments

The Group's reportable operating segments have been identified based on the financial information currently provided to the Group's Chief Operating Decision Maker (CODM), the Chief Executive Officer, who is responsible for allocating resources and assessing the performance of the operating segments. The following operating segments have been determined based on the key business activities of the Group:

- Airlines – the Group's aviation activities, including domestic, international, charter (Virgin Australia Regional Airlines) and freight.
- Velocity – the Group's loyalty program.

2023	Airlines \$m	Velocity \$m	Eliminations \$m	Total \$m
External segment revenue and income	4,758.7	265.4	(12.7)	5,011.4
Inter-segment revenue	114.7	64.9	(179.6)	-
<b>Segment Revenue and income</b>	<b>4,873.4</b>	<b>330.3</b>	<b>(192.3)</b>	<b>5,011.4</b>
<b>Underlying EBITDA</b>	<b>651.6</b>	<b>84.4</b>	<b>(0.3)</b>	<b>735.7</b>
Depreciation and amortisation	(289.3)	(7.0)	-	(296.3)
<b>Underlying EBIT</b>	<b>362.3</b>	<b>77.4</b>	<b>(0.3)</b>	<b>439.4</b>
Finance income				40.9
Finance costs				(143.2)
<b>Underlying profit before tax</b>				<b>337.1</b>
Restructuring costs				(96.2)
IT transformation projects				(54.8)
Impairment of assets and accelerated depreciation of F100 fleet				(20.8)
Foreign exchange revaluation loss on aircraft lease liabilities				(19.8)
IPO costs				(8.0)
Other				(2.1)
<b>Profit before tax</b>				<b>135.4</b>
Income tax expense				(6.3)
<b>Statutory profit</b>				<b>129.1</b>



## 1. Operating segments (continued)

	Airlines	Velocity	Eliminations	Total
2022	\$m	\$m	\$m	\$m
External segment revenue and income	2,092.8	160.7	(19.6)	2,233.9
Inter-segment revenue	59.0	35.9	(94.9)	-
<b>Segment Revenue and income</b>	<b>2,151.8</b>	<b>196.6</b>	<b>(114.5)</b>	<b>2,233.9</b>
<b>Underlying EBITDA</b>	<b>(88.9)</b>	<b>67.4</b>	<b>4.1</b>	<b>(17.4)</b>
Depreciation and amortisation	(252.9)	(7.9)	-	(260.8)
<b>Underlying EBIT</b>	<b>(341.8)</b>	<b>59.5</b>	<b>4.1</b>	<b>(278.2)</b>
Finance income				1.8
Finance costs				(99.8)
<b>Underlying loss before tax</b>				<b>(376.2)</b>
Restructuring costs				(112.6)
IT transformation projects				(27.1)
Impairment of assets and accelerated depreciation of F100 fleet				(9.4)
Foreign exchange revaluation loss on aircraft lease liabilities <sup>1</sup>				(39.7)
Other				(2.9)
<b>Loss before tax</b>				<b>(567.9)</b>
Income tax benefit				2.4
<b>Statutory loss</b>				<b>(565.5)</b>

Underlying EBITDA and Underlying EBIT is used by the CODM to assess the financial performance of the Group's segments. Underlying profit or loss before tax, Underlying EBITDA and Underlying EBIT are non-statutory measures. They are not a measure recognised by the Australian Accounting Standards or the International Financial Reporting Standards (IFRS) and are thus non-IFRS information.

Underlying profit or loss before tax represents profit or loss before tax excluding certain revenue and expenses that are considered to be transformational or outside of the Group's normal operating activities and also excludes foreign exchange revaluation gains or losses on aircraft lease liabilities. Underlying EBIT represents Underlying profit or loss before tax excluding finance income and finance costs. Underlying EBITDA represents Underlying EBIT excluding depreciation and amortisation.

Inter-segment pricing is determined on an arm's length basis or a cost-plus margin basis.

The Group continuously reviews its operating model, financial reporting systems and relevant financial measures as the Group continues to grow and operations continue to evolve.

Costs related to the Group's corporate functions (e.g. legal, human resources, finance, information technology, etc.) have been primarily included in the results of the Airline segment.



## 2. Revenue

Airline passenger revenue is allocated proportionately to the area in which point of sale occurs. During the year, 97% of airline passenger revenue was generated from Australia (2022: 99%). Loyalty program revenue is attributed to the Australian geographic region. Certain other amounts are not allocated to a geographic region as it is impractical to do so.

### Accounting policy

Revenue is measured based on the consideration specified in a contract with a customer. The Group considers whether it is a principal or agent in relation to services by considering whether it controls the service prior to that service being transferred to the customer. The Group acts as an agent when collecting revenue in relation to airline passenger services provided by other carriers. Commissions received from other carriers are paid subsequent to carriage being performed, in accordance with normal industry credit terms.

#### *i. Airline passenger revenue*

Airline passenger revenue comprises revenue from passenger ticket sales including the provision of ancillary flight benefits, such as baggage and change fees, which are not considered to be distinct from the passenger ticket. Airline passenger and ancillary revenue is recognised in profit or loss when carriage is performed, net of sales discounts, certain commissions and Goods and Services Tax.

Airline passenger revenue is generally received in advance of carriage and is deferred to the consolidated statement of financial position as unearned revenue until the revenue recognition criteria are satisfied.

The Group is a party to various alliance arrangements. Revenue under these arrangements is recognised in profit or loss when the Group performs the carriage or otherwise fulfils all relevant contractual commitments.

The incremental costs in relation to ticket sales are recognised as an expense when incurred on the basis that airline passenger revenue is expected to be recognised within 12 months.

Members of the Velocity Frequent Flyer program accumulate loyalty points by, inter alia, travelling on qualifying airline services. The transaction price related to ticket sales is proportionately allocated to the obligation to provide awards to members and to the ticket sales, based on their relative stand-alone selling prices. The portion allocated to the obligation to provide awards to members is deferred to the consolidated statement of financial position as unearned loyalty program revenue until the revenue recognition criteria are satisfied.

#### *ii. Freight revenue*

Freight revenue comprises revenue from freight carried on domestic and international flights. Revenue is recognised in profit or loss when carriage of the freight is performed, net of sales discounts, certain commissions and Goods and Services Tax.

Freight services are generally paid for subsequent to carriage being performed, based on the Group's normal credit terms.



## 2. Revenue (continued)

### iii. Loyalty program revenue

The Group receives participation fee revenue from participation partners for the rights to have loyalty points allocated to members of the Velocity Frequent Flyer program. This results in an obligation of the Group to provide awards to members when these points are redeemed.

Loyalty program revenue is comprised of two performance obligations. The stand-alone selling price of the obligation to provide awards to members is calculated using expected redemption costs plus a reasonable profit margin and adjusted for the proportion of points not expected to be redeemed (breakage). It is deferred to the consolidated statement of financial position as unearned revenue. The residual amount, which represents marketing services, is recognised when the points are issued, and the Group has a right to invoice the participation partner. This occurs as the service is provided, which occurs over time. Consideration is typically received within normal credit terms, following the issuance of points. The consideration is generally received subsequent to the issue of points based on the Group's normal credit terms.

## 3. Government grants and assistance

With the significant impact of COVID-19 on trading conditions, and specifically the aviation sector, government support packages were offered in the form of rebates and other financial assistance. The major support programs that the Group benefited from during the prior reporting period and their related presentation in the Group's financial statements are outlined below. Specific details of the individual grants can be found in the Company's Annual Report for the year ended 30 June 2022. No COVID-19 related benefits were received during the year ended 30 June 2023.

	2023	2022
	\$m	\$m
Domestic Aviation Network Support (DANS) and Regional Aviation Network Support (RANS)	-	165.5
Tourism Aviation Network Support (TANS)	-	4.0
Other	1.7	1.5
<b>Recognised in other income</b>	<b>1.7</b>	<b>171.0</b>
Australian Airline Financial Relief Package (AAFRP)	-	29.5
Retaining Domestic Airline Capability (RDAC) program	-	27.1
International Aviation Support (IAS)	-	31.7
<b>Recognised as a reduction in expenses</b>	<b>-</b>	<b>88.3</b>



#### 4. Labour and staff related

Labour and staff related expenses includes the salary, wages, on-costs, recruitment costs, payments to defined contribution plans and share based payments for the Group.

The Group contributes to several defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Such contributions are charged to profit or loss in the periods during which services are rendered by employees. The amount recognised as an expense within Labour and staff related expenses for the year ended 30 June 2023 was \$83.6 million (2022: \$53.2 million).

Share-based compensation benefits are provided to employees via the Management Equity Plan (MEP) as described in note 30. The amount recognised as an expense within Labour and staff related expenses for the year ended 30 June 2023 was \$5.8 million (2022: \$3.0 million).

#### 5. Depreciation and amortisation

	Note	2023 \$m	2022 \$m
Depreciation of right of use assets	15	129.9	101.7
Depreciation of property, plant and equipment	15	166.4	146.4
Amortisation of intangibles	16	12.2	16.0
<b>Total depreciation and amortisation</b>		<b>308.5</b>	<b>264.1</b>

#### 6. Net finance costs

	2023 \$m	2022 \$m
Interest on cash and cash equivalents	40.9	1.8
<b>Total finance income</b>	<b>40.9</b>	<b>1.8</b>
Interest and finance charges	(71.0)	(48.7)
Interest on lease liabilities	(58.8)	(44.3)
Unwinding of discount on provisions	(16.4)	(6.8)
<b>Total finance costs</b>	<b>(146.2)</b>	<b>(99.8)</b>
<b>Net finance costs</b>	<b>(105.3)</b>	<b>(98.0)</b>

#### Accounting policy

Finance income comprises interest receivable on funds invested. It is recognised in profit or loss as it accrues using the effective interest rate method.

Finance costs comprise interest paid or payable on borrowings calculated using the effective interest rate method, interest on lease liabilities, amortisation of borrowing costs and unwinding of the discount on provisions and other liabilities.

Finance costs that relate to qualifying assets are capitalised to the cost of the assets.





## 7. Taxation

Virgin Australia Holdings Pty Limited (VAH) and its 100% owned Australian resident subsidiaries are part of the VAH income tax consolidated group (TCG).

The head entity and each of the members of the VAH TCG have entered into a tax sharing agreement. Under the terms of the agreement, the members of the VAH TCG have agreed to pay (or receive) an amount to (or from) the head entity (VAH), based on the notional current tax liability or notional current tax asset of the relevant member.

In addition to its own current and deferred tax amounts, VAH, as head entity of the VAH TCG recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the TCG, subject to the satisfaction of the recognition requirements in AASB 112 *Income Taxes*.

### a) Reconciliation of income tax expense

	2023 \$m	2022 \$m
<b>Statutory profit/(loss) before tax</b>	<b>135.4</b>	<b>(567.9)</b>
Tax benefit/(expense) at the Australian tax rate of 30% (2022: 30%)	<b>(40.6)</b>	170.4
<i>Tax effect of amounts which are not included in taxable income:</i>		
Utilisation of previously unrecognised tax losses	<b>116.6</b>	-
Net movements in temporary differences not recognised	<b>(81.3)</b>	(167.1)
Other non-deductible or non-assessable amounts	<b>(1.0)</b>	(0.9)
<b>Income tax (expense)/benefit</b>	<b>(6.3)</b>	2.4
<b>Represented by:</b>		
Current tax expense	-	-
Deferred tax expense	<b>(6.3)</b>	2.4
<b>Income tax (expense)/benefit</b>	<b>(6.3)</b>	2.4



## 7. Taxation (continued)

## b) Deferred tax

The composition of the Group's unrecognised net deferred tax asset and the net deferred tax (expense)/benefit recognised in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Consolidated statement of financial position		Consolidated statement of profit or loss		Consolidated statement of other comprehensive income	
	2023	2022	2023	2022	2023	2022
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Deferred tax assets</b>						
Provisions	166.5	112.8	53.7	41.1	-	-
Payables	7.1	5.0	2.1	(0.3)	-	-
Unearned loyalty program revenue	148.6	132.7	15.9	0.2	-	-
Other liabilities	51.6	48.4	3.2	(6.2)	-	-
Lease liabilities	76.3	75.3	1.2	20.2	-	-
Other assets	5.0	5.7	(0.7)	(0.2)	-	-
Equity-raising costs (recognised in equity)	0.1	0.3	(0.2)	(0.2)	-	-
Tax losses carried forward	344.9	463.3	(118.4)	154.3	-	-
<b>Total deferred tax assets</b>	<b>800.1</b>	<b>843.5</b>	<b>(43.2)</b>	<b>208.9</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>						
Property, plant and equipment	(182.1)	(184.1)	2.0	(25.8)	-	-
Maintenance assets	(23.0)	(22.6)	(0.4)	(13.6)	-	-
Cash flow hedges	-	(6.3)	-	-	6.3	(2.4)
Other assets	-	-	-	-	-	-
<b>Total deferred tax liabilities</b>	<b>(205.1)</b>	<b>(213.0)</b>	<b>1.6</b>	<b>(39.4)</b>	<b>6.3</b>	<b>(2.4)</b>
<b>Net deferred tax assets before derecognition</b>	<b>595.0</b>	<b>630.5</b>	<b>(41.6)</b>	<b>169.5</b>	<b>6.3</b>	<b>(2.4)</b>
Deferred tax asset not recognised	(595.0)	(630.5)	35.3	(167.1)	-	-
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>	<b>(6.3)</b>	<b>2.4</b>	<b>6.3</b>	<b>(2.4)</b>



## 7. Taxation (continued)

## c) Unrecognised deferred tax assets

	Gross		Deferred tax	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
<b>Carried forward tax losses as at 1 July</b>	<b>1,544.3</b>	1,029.9	<b>463.3</b>	309.0
Tax loss incurred during period	-	463.6	-	139.1
Carried forward tax losses utilised	<b>(388.6)</b>	-	<b>(116.6)</b>	-
Prior year tax adjustments	<b>(6.0)</b>	50.8	<b>(1.8)</b>	15.2
<b>Tax losses carried forward</b>	<b>1,149.7</b>	1,544.3	<b>344.9</b>	463.3
<b>Other unrecognised temporary differences</b>	<b>833.7</b>	557.4	<b>250.1</b>	167.2
<b>Total unrecognised</b>	<b>1,983.4</b>	2,101.7	<b>595.0</b>	630.5

The Group's unused tax losses do not expire under current tax legislation.

## Critical accounting estimates and judgements

Deferred tax assets for deductible temporary differences and carried forward tax losses are recognised only to the extent that it is probable that taxable profit will be available against which they can be utilised. Judgement is required in determining the probability, timing and extent of future taxable profits, particularly in tax jurisdictions where there is a history of losses.

The Group generated a taxable profit in the year ended 30 June 2023 resulting in the utilisation of \$388.6 million of its prior year carried forward tax losses. While this reflects an improvement in market conditions and business performance in the current year, management has had regard to the recent history and driver of taxable losses incurred by the Group as well as the current economic uncertainties forecast for both Australia and internationally in determining whether there is convincing evidence supporting the recoverability of deferred tax assets arising from tax losses and temporary differences. As a result, the Group has determined to only recognise deferred tax assets to the extent that there is an offsetting deferred tax liability on the Group's consolidated statement of financial position.

The use of forward-looking information increases the degree of judgement required. Revisions to estimates of the future profits of the Group (and the timing of these profits) and the tax positions of the Group could necessitate future adjustments to the deferred tax balances recognised in the financial report.

The unrecognised deferred tax asset on tax losses carried forward also includes an estimate of the impact of the historic application of forgiven debts against tax losses carried forward, in accordance with Australian taxation law. The final quantum of tax losses carried forward by the VAH TCG can only be determined upon the finalisation of the Administrators' adjudication process, which remains in progress at the date of this financial report. Any tax losses that are carried forward by the VAH TCG will be subject to Australia's loss integrity provisions, should they be utilised in future periods.



## 7. Taxation (continued)

### Accounting policy

#### *i. Income tax expense or benefit*

Income tax expense or benefit comprises current and deferred tax expense. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

#### *ii. Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates and tax laws enacted or substantively enacted at the reporting date.

#### *iii. Deferred tax*

Deferred tax is recognised for all taxable temporary differences arising from the difference between the carrying amount of assets and liabilities and their corresponding tax base. It is measured using tax rates and tax laws that are expected to apply when the assets are recovered or liabilities are settled based on those tax rates which are enacted or substantively enacted at the reporting date. Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- relating to investments in subsidiaries and associates, and interests in joint arrangements, where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future; or
- arising on initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for deductible temporary differences and carried forward tax losses to the extent that it is probable that taxable profit will be available against which they can be utilised. Australian Accounting Standards require a more stringent test be applied in determining the probability of recovery of a deferred tax asset arising from tax losses.



## 8. Earnings per share

	2023	2022
	\$m	\$m
Statutory profit/(loss)	129.1	(565.5)
	No. '000	No. '000
Weighted average number of ordinary shares for basic EPS	731,758	731,758
Effect of share options and performance rights on issue <sup>1</sup>	-	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>731,758</b>	<b>731,758</b>
	cents	cents
Basic earnings/(loss) per share	17.6	(77.3)
Diluted earnings/(loss) per share	17.6	(77.3)

Basic earnings per share (EPS) is calculated by dividing the statutory profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS adjusts the basic EPS for the effects of any instruments that could potentially be converted to ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

<sup>1</sup> Class A shares issued under the Group's Management Equity Plan have been excluded from the calculation of diluted EPS on the basis that their conversion to ordinary shares is contingent on future events. Refer to note 30 for details of the number of options this relates to.



## 9. Reconciliation of statutory profit/(loss) to net cash from operating activities

	2023	2022
	\$m	\$m
<b>Statutory profit/(loss)</b>	<b>129.1</b>	<b>(565.5)</b>
<i>Adjustments for non-cash items</i>		
Depreciation and amortisation	308.5	264.1
Share-based payments expense	5.8	3.0
Impairment losses	3.3	6.1
Unrealised foreign exchange movements	20.7	37.1
Net change in fair value of cashflow hedges	(34.5)	5.7
Net finance costs	105.3	98.0
Income tax expense/(benefit)	6.3	(2.4)
Other non-cash items	9.5	(2.9)
<b>Net adjusted profit/(loss) after adjusting for non-cash items</b>	<b>554.0</b>	<b>(156.8)</b>
<i>Change in assets and liabilities</i>		
Decrease/(increase) in receivables	(37.5)	(62.4)
Decrease/(increase) in inventories	7.6	1.7
Decrease/(increase) in other assets	-	(7.7)
Decrease/(increase) in derivative financial instruments	17.6	(11.6)
Increase/(decrease) in payables	88.5	137.0
Increase/(decrease) in other liabilities	-	(2.7)
Increase/(decrease) in provisions	145.6	128.7
Increase/(decrease) in unearned revenue	267.1	235.7
<b>Net cash from operating activities</b>	<b>1,042.9</b>	<b>261.9</b>



## B. Working capital and other assets and liabilities

This section sets out information relating to the working capital and other assets and liabilities of the Group. Working capital includes the assets and liabilities that are used in the day-to-day trading operations of the Group.

### 10. Receivables

	2023 \$m	2022 \$m
Trade receivables	185.0	163.3
Other receivables	64.5	39.4
Allowance for expected credit losses	(6.8)	(2.8)
Prepayments	26.9	32.2
<b>Total receivables</b>	<b>269.6</b>	<b>232.1</b>
Current	247.1	217.4
Non-current	22.5	14.7
<b>Total receivables</b>	<b>269.6</b>	<b>232.1</b>

#### Accounting policy

Receivables are initially recognised at fair value on the date the Group becomes a party to the contract. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less an allowance for impairment. Impairment is calculated using a lifetime expected credit loss model. No interest is charged on trade receivables. Maintenance prepayments include amounts prepaid to third party maintenance providers for the labour component of heavy maintenance and other major components of aircraft.

### 11. Inventories

	2023 \$m	2022 \$m
Engineering expendables	25.0	29.5
Consumables stores	6.6	9.3
Other	0.7	1.1
<b>Total inventories</b>	<b>32.3</b>	<b>39.9</b>

#### Accounting policy

Inventories are measured at the lower of cost and net realisable value. The costs of engineering consumables and uniforms are assigned to the individual items of inventory based on weighted average costs. Cost of catering inventory is determined using the first-in, first-out (FIFO) cost method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Inventories expensed during the financial year totalled \$26.9 million (2022: \$15.0 million). In addition, inventories have been reduced by \$11.1 million (2022: \$0.1 million) as a result of a write down to net realisable value.



## 12. Other financial assets

	2023 \$m	2022 \$m
Deposits	167.3	355.0
Maintenance reserve deposits	36.9	16.8
<b>Total other financial assets</b>	<b>204.2</b>	<b>371.8</b>
Current	106.7	303.1
Non-current	97.5	68.7
<b>Total other financial assets</b>	<b>204.2</b>	<b>371.8</b>

## Accounting policy

Deposits include aircraft and other security deposits which are recognised at amortised cost. Maintenance reserve deposits are payments made to lessors under lease agreements and are measured at fair value with any resulting gains or losses recognised in the consolidated statement of profit or loss.

## 13. Unearned revenue and income

	2023 \$m	2022 \$m
Unearned passenger revenue	1,342.0	1,113.8
Unearned loyalty program revenue	491.3	437.7
Other unearned income	22.9	37.6
<b>Total unearned revenue and income</b>	<b>1,856.2</b>	<b>1,589.1</b>
Current	1,846.2	1,569.1
Non-current	10.0	20.0
<b>Total unearned revenue and income</b>	<b>1,856.2</b>	<b>1,589.1</b>

Revenue of \$610.0 million was recognised in the current financial year that was included in the opening balance of unearned revenue.

## Critical accounting estimates and judgements

## i. Unearned passenger revenue

The Group issues credit vouchers in a range of circumstances and classifies these as current as there are no restrictions on the ability of passengers to utilise these credits. Credit vouchers are recognised as revenue when carriage is performed, following redemption of the voucher or when the likelihood of a passenger utilising the voucher becomes remote, based on historical and expected future trends.





### 13. Unearned revenue and income (continued)

Judgement is used in estimating the revenue to be recognised from the proportion of unused tickets and credit vouchers which are expected to expire. In determining the proportion of passengers who are not expected or able to utilise their ticket or credit voucher in the financial year, management have considered:

- the terms and conditions associated with credit vouchers and future flight credits issued by the Group, including the extended period of time provided to passengers to utilise these credits; and
- the significant impact on the behaviour of passengers as operations recover from the COVID-19 pandemic.

At 30 June 2023, the Group holds \$504.4 million of flight credits (included within unearned passenger revenue) (2022: \$556.3 million). Of this balance, the Group holds \$420.2 million of flight credits that are currently due to expire by 31 December 2023 (2022: \$556.3 million). Given the matters outlined above, no revenue has been recorded in the consolidated statement of profit or loss and other comprehensive income relating to these credits during the period as there is not the ability to confirm with sufficient probability that there would not be a significant reversal of revenue in the future.

#### ii. Unearned loyalty program revenue

At each reporting date, the Group estimates the amount of outstanding points that are expected to be redeemed based on the terms and conditions of the program, experience, historical and future trends. Changes in this estimate are recognised as revenue. In the current financial year, the following areas have been considered in forming assumptions relating to the behaviour of partners and members in the Program which in turn impact upon the estimated stand-alone selling price and breakage rate applicable to loyalty points;

- Uncertainty in member behaviour towards engagement with the loyalty program;
- The expected level of engagement by members with new partner arrangements; and
- Initiatives to engage with partners and members in the program.

### Accounting policy

Refer to note 2 for the Group's revenue recognition policies.

Unearned passenger revenue comprises revenue from passenger ticket sales received in advance of carriage and is classified as current as all passenger tickets are expected to be used within 12 months. It is recognised as revenue when carriage is performed or, in the case of passengers not uplifted, when a passenger is not expected or able to utilise their ticket based on historical and future trends and fare rules.

Unearned loyalty program revenue comprises the obligation to provide awards to members in relation to points which have been issued but not yet redeemed. It is recognised as revenue when the points are redeemed or, in the case of points redeemed for qualifying airline services provided by the Group, when carriage is performed. Revenue per point is recognised using a weighted average value based on the balance of unearned loyalty program revenue divided by the number of points expected to be redeemed. Unearned loyalty revenue is classified as current as there are no restrictions on the ability of members to redeem their points. The Group expects a portion of the balance to be redeemed beyond 12 months.



## 14. Provisions

	2023	2022
	\$m	\$m
Employee benefits	177.9	174.9
Maintenance	319.8	161.5
Other provisions	37.3	36.6
<b>Total provisions</b>	<b>535.0</b>	<b>373.0</b>
Current	200.1	184.8
Non-current	334.9	188.2
<b>Total provisions</b>	<b>535.0</b>	<b>373.0</b>

## Provision movements

	Maintenance	Other	Total
	\$m	\$m	\$m
<b>2023</b>			
Balance at 1 July 2022	161.5	36.6	198.1
Provisions made	143.9	0.7	144.6
Provisions utilised	(4.0)	-	(4.0)
Provisions reversed	(5.6)	-	(5.6)
Unwinding of discount	16.4	-	16.4
Effect of exchange rate fluctuations	7.6	-	7.6
<b>Balance at 30 June 2023</b>	<b>319.8</b>	<b>37.3</b>	<b>357.1</b>

## Critical accounting estimates and judgements

The calculation of the maintenance provision requires the use of significant estimates and judgements. These include the expected use of the aircraft during the lease term, required timing of prescribed shop visits and forecast or contractual maintenance costs. The provision is discounted using corporate bond rates at the reporting date which most closely match the terms of maturity of the related provision. Changes in judgements and estimates relating to forecast costs and discount rates are recognised in the consolidated statement of profit or loss.

## Accounting policy

A provision is a liability of uncertain timing or amount. A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be estimated reliably. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate and the unwinding of the discount is recognised as a finance cost.



## 14. Provisions (continued)

### i. *Employee benefits*

Liabilities for annual leave are measured at their nominal amounts and represent the amounts expected to be paid when the liabilities are settled.

Provisions for long-term employee benefits, such as long service leave, represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to the reporting date. It is calculated using expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bond rates at the reporting date which most closely match the terms of maturity of the related liabilities.

A liability for bonuses is recognised in the employee benefits provision when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit;
- The amounts to be paid are determined before the time of completion of the Group's annual report; or
- Past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### ii. *Maintenance*

If the Group is obligated under its lease agreements to complete an overhaul prior to return of the aircraft based on either use or condition of the aircraft, a provision is recognised for the present value of the expected payment either:

- at inception of the lease, with a corresponding amount recognised in the cost base of the corresponding right-of-use asset. Changes in this provision are recognised as an adjustment to the right-of-use asset; or
- over the life of the lease, as obligations arise, which is recognised as an expense in the consolidated statement of profit or loss.

### iii. *Other*

The other category includes provisions for make good on leased property and legal costs.



## C. Tangible and intangible assets

### 15. Property, plant and equipment

2023	Aircraft and aeronautic		Plant and equipment	Buildings and property		Computer equipment	Work in progress	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Owned/leased	Owned <sup>2</sup>	Leased	Owned	Owned	Leased	Owned	Owned	Leased	
At 1 July 2022	1,461.4	319.3	57.6	4.6	127.2	12.6	5.7	10.9	1,999.3
Additions	48.3	154.2	-	0.4	15.8	1.7	98.1	-	318.5
Lease modifications	-	33.9	-	-	14.2	-	-	5.1	53.2
Transfers	43.7	-	2.7	-	-	1.2	(45.5)	-	2.1
Impairment	(0.5)	-	(2.8)	-	-	-	-	-	(3.3)
Disposals	(10.2)	-	(0.2)	-	-	-	-	-	(10.4)
Depreciation	(151.7)	(102.7)	(9.8)	(0.2)	(22.7)	(4.7)	-	(4.5)	(296.3)
Foreign exchange movements	2.3	-	-	-	-	-	-	-	2.3
<b>At 30 June 2023</b>	<b>1,393.3</b>	<b>404.7</b>	<b>47.5</b>	<b>4.8</b>	<b>134.5</b>	<b>10.8</b>	<b>58.3</b>	<b>11.5</b>	<b>2,065.4</b>
At cost	2,232.7	718.7	210.3	18.6	263.6	46.0	58.3	23.8	3,572.0
Accumulated depreciation and impairment	(839.4)	(314.0)	(162.8)	(13.8)	(129.1)	(35.2)	-	(12.3)	(1,506.6)
	<b>1,393.3</b>	<b>404.7</b>	<b>47.5</b>	<b>4.8</b>	<b>134.5</b>	<b>10.8</b>	<b>58.3</b>	<b>11.5</b>	<b>2,065.4</b>
Total pledged as security against interest-bearing liabilities	1,243.2	-	13.4	-	-	-	-	-	1,256.6

<sup>2</sup> Includes deposits and other costs incurred in respect of aircraft which have not yet been delivered of \$276.9 million. These amounts are not being depreciated.



## 15. Property, plant and equipment (continued)

	Aircraft and aeronautic		Plant and equipment	Buildings and property		Computer equipment	Work in progress	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2022									
Owned/leased	Owned <sup>3</sup>	Leased	Owned	Owned	Leased	Owned	Owned	Leased	
At 1 July 2021	1,477.2	207.2	64.3	4.7	91.0	0.9	32.6	5.2	1,883.1
Additions	32.1	188.2	1.1	-	59.0	1.6	68.6	8.5	359.1
Impairment	(1.0)	-	(4.5)	-	-	-	(0.6)	-	(6.1)
Depreciation	(135.3)	(76.1)	(9.7)	(0.1)	(22.8)	(1.3)	-	(2.8)	(248.1)
Transfers	77.1	-	6.4	-	-	11.4	(94.9)	-	-
Foreign exchange movements	11.3	-	-	-	-	-	-	-	11.3
<b>At 30 June 2022</b>	<b>1,461.4</b>	<b>319.3</b>	<b>57.6</b>	<b>4.6</b>	<b>127.2</b>	<b>12.6</b>	<b>5.7</b>	<b>10.9</b>	<b>1,999.3</b>
At cost	2,183.9	532.1	208.0	18.2	186.2	43.2	5.7	25.0	3,202.3
Accumulated depreciation and impairment	(722.5)	(212.8)	(150.4)	(13.6)	(59.0)	(30.6)	-	(14.1)	(1,203.0)
	<b>1,461.4</b>	<b>319.3</b>	<b>57.6</b>	<b>4.6</b>	<b>127.2</b>	<b>12.6</b>	<b>5.7</b>	<b>10.9</b>	<b>1,999.3</b>
Total pledged as security against interest-bearing liabilities	1,317.0	-	15.6	-	-	-	-	-	1,332.6

<sup>3</sup> Includes deposits and other costs incurred in respect of aircraft which have not yet been delivered of \$269.3 million. These amounts are not being depreciated.



## 15. Property, plant and equipment (continued)

### Accounting policy

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price plus any costs directly attributable to the acquisition. This may include transfers from other comprehensive income of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of day-to-day servicing of owned and leased aircraft, including minor airframe checks are recognised in profit or loss as incurred. The cost of major cyclical maintenance and modifications to aircraft are capitalised as improvements where future economic benefits are expected and depreciated over the shorter of the remaining lease term, the estimated useful life of the improvement or the time to the next major maintenance event. The useful life is revised at each reporting date to match the timing of the next scheduled maintenance event.

Refer to note 19 for the Group's accounting policy in relation to right-of-use assets.

If the Group is obligated under its lease agreements to complete an overhaul prior to return of the aircraft based on either use or condition of the aircraft, a provision is recognised at inception of the lease, or as obligations arise, for the present value of the expected payment. Where the maintenance expenditure is expected to give rise to economic benefits over the term of the lease, a corresponding asset is also recognised, reflecting the maintenance components within the payments. The asset is depreciated on a straight-line basis over the life of the lease.

Depreciation is recognised on a straight-line basis over the estimated useful life, taking into account estimated residual values. Assets are depreciated from the date they are purchased and are ready for use, or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimation of useful lives and residual values requires judgement. Australian dollar residual value estimates are based on US dollar market estimates of future aircraft values and estimates of future use of the aircraft, including maintenance profiles. The estimated useful lives in years of each class of asset are as follows:

	2023	2022
Buildings	10-40	10-40
Aircraft and aeronautic related assets		
– Modifications to leased aircraft	6-13	6-13
– Rotables and maintenance parts	9-22	9-22
– Airframe, engines and landing gear	5-22	5-22
– Major cyclical maintenance	1-10	1-10
Plant and equipment		
– Leasehold improvements	1-15	1-15
– Other	5-26	5-26
Computer equipment	3-5	3-5
Right-of-use assets		
– Aircraft	1-9	1-9
– Property	1-33	1-33
– Other	1-5	1-5



## 16. Intangible assets

	Software \$m	Contract asset \$m	Work in progress \$m	Total \$m
<b>2023</b>				
Balance at 1 July 2022	16.8	41.5	9.9	<b>68.2</b>
Additions	0.3	-	0.3	<b>0.6</b>
Transfers	8.1	-	(10.2)	<b>(2.1)</b>
Disposals	(2.1)	-	-	<b>(2.1)</b>
Amortisation	(9.2)	(3.0)	-	<b>(12.2)</b>
<b>Balance at 30 June 2023</b>	<b>13.9</b>	<b>38.5</b>	<b>-</b>	<b>52.4</b>
At cost	207.2	47.5	-	<b>254.7</b>
Accumulated amortisation and impairment	(193.3)	(9.0)	-	<b>(202.3)</b>
<b>Total intangible assets</b>	<b>13.9</b>	<b>38.5</b>	<b>-</b>	<b>52.4</b>

	Software \$m	Contract asset \$m	Work in progress \$m	Total \$m
<b>2022</b>				
Balance at 1 July 2021	25.9	44.5	7.6	<b>78.0</b>
Additions	-	-	6.2	<b>6.2</b>
Transfers	3.9	-	(3.9)	<b>-</b>
Amortisation	(13.0)	(3.0)	-	<b>(16.0)</b>
<b>Balance at 30 June 2022</b>	<b>16.8</b>	<b>41.5</b>	<b>9.9</b>	<b>68.2</b>
At cost	203.0	47.5	9.9	<b>260.4</b>
Accumulated amortisation and impairment	(186.2)	(6.0)	-	<b>(192.2)</b>
<b>Total intangible assets</b>	<b>16.8</b>	<b>41.5</b>	<b>9.9</b>	<b>68.2</b>

## Accounting policy

Intangible assets are stated at cost less accumulated amortisation and impairment losses. They are classified as having a useful life that is either finite or indefinite. Assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication the asset may be impaired. Amortisation methods, useful lives and residual values are reviewed at each reporting date. Assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication the asset may be impaired. The estimation of useful lives and residual values and impairment requires judgement.



## 16. Intangible assets (continued)

### i. Software

The Group's software assets have useful lives of between 1 and 5 years (2022: 1 and 5 years).

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Group intends to, and has, sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits. Fees for the use of the application and any customisation costs incurred are recognised as an operating expense over the term of the service contract. Date conversion, migration, testing and training costs are recognised as an operating expense as the service is received.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets and depreciated over the useful life of the asset.

### ii. Contract intangible

An intangible asset was recognised during a prior financial year following the completion and commencement of use of Terminal 1 at Perth Airport. The asset has a useful life of 20 years. The remaining amortisation period is 13 years (2022: 14 years).





## D. Capital structure and financial risks

### 17. Capital management

Capital management is a key focus of the Board and executive leadership team and it is the Group's policy to maintain a strong capital base that provides the ability to manage the business through cyclical downturns and ensure it can adequately meet its future growth needs.

The Board monitors:

- The liquidity of the Group, including unrestricted and total cash balances;
- Future financing requirements including those relating to aircraft purchases, with determination of financing being based on competitively priced financing alternatives available at the time of the financing transaction; and
- Compliance with debt covenants.

As disclosed in note 31, the Group paid a capital return of \$730.0 million to a related party shareholder during the financial year.

Refer to note 23 for information regarding key market, credit and liquidity risks.

The following table summarises the Group's net cash/debt position as monitored by key management personnel:

	Note	2023 \$m	2022 \$m
Cash and cash equivalents (including restricted cash)	18	1,087.0	833.4
Current lease liabilities	19	(217.8)	(151.2)
Current interest-bearing liabilities	20	(514.0)	(164.0)
<b>Current net cash</b>		<b>355.2</b>	<b>518.2</b>
Non-current lease liabilities	19	(593.2)	(566.4)
Non-current interest-bearing liabilities	20	(940.5)	(1,123.6)
<b>Net debt (non-IFRS measure)</b>		<b>(1,178.5)</b>	<b>(1,171.8)</b>

### 18. Cash and cash equivalents

	2023 \$m	2022 \$m
Cash at bank and on hand	395.4	251.9
Deposits	691.6	581.5
<b>Total cash and cash equivalents</b>	<b>1,087.0</b>	<b>833.4</b>

Certain merchant acquiring relationships require cash to be held to cover total forward sales for some forms of payment. The amount of cash and cash equivalents not available for use is \$241.9 million (30 June 2022: \$282.5 million).

#### Accounting policy

Cash and cash equivalents are carried at amortised cost and comprise cash on hand, on-demand deposits and short term (90 days or less), highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.



## 19. Lease liabilities

	Aircraft leases	Property leases	Other leases	Total
	\$m	\$m	\$m	\$m
<b>2023</b>				
Balance at 1 July 2022	552.1	153.2	12.3	<b>717.6</b>
Additions	154.2	15.8	-	<b>170.0</b>
Modifications or cessations	32.1	13.7	3.3	<b>49.1</b>
Interest	39.4	18.4	1.0	<b>58.8</b>
Repayment	(163.2)	(36.1)	(5.0)	<b>(204.3)</b>
Foreign exchange revaluation	18.0	-	1.8	<b>19.8</b>
<b>Balance at 30 June 2023</b>	<b>632.6</b>	<b>165.0</b>	<b>13.4</b>	<b>811.0</b>
Current	180.6	32.6	4.6	<b>217.8</b>
Non-current	452.0	132.4	8.8	<b>593.2</b>
<b>Total lease liabilities</b>	<b>632.6</b>	<b>165.0</b>	<b>13.4</b>	<b>811.0</b>
	Aircraft leases	Property leases	Other leases	Total
	\$m	\$m	\$m	\$m
<b>2022</b>				
Balance at 1 July 2021	375.2	114.8	5.8	<b>495.8</b>
Additions	187.9	59.3	8.5	<b>255.7</b>
Interest	32.6	10.9	0.8	<b>44.3</b>
Repayment	(83.3)	(31.8)	(3.4)	<b>(118.5)</b>
Foreign exchange revaluation	39.7	-	0.6	<b>40.3</b>
<b>Balance at 30 June 2022</b>	<b>552.1</b>	<b>153.2</b>	<b>12.3</b>	<b>717.6</b>
Current	124.3	23.7	3.2	<b>151.2</b>
Non-current	427.8	129.5	9.1	<b>566.4</b>
<b>Total lease liabilities</b>	<b>552.1</b>	<b>153.2</b>	<b>12.3</b>	<b>717.6</b>

The Group has entered into lease commitments for the right to use aircraft and property which have yet to be delivered as at 30 June 2023. The undiscounted value of these contractual lease commitments which are not reflected on balance sheet is \$467.8 million (30 June 2022: \$353.6 million).



## 19. Lease liabilities (continued)

### Accounting policy

The Group leases assets, including aircraft, engines, real estate, ground support equipment and aircraft spare parts. Under AASB 16 *Leases*, a contract is a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. ROU assets are presented in property, plant and equipment (see note 15) and are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Each separately identifiable component of a ROU asset is depreciated over the lesser of the lease term or the component's useful life.

Lease liabilities are presented in interest-bearing liabilities and are initially measured at the present value of future lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the scope, lease term, in substance- fixed lease payments or assessment to purchase the underlying asset. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero. The Group remeasures its foreign currency denominated lease liabilities using the exchange rate at each reporting date. Any changes to the lease liabilities due to exchange rate changes are recognised in profit or loss. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period during which the event or condition that triggers the payment occurs.

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group is subjected to customary restrictions in aircraft leases which limit the Group from subleasing aircraft to third parties without lessor consent. Property leases are also subjected to similar restrictions whereby the Group cannot assign, sublease or license certain properties without consent.



## 20. Interest-bearing liabilities

	2023	2022
	\$m	\$m
Secured aircraft finance facilities	885.0	975.9
Secured loan	130.9	171.1
Bridge loan	292.4	-
Unsecured loan	146.2	140.6
<b>Total interest-bearing liabilities</b>	<b>1,454.5</b>	<b>1,287.6</b>
Current	514.0	164.0
Non-current	940.5	1,123.6
<b>Total interest-bearing liabilities</b>	<b>1,454.5</b>	<b>1,287.6</b>

For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, refer to note 23.

## Bridge Loan

In May 2023, VBNC5 Pty Ltd (a wholly owned subsidiary of the Group) entered into a \$300.0m bridge loan which matures in May 2025. The bridge loan is secured over certain assets of the Group and guaranteed by entities noted in note 26 marked (9).

The purpose of the loan was to partially fund the \$730.0m capital return to a shareholder of the Group paid during the current financial year. The bridge loan is required to be repaid from the initial net primary proceeds received in the event of an initial public offering (IPO).

## Facility terms

	Currency	Year of maturity	2023		2022	
			Carrying/ drawn amount	Facility limit	Carrying/ drawn amount	Facility limit
			\$m	\$m	\$m	\$m
Secured aircraft finance facilities						
– Aircraft	AUD	2031	479.4	479.4	580.7	580.7
– Aircraft	USD	2032	378.4	410.6	367.6	409.4
– Aircraft	JPY	2028	27.2	27.2	27.6	27.6
Secured loans						
– Bank	AUD	2024	130.9	130.9	171.1	171.1
- Bridge loan	AUD	2025	292.4	292.4	-	-
Unsecured loans						
– Shareholders	AUD	2025	146.2	146.2	140.6	140.6
			1,454.5	1,486.7	1,287.6	1,329.4



## 20. Interest-bearing liabilities (continued)

### Assets pledged as security

The Group also has \$138.3 million of available standby letters of credit and guarantees, of which, \$91.0 million is drawn (2022: \$63.2 million and \$62.3 million, respectively). At 30 June 2023, no collateral was required on the standby letters of credit and bank guarantee facilities (2022: \$26.9 million). The remaining letters of credit and bank guarantee facilities are secured over property, plant and equipment. The carrying amount of property, plant and equipment pledged as security for interest-bearing liabilities is disclosed in note 15.

### Reconciliation of movements in interest-bearing liabilities to cashflows

	2023	2022
	\$m	\$m
Balance at 1 July	1,287.6	1,159.7
<i>Changes from financing cash flows</i>		
Repayment of interest-bearing liabilities	(153.2)	(108.9)
Proceeds from borrowings	310.2	209.6
<b>Total changes from financing cash flows</b>	<b>157.0</b>	<b>100.7</b>
<i>Other changes</i>		
Foreign exchange revaluation	11.5	15.9
Interest capitalised to loan balance	6.4	11.0
Transaction costs capitalised	(11.6)	-
Amortisation of deferred borrowing costs	3.6	0.3
<b>Total other changes</b>	<b>9.9</b>	<b>27.2</b>
<b>Balance at 30 June</b>	<b>1,454.5</b>	<b>1,287.6</b>

### Accounting policy

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs incurred, on the date they originate. They are subsequently measured at amortised cost, using the effective interest method. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance date.



## 21. Share capital

### a) Ordinary share capital

	2023 \$m	2022 \$m
Balance at 1 July: 731.7 million ordinary shares (2022: 731.7 million)	2,970.2	2,970.2
Capital return paid to a shareholder: nil ordinary shares	(730.0)	-
<b>Balance at 30 June: 731.7 million ordinary shares (2022: 731.7 million)</b>	<b>2,240.2</b>	<b>2,970.2</b>

Ordinary shares carry one vote per share and carry the right to dividends. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. All authorised shares have been issued and fully paid and have no par value.

### b) 'A' class shares

During the current financial year, 3.0 million 'A' class shares (2022: 10.8 million), backed in full by a limited recourse loan, were issued to employees under the Management Equity Plan (MEP). The 'A' class shares are held in trust until they vest in accordance with the rules of the plan. Further details are outlined in note 30.

'A' class shares carry no voting rights other than on resolutions which only holders of 'A' class shares can vote on. In the event of a winding up of the Company, 'A' class shares rank pari passu with ordinary shares (provided that in the case of a distribution to ordinary shares prior to a winding up of the Company, 'A' class shares will only participate in such distribution if so determined by the Board of the Company in its absolute discretion). 'A' class shares are also considered to represent treasury shares.

## 22. Dividends

No dividends were declared or paid during the current or prior financial year. The following franking credits are available for use in a subsequent reporting period. The ability to use franking credits is dependent on the ability to declare dividends.

	2023 \$m	2022 \$m
<i>Dividend franking account balance</i>		
Exempting franking credits from acquisition of Skywest Group based on tax rate of 30% (2022: 30%)	4.2	4.2

## 23. Financial risk management

The Group has exposure to a variety of financial risks, including market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. There have been no significant changes in the Group's risk management strategy from the previous period.

The Group manages these risk exposures using various financial instruments. The Board has determined hedging limits for financial risks and these are documented in the Treasury Risk Management Policy. Transactions entered into must be carried out within these guidelines unless otherwise approved by the Board. Implementation of this policy is delegated to management, who have flexibility to act within the bounds of the authorised policy limits. Group policy is to not enter, issue or hold derivative financial instruments for speculative trading purposes. Compliance with the policy is monitored on an ongoing basis through regular reporting to the Board.



## 23. Financial risk management (continued)

### a) Market risk

Market risk is the risk that changes in market prices, such as fuel prices, foreign exchange rates and interest rates, will affect the Group's cash flows and profits. The objective of market risk management is to manage and control market exposures, within tolerances.

The Group enters into derivatives and non-derivative financial assets to manage market risks relating to fuel prices (commodity and currency risk). Derivatives are recognised at fair value, both initially and on an ongoing basis. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group assesses, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be "highly effective".

Hedges of highly probable forecast transactions which are exposed to variations in cash flows that could ultimately affect profit or loss are called cash flow hedges. Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss. Cumulative gains and losses in other comprehensive income, including those relating to discontinued hedges, are recognised in profit or loss in the periods in which the hedged item will affect profit or loss.

The following table summarises the fair value of the Group's cash flow hedges relating to non-derivative financial assets, foreign exchange contracts and fuel hedging contracts as at the reporting date.

	2023	2022
	\$m	\$m
Cash and cash equivalents	-	217.3
Forward foreign exchange contracts	3.3	-
Fuel hedging contracts	7.1	28.0
	<b>10.4</b>	<b>245.3</b>

#### i. Fuel price risk management

Fuel price risk arises on the Group's exposure to jet fuel prices. The underlying contracted purchase price for jet fuel is denominated in USD and is referenced to market movements in crude oil prices and refining margins. Expenditure on jet fuel represents a material cost to the Group. Exposure to movements in jet fuel prices gives rise to two separate underlying risks to be managed:

- Foreign exchange risk relating to movements in the AUD/USD exchange rate; and
- Commodity price risk resulting from movements in crude oil prices and refining margins.

The Group's fuel price risk management strategy aims to provide the airline with protection against sudden and significant increases in fuel prices while ensuring that the airline is not competitively disadvantaged in the event of a substantial decrease in the price of fuel.



## 23. Financial risk management (continued)

### a) Market risk (continued)

The Group's risk management policy is to hedge anticipated jet fuel consumption subject to limits determined by the Board. This exposure is managed by using Singapore kerosene and Brent crude commodity swaps, option contracts and other fuel related derivatives. These contracts are designated as hedges of price risk on specific volumes of future jet fuel consumption. The Group considers Brent crude to be a separately identifiable and measurable component of Singapore kerosene. Over the long term, the price of Brent crude has been highly correlated with the price of Singapore kerosene, although recent volatility in oil markets driven by the conflict in the Ukraine has reduced that correlation. The Group operates in a geographical area in which jet fuel is priced in reference to Singapore jet kerosene as opposed to other jet fuels (i.e. MOPAG).

Ineffectiveness on fuel derivatives can arise from timing differences on the notional amount between the hedging instrument and hedged item, or changes in market dynamics which may cause the Group to reassess exposure to jet fuel. As at 30 June 2023, the Group has \$1.1 million of hedging ineffectiveness on derivative positions (2022: \$1.6 million).

Realised gains or losses on fuel hedging contracts arise due to differences between the actual fuel prices on settlement, the forward rates of derivative contracts and the cost of option premiums paid.

	2023	2022
	\$m	\$m
Fuel hedging gains/(losses) recognised in fuel and oil expenses	<b>(20.2)</b>	75.9

The following table sets out the timing of the notional amount and the hedged price range (minimum and maximum strike/contract rates) of the Group's fuel hedging instruments.

	Hedged prices <sup>4</sup>	Notional amount	Carrying amount	Change in fair value of hedged instrument <sup>5</sup>	Change in fair value of hedged item <sup>6</sup>
	\$/bbl	Bbl(m)	\$m	\$m	\$m
<b>AUD fuel costs</b>					
<b>2023</b>	<b>109-158</b>	<b>5.3</b>	<b>7.1</b>	<b>7.1</b>	<b>(7.1)</b>
2022	119-188	2.0	28.0	28.0	(28.0)

<sup>4</sup> The Group's hedge price reflects the range of strikes on call options which protect against upward movements in price while retaining full participation to downward moves.

<sup>5</sup> The change in fair value of the hedge instrument and the hedged item are used in assessing hedge effectiveness.





## 23. Financial risk management (continued)

### a) Market risk (continued)

The following table summarises the sensitivity of the Group's financial assets and liabilities to a reasonably possible change in fuel prices. An AUD 20 (2022: AUD 10) per barrel (bbl) increase or decrease in the price of fuel (with no change in refining margin) would have increased/(decreased) equity and the profit or loss (before tax) by the amounts shown below. This assumes all other variables remain constant and is based on the designated hedge relationship at the reporting dates. The impacts below would have an equal but opposite impact on the carrying value of the financial asset/liability.

	2023		2022	
	Profit/(loss) <sup>6</sup>	Equity	Profit/(loss) <sup>6</sup>	Equity
	\$m	\$m	\$m	\$m
<b>Net derivative financial asset</b>				
AUD 20/bbl increase (2022: 10/bbl)	-	37.9	-	12.2
AUD 20/bbl decrease (2022: 10/bbl)	-	(23.6)	-	(10.4)

### ii. Foreign exchange risk management

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Group undertakes transactions in US dollars, including the cost of purchasing fuel, aircraft, aircraft lease payments, some maintenance costs, the sale of airline passenger tickets and the repayment of USD debt and interest. The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
AUD:USD	0.68	0.73	0.67	0.69

### iii. Exposure to foreign exchange risk

The Group is predominately exposed to USD foreign exchange risk. The Group's exposure to USD foreign exchange risk, in entities with functional currencies other than USD, at the reporting date was as follows, based on notional amounts (presented in AUD):

	Note	2023	2022
		\$m	\$m
Cash and cash equivalents	18	223.0	262.3
Receivables	10	41.6	16.5
Other financial assets	12	103.0	72.2
Payables		(59.6)	(11.0)
Lease liabilities	19	(643.5)	(560.3)
Interest-bearing liabilities	20	(269.9)	(241.0)
		(605.4)	(461.3)

<sup>6</sup> As all derivatives impacted by the sensitivity to market movements are designated as effective hedges, there is no profit or loss impact.



## 23. Financial risk management (continued)

### a) Market risk (continued)

To protect against exchange rate movements, the Group uses foreign exchange option contracts and USD cash and cash equivalents to hedge highly probable forecasted purchases of jet fuel and other operating costs for the ensuing financial periods. Realised gains or losses on these contracts arise due to differences in exchange rates from the hedge designation to maturity of the hedge relationship.

Ineffectiveness on foreign exchange derivatives can arise from timing differences on the notional amount between the hedged instrument and hedged item. At 30 June 2023, there is no hedging ineffectiveness recognised on foreign exchange derivatives designated in a hedge relationship (2022: nil).

	2023	2022
	\$m	\$m
FX hedging gains/(losses) recognised in aircraft variable leases, contract and other maintenance, fuel and oil, and commissions, other marketing and reservations	15.0	-

The following table sets out the timing of the notional amount and the hedged rate of the Group's foreign exchange hedging instruments.

	Hedged prices	Notional amount	Carrying amount	Change in fair value of hedged instrument <sup>7</sup>	Change in fair value of hedged item <sup>7</sup>
	AUD/USD	US\$m	\$m	\$m	\$m
<b>USD operating costs</b>					
<b>2023</b>	<b>0.65-0.68</b>	<b>262.3</b>	<b>3.3</b>	<b>3.3</b>	<b>(3.3)</b>
2022	0.72	150.0	217.3	8.2	(8.2)

<sup>7</sup> The change in fair value of the hedge instrument and the hedged item are used in assessing hedge effectiveness.



## 23. Financial risk management (continued)

### a) Market risk (continued)

#### iv. Sensitivity to foreign exchange rates

The following table summarises the sensitivity of the Group's foreign currency denominated financial assets and liabilities to a reasonably possible change in the exchange rate to the US dollar. This includes monetary assets and liabilities denominated in a foreign currency which are held by controlled entities with a US dollar functional currency for which changes in exchange rates are recognised within the foreign currency translation reserve. A 10% (2022: 10%) appreciation or depreciation of the AUD against the USD would have increased/(decreased) equity and profit or loss (before tax) by the amounts shown below. This assumes all other variables remain constant.

	Carrying amount	10% appreciation in AUD		10% depreciation in AUD	
		Profit/(loss)	Equity	Profit/(loss)	Equity
	\$m	\$m	\$m	\$m	\$m
<b>2023</b>					
Net-derivative financial asset	9.8	-	(0.9)	-	1.1
Non-derivative financial asset	367.6	(33.4)	-	40.8	-
Non-derivative financial liability	(973.0)	88.5	-	(108.1)	-
		55.1	(0.9)	(67.3)	1.1
<b>2022</b>					
Net-derivative financial asset	8.6	-	(0.8)	-	1.0
Non-derivative financial asset	351.0	(12.1)	(19.8)	14.9	24.1
Non-derivative financial liability	(812.3)	73.9	-	(90.2)	-
		61.8	(20.6)	(75.3)	25.1

#### v. Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from cash and cash equivalents and interest-bearing liabilities. The carrying value of these financial instruments is set out in the table below. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by entering into fixed and floating rate debt and lease arrangements. The residual exposure to variable interest rates is managed by holding floating rate assets to create a natural hedge and may include entering into floating-to-fixed interest rate swaps to hedge part of this exposure (no interest rate swaps were in place in the current or prior financial years). The Group accounts for variable rate financial assets and financial liabilities at amortised cost using the effective interest rate method. There were no gains or losses on interest rate hedging activities for the Group during the current or prior financial years.



## 23. Financial risk management (continued)

### a) Market risk (continued)

#### vi. Exposure to interest rate risk and sensitivity to interest rates

The fixed and variable components of the Group's cash and cash equivalents and interest-bearing liabilities are set out in the table below. Non-interest-bearing amounts are not reported separately in the table. The impact on profit or loss (before tax) of a 100 basis point increase or decrease in interest rates, assuming all other variables remain constant, is also set out below. There are no impacts on equity.

	Carrying amount \$m	Interest rate profile		Profit/(loss) sensitivity	
		Fixed rate instruments \$m	Variable rate instruments \$m	100bp increase \$m	100bp decrease \$m
<b>2023</b>					
Cash and cash equivalents	1,087.0	63.1	1,023.9	10.2	(10.2)
Lease liabilities	(811.0)	(811.0)	-	-	-
Interest-bearing liabilities	(1,454.5)	(678.8)	(775.7)	(7.8)	7.8
	(1,178.5)	(1,426.7)	248.2	2.4	(2.4)
<b>2022</b>					
Cash and cash equivalents	833.4	81.0	752.4	7.5	(7.5)
Lease liabilities	(717.6)	(717.6)	-	-	-
Interest-bearing liabilities	(1,287.6)	(707.8)	(579.8)	(5.8)	5.8
	(1,171.8)	(1,344.4)	172.6	1.7	(1.7)



## 23. Financial risk management (continued)

### b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. Financial assets include cash and cash equivalents, receivables, derivative financial instruments and other financial assets.

Exposure to credit risk in relation to cash and cash equivalents, derivative financial instruments and other financial assets arises principally from financial institution, credit card acquirers and aircraft lessors. The Group limits its exposure to credit risk by investing in liquid securities with counterparties and entering into derivative contracts with counterparties that have an investment grade rating where possible. The Group also limits exposure by transacting with multiple aircraft lessors in various countries.

#### i. Receivables

Exposure to credit risk in relation to receivables arises principally from trade debtors and other counterparties (travel agents, industry settlement organisations and credit provided direct to customers).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty and is assessed based on trading performance of the counterparty. The Group has credit policies in place under which each new trade debtor is analysed individually for creditworthiness before the Group's standard payment terms are offered. Purchase limits are established for each counterparty and reviewed on a regular basis to ensure that sales made on credit terms are made to counterparties with an appropriate credit history. The Group continuously monitors counterparty credit limits on defaults, incorporating this information into credit risk controls.

The demographics of the Group's customer base, including default risk of the industry, have less of an influence on credit risk. A significant proportion of the Group's revenue is received through credit cards, however, there are no significant concentrations of credit risk.

Of the trade receivables as at 30 June 2023, deemed neither past due nor impaired, customers who represent more than 5% of the balance have an investment grade credit rating and the credit exposure is short term in nature with no history of default. The average credit period on revenue is 16 days (2022: 30 days). In the event of a default, the Group would cease trading with the customer and any credit extended would be withdrawn. A provision for doubtful receivables account in respect of trade receivables is used to record expected credit losses (ECLs). The Group uses an allowance matrix to measure the lifetime ECLs of trade receivables from individual customers because trade receivables is comprised of a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable being written off.

The Group considers individual customer data and publicly available information, including any forward-looking statements, when assessing whether there has been an increase in credit risk with individual debtors since the initial recognition of the financial assets and when estimating ECL. The Group considers a financial asset to be in default when the counterparty is unlikely to pay its credit obligations in full. If the Group is satisfied that no recovery of the amount owing is possible, subsequent to engagement with the debtor and any commercial negotiations, the financial asset is written off.



## 23. Financial risk management (continued)

### b) Credit risk (continued)

An ageing analysis of Trade and Other receivables is included in the table below:

	2023		2022	
	Gross \$m	Allowance for credit losses \$m	Gross \$m	Allowance for credit losses \$m
Not past due	212.7	-	158.2	-
1-30 days past due	24.4	-	27.3	-
31-60 days past due	1.0	-	1.4	-
+61 days past due	11.4	(6.8)	15.8	(2.8)
<b>Trade and Other receivables</b>	<b>249.5</b>	<b>(6.8)</b>	<b>202.7</b>	<b>(2.8)</b>

#### ii. Exposure to credit risk

The Group's maximum exposure to credit risk at the reporting date equates to the carrying amount of its financial assets and is set out in the table below.

	Note	2023 \$m	2022 \$m
Cash and cash equivalents	18	1,087.0	833.4
Trade and Other receivables	10	242.7	199.9
Derivative financial instruments	23	10.4	28.0
Other financial assets	12	204.2	371.8
		<b>1,544.3</b>	<b>1,433.1</b>



## 23. Financial risk management (continued)

### c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Interest-bearing liabilities are denominated in AUD and USD (refer to note 20) and therefore the contractual cash flows noted in the table below may differ as a result of the foreign exchange rate that applies at the date the USD denominated instrument is settled. Any breach in financial covenants relating to financing arrangements may result in a requirement for the Group to repay the relevant loans earlier than indicated by the contractual cash flows. At reporting date, the Group was in compliance with its covenants.

The following table summarises the periods in which cash flows are contractually required to occur. Actual timing may differ.

	Carrying amount	Contractual cash flows			Total
		< 1 year	1-5 years	> 5 years	
	\$m	\$m	\$m	\$m	\$m
<b>2023</b>					
Payables	(424.8)	(424.8)	-	-	<b>(424.8)</b>
Lease liabilities	(811.0)	(231.7)	(605.5)	(177.6)	<b>(1,014.8)</b>
Interest-bearing liabilities	(1,454.5)	(606.7)	(909.2)	(141.7)	<b>(1,657.6)</b>
	<b>(2,690.3)</b>	<b>(1,263.2)</b>	<b>(1,514.7)</b>	<b>(319.3)</b>	<b>(3,097.2)</b>
<b>2022</b>					
Payables	(336.3)	(336.3)	-	-	<b>(336.3)</b>
Lease liabilities	(717.6)	(180.8)	(537.5)	(152.8)	<b>(871.1)</b>
Interest-bearing liabilities	(1,287.6)	(197.9)	(1,030.0)	(198.5)	<b>(1,426.4)</b>
	<b>(2,341.5)</b>	<b>(715.0)</b>	<b>(1,567.5)</b>	<b>(351.3)</b>	<b>(2,633.8)</b>

As detailed in note 20, the Group's \$300.0m bridge loan has a maturity date of May 2025 but is required to be repaid from the initial primary proceeds in the event of an IPO, which is expected to occur earlier.

The Group also has contractual commitments for the acquisition of property, plant and equipment and intangible assets, which are detailed in note 29.

#### *Liquidity risk management*

The Group's primary cash investment objective is to ensure sufficient liquidity is available to run the business in a variety of stressed scenarios, ensuring that the Group can continue to meet its contractual obligations, including operating expenses, debt maturities and capital commitments. Regular cash projections are provided to the Board and senior management, and policies included minimum liquidity requirements which must be maintained.

The Group also maintains various lines of credit, which are detailed in note 20. The Group's capital management policies are detailed in note 17. The Group's funding plans and basis of going concern are detailed in note 34(e).



## 24. Fair value measurement

Financial assets and liabilities are measured at either fair value or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices that are directly or indirectly observable
- Level 3 - Inputs are not observable based on market data

The financial instruments disclosed in the table below are all measured based on level 2 valuation methods. The carrying amounts of financial assets and liabilities not detailed in the following table approximate their fair values.

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m
<b>Financial assets carried at fair value</b>				
Derivative financial instruments	10.4	10.4	28.0	28.0
<b>Financial liabilities carried at amortised cost</b>				
Secured aircraft finance facilities	885.0	859.2	975.9	974.7
Secured loan	130.9	131.5	171.1	171.5
Bridge loan	292.4	300.0	-	-
Unsecured loan	146.2	150.7	140.6	144.9

### i. Derivative financial instruments

The fair value of financial instruments that are not traded in an active market (i.e. over-the-counter derivatives) is based on Level 2 inputs. These financial instruments relate to fuel and foreign exchange hedging contracts principally with counterparties with investment grade credit ratings. The fair value of these instruments is determined using estimated discounted cash flows based on fuel prices and foreign exchange rates at the reporting date.

### ii. Interest-bearing liabilities

The fair value of the Group's interest-bearing liabilities is determined based on Level 2 inputs by discounting the remaining contractual cash flows at the relevant credit-adjusted market interest rates at the reporting date.

### iii. Maintenance reserve deposits

The fair value of maintenance reserve deposits on leased aircraft is based on Level 3 inputs. Fair value is calculated as the present value of the estimated costs of future maintenance events, based on historical transactions with third party maintenance providers. In the Group's view, there are no reasonably possible changes in these unobservable inputs that could significantly impact the fair value measurement. Refer to note 12 for further disclosure.

### iv. Other financial assets and liabilities carried at amortised cost

The fair value of cash and cash equivalents, receivables and payables approximate their carrying amounts largely due to the short-term nature of these instruments. The fair value of other financial assets and variable rate liabilities that are not recognised net of transaction costs approximate their carrying amounts.





### 25. Offsetting financial assets and liabilities

The Group enters into contractual arrangements such as the International Air Transport Association (IATA) and International Swaps and Derivatives Association (ISDA) Master Agreements 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 contractual terms.

Amounts are recognised net in the consolidated statement of financial position where the Group has a legally enforceable right to set off and there is intention to settle on a net basis. Where there is no legally enforceable right to offset recognised amounts, the balances are recognised gross.

As at 30 June 2023, the amounts shown as financial assets and financial liabilities (including provisions) would each have been \$118.0 million lower (2022: \$87.2 million) in the event the right to offset was currently enforceable.



## E. Group structure

This section sets out the legal structure of the Group. It provides information on business combinations, details on controlled entities, joint ventures, associates, non-controlling interests and unconsolidated structures. The parent entity in the Group is Virgin Australia Holdings Pty Limited.

### 26. Controlled entities

These consolidated financial statements comprise the financial statements of the Company and the following subsidiaries which are wholly owned in the current and prior financial years unless otherwise noted. The reporting period end for all subsidiaries is the same as the parent entity. Country of incorporation is detailed in tables below.

#### Australia

VBNC5 Pty Ltd <sup>8,9</sup>	VB PDP 2010-11 Pty Ltd <sup>8,9</sup>	BC Hart Company Pty Ltd <sup>8,9</sup>
Virgin Australia Airlines Holdings Pty Ltd <sup>8,9</sup>	Virgin Australia Airlines Pty Ltd <sup>8,9</sup>	Virgin Tech Pty Ltd <sup>8,9</sup>
Short Haul 2017 No. 2 Pty Ltd <sup>10</sup>	Short Haul 2017 No. 3 Pty Ltd <sup>10</sup>	Short Haul 2018 No. 1 Pty Ltd <sup>10</sup>
VA Borrower 2019 No. 2 Pty Ltd <sup>10</sup>	VB Ventures Pty Ltd <sup>9</sup>	VB Leaseco Pty Ltd <sup>8,9,11</sup>
VB Leaseco No 2 Pty Ltd <sup>10</sup>	VB 800 2009 Pty Ltd <sup>10</sup>	Short Haul 2014 No. 1 Pty Ltd <sup>10</sup>
Short Haul 2014 No. 2 Pty Ltd <sup>10</sup>	ULCC Air Pty Ltd <sup>8,9,11</sup>	Virgin Australia Cargo Pty Ltd <sup>8,9,11</sup>
Virgin Australia Regional Airlines Pty Ltd <sup>8,9,12</sup>	Velocity Frequent Flyer Holdco Pty Ltd	Velocity Frequent Flyer 1 Pty Ltd
Velocity Frequent Flyer 2 Pty Ltd <sup>13</sup>	Velocity Frequent Flyer Pty Ltd <sup>13</sup>	Velocity Rewards Pty Ltd
Torque Solutions (Australia) Pty Ltd	Virgin Australia International Operations Pty Ltd <sup>8,14</sup>	Virgin Australia International Holdings Pty Ltd <sup>9,15</sup>
Virgin Australia International Airlines Pty Ltd <sup>9,15</sup>	ULCC Air International Pty Ltd <sup>9,15</sup>	Virgin Australia Airlines (SE Asia) Pty Ltd <sup>9,15</sup>
Virgin Australia Holidays Pty Ltd <sup>16</sup>	VAH Newco No.2 Pty Ltd <sup>16</sup>	ACN 098 904 262 Pty Ltd <sup>16</sup>
VB Investco Pty Ltd	737 2012 No.1 Pty. Ltd <sup>17</sup>	737 2012 No. 2 Pty Ltd <sup>17</sup>
Short Haul 2016 No. 1 Pty Ltd <sup>17</sup>	Short Haul 2016 No. 2 Pty Ltd <sup>17</sup>	Short Haul 2017 No. 1 Pty Ltd <sup>17</sup>
VA Borrower 2019 No. 1 Pty Ltd <sup>17</sup>	VA Hold Co Pty Ltd <sup>17</sup>	VA Lease Co Pty Ltd <sup>17</sup>
VA Regional Leaseco Pty Ltd <sup>17</sup>	VB LH 2008 No. 1 Pty Ltd <sup>17</sup>	VB LH 2008 No. 2 Pty Ltd <sup>17</sup>
VAH Newco No.1 Pty Ltd <sup>17</sup>	Virgin Australia 2013-1 Issuer Co Pty Ltd <sup>17</sup>	

8 These controlled entities are party to a Deed of Cross Guarantee with Virgin Australia Holdings Pty Limited dated 24 March 2021 (amended 29 June 2021 (Deed of Revocation) and 29 June 2022 (Deed of Assumption). Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 28 September 2016, where these controlled entities were required under the Corporations Act 2001 to prepare, audit and lodge financial reports, they have been relieved for the financial year ended 30 June 2023, subject to the exceptions set out below.

9 These entities have given security over their assets (other than assets over which security is not available to be granted (e.g. because of contractual or legal restrictions) to secure the Bridge Loan described in note 20.

10 The issued capital of these entities is pledged as security for the aeronautic finance facilities in note 20.

11 For the year ended 30 June 2022, these companies were ineligible for relief under the Deed of Cross Guarantee, having not met the large proprietary company reporting threshold and remain ineligible for the year ended 30 June 2023 as they remain below the large proprietary company reporting threshold. Refer to note 27 for further information.

12 Entered into an Assumption Deed to accede to the Deed of Cross Guarantee with effect from the year ended 30 June 2022.

13 These entities have given security over their assets (other than assets over which security is not available to be granted because of contractual restrictions) to secure the secured bank loan disclosed in note 20.

14 For the year ended 30 June 2022, this company was ineligible for relief under the Deed of Cross Guarantee, having not met the large proprietary company reporting threshold and for the year ended 30 June 2023 this company is eligible for reporting relief as a large proprietary company.

15 The Company consolidates these entities in accordance with the requirements of Australian accounting standards, despite holding minimal issued capital as the Company is exposed to or has rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over the entities and they are therefore controlled entities of the Company.

16 Effective August 2023, these entities have been deregistered.

17 These entities were de-registered between 1 July 2022 and 30 June 2023.



## 26. Controlled entities (continued)

### Australia - Trusts

The Loyalty Trust <sup>18</sup>	Key Employee Performance Plan Trust <sup>18</sup>
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### New Zealand

Virgin Australia Airlines (NZ) Limited <sup>15</sup>	Virgin Australia (NZ) Employment and Crewing Limited <sup>16</sup>
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### Singapore

TA Holdco (Singapore) Pte Ltd <sup>17</sup>
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### Accounting policy

The Company controls an entity when it 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. Controlled entities are consolidated from the date on which control commences and are de-consolidated from the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Significant judgement may be required to determine if an entity is controlled by the Company. The Company consolidates a number of entities in which it holds minimal or no issued capital. There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of the Group.

## 27. Deed of Cross Guarantee

Virgin Australia Holdings Pty Limited and certain wholly owned subsidiaries have entered into a Deed of Cross Guarantee (Deed).

Details of the companies which are party to the Deed, or which have entered into a Deed of Revocation or Deed of Assumption to the Deed in the relevant year can be found in note 26 and are marked (8). The effect of the Deed is that Virgin Australia Holdings Pty Limited has guaranteed to pay any outstanding liabilities upon the winding up of any wholly owned subsidiary that is party to the Deed. Wholly owned subsidiaries that are party to the Deed have also given a similar guarantee in the event that Virgin Australia Holdings Pty Limited or another party to the Deed is wound up.

The wholly owned subsidiaries that are identified in note 26 and marked (8) are relieved from the requirements to prepare and lodge audited financial statements or are otherwise ineligible for reporting relief as indicated in the note.

<sup>18</sup> The Company administers the Key Employee Performance Plan Trust and The Loyalty Trust through appointed Trustees.



## 27. Deed of Cross Guarantee (continued)

## Consolidated statement of profit or loss of the Deed Group

	2023 \$m	2022 \$m
Revenue and income	4,507.3	2,121.6
Impairment of assets	(3.3)	(6.1)
Expenses	(4,370.3)	(2,617.6)
<b>Profit/(loss) before net finance costs and tax</b>	<b>133.7</b>	<b>(502.1)</b>
Finance income	57.1	1.4
Finance costs	(172.3)	(112.1)
<b>Profit/(loss) before tax</b>	<b>18.5</b>	<b>(612.8)</b>
Income tax benefit/(expense)	(6.3)	4.3
<b>Profit/(loss)</b>	<b>12.2</b>	<b>(608.5)</b>

## Consolidated statement of profit or loss and other comprehensive income and retained earnings of the Deed Group

	2023 \$m	2022 \$m
Profit/(loss)	12.2	(608.5)
Other comprehensive income that may be reclassified subsequently to profit or loss	(34.2)	7.3
<b>Other comprehensive income/(loss), net of tax</b>	<b>(34.2)</b>	<b>7.3</b>
<b>Total comprehensive profit/(loss)</b>	<b>(22.0)</b>	<b>(601.2)</b>
Accumulated losses at 1 July	(3,465.1)	(2,818.0)
Adjustment to include VARA in the Deed Group	-	(99.8)
Adjustment to remove VAH Newco No 1 from the Deed Group	-	61.2
Transfers from/(to) reserves	34.2	(7.3)
<b>Accumulated losses at 30 June</b>	<b>(3,452.9)</b>	<b>(3,465.1)</b>



## 27. Deed of Cross Guarantee (continued)

## Consolidated statement of financial position of the Deed Group

	2023	2022
	\$m	\$m
<b>Current assets</b>		
Cash and cash equivalents	860.3	678.7
Receivables	421.7	188.4
Inventories	32.3	39.9
Derivative financial instruments	10.4	28.0
Other financial assets	105.9	302.3
<b>Total current assets</b>	<b>1,430.6</b>	<b>1,237.3</b>
<b>Non-current assets</b>		
Receivables	22.5	13.9
Other financial assets	96.4	66.2
Investment in subsidiary	1,026.8	1,026.8
Property, plant and equipment	2,055.3	1,844.1
Intangible assets	42.4	53.7
<b>Total non-current assets</b>	<b>3,243.4</b>	<b>3,004.7</b>
<b>Total assets</b>	<b>4,674.0</b>	<b>4,242.0</b>
<b>Current liabilities</b>		
Payables	1,710.9	1,368.7
Unearned revenue and income	1,010.7	963.7
Lease liabilities	216.4	151.0
Interest-bearing liabilities	382.1	95.1
Provisions	189.3	174.3
<b>Total current liabilities</b>	<b>3,509.4</b>	<b>2,752.8</b>
<b>Non-current liabilities</b>		
Unearned revenue and income	10.0	20.0
Lease liabilities	586.1	565.4
Interest-bearing liabilities	1,320.5	1,055.4
Provisions	334.3	188.1
<b>Total non-current liabilities</b>	<b>2,250.9</b>	<b>1,829.0</b>
<b>Total liabilities</b>	<b>5,760.3</b>	<b>4,581.8</b>
<b>Net liabilities</b>	<b>(1,086.3)</b>	<b>(339.8)</b>
<b>Equity</b>		
Share capital	2,256.7	2,986.7
Reserves	109.9	138.6
Accumulated losses	(3,452.9)	(3,465.1)
<b>Total equity</b>	<b>(1,086.3)</b>	<b>(339.8)</b>



## 28. Parent entity disclosures

	2023	2022
	\$m	\$m
<b>Results of Virgin Australia Holdings Pty Ltd</b>		
Profit/(loss)	437.8	2.1
<b>Total comprehensive profit/(loss)</b>	<b>437.8</b>	<b>2.1</b>
<b>Financial position of Virgin Australia Holdings Pty Ltd</b>		
Current assets	39.8	41.0
<b>Total Assets</b>	<b>49.0</b>	<b>41.0</b>
Current liabilities	(728.3)	(437.3)
<b>Total liabilities</b>	<b>(728.3)</b>	<b>(437.3)</b>
<b>Net liabilities</b>	<b>(679.3)</b>	<b>(396.3)</b>
Share capital	2,256.7	2,986.7
Reserves	(12.3)	(21.5)
Accumulated losses	(2,923.7)	(3,361.5)
<b>Total equity</b>	<b>(679.3)</b>	<b>(396.3)</b>

The Company is party to a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of a number of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed, are disclosed in note 27.

The Company does not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2023 (2022: nil).



## F. Other items

This section sets out other disclosures that may be relevant to understanding the financial position and performance of the Group.

### 29. Commitments and contingencies

#### Capital Commitments

The Group has capital expenditure commitments to purchase property, plant and equipment and intangibles contracted at the reporting date but not recognised as liabilities. At 30 June 2023, the Group has capital expenditure commitments of \$1,955.7 million (30 June 2022: \$1,887.5 million) relating to the purchase of additional aircraft. These commitments are predominantly in US dollars. US dollar amounts are translated to Australian dollars at the 30 June 2023 closing exchange rate of 0.6663 (30 June 2022: 0.6904). Commitments relating to right of use aircraft and property leases are detailed in note 19.

#### Contingent liabilities

A contingent liability is:

- a possible obligation arising from past events which will only be confirmed by the occurrence or non-occurrence of future events, not wholly within the control of the Group; or
- a present obligation arising from past events that is not probable or cannot be measured reliably.

Contingent liabilities are not recognised on the consolidated statement of financial position.

The Group has provided bank guarantees, standby letters of credit and surety bonds to third parties as guarantees of payment for aircraft lease security deposits and maintenance reserve deposits, non-aircraft lease commitments, a workers' compensation self-insurance licence and other arrangements entered into with third parties. As at 30 June 2023, the total outstanding is \$91.0 million (30 June 2022: \$62.3 million). Refer to note 20 for further information on facility limits.

### 30. Share-based payments

The Group established an equity-settled Management Equity Plan (MEP) on 13 May 2021. The fair value of equity instruments granted is recognised as an employee benefits expense over the expected vesting period with a corresponding increase in equity. The MEP is designed to provide long-term incentives for senior managers and executives to deliver long-term returns.

Under the MEP, a fully paid 'A' class share issued by the Group is backed in full by a limited recourse loan, with a maximum term of 10 years, solely for the employee's purpose of acquiring the shares. This limited recourse loan arrangement results in the share issue being treated as an option grant in accordance with AASB 2 *Share-based Payment* and AASB 139 *Financial Instruments: Recognition and Measurement*. The options are exercised on the date or dates when the loan is repaid. As the A class shares are held on trust until they vest, these are treated as treasury shares and accordingly derecognised in the statement of changes in equity in accordance with AASB 2.

The shares vest on the occurrence of an exit event which may include the sale of the Group and/or an initial public offering (IPO). Vesting conditions include the individual needing to be an employee at the time of the exit event and certain share price targets associated with the terms of the exit event.

Market vesting conditions are included in assumptions used to determine the grant date fair value. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each period, the Group revises its estimate of the number of options that are expected to vest and the expected vesting date. It recognises the impact of the revision to original estimates, if any, to the cumulative amount recognised as an expense with a corresponding adjustment to equity.



### 30. Share-based payments (continued)

The weighted average fair value of options granted during the year was \$0.58 (2022: \$0.25) and the estimated weighted average time to maturity at year end of 6.6 years (2022: 7 years). Significant inputs used in the measurement of the fair values at grant date were as follows:

	15 Mar '23	27 Jan '23	26 Aug '22	15 Jun '22	25 Mar '22	1 Oct '21	13 May'21
Share price on grant date	\$2.10	\$2.10	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Loan value per share (exercise price)	\$2.10	\$2.10	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Share price volatility <sup>19</sup>	35%	35%	35%	35%	35%	35%	35%
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Risk free rate	3.17-3.23%	3.29-3.35%	3.37-3.42%	3.98-4.05%	2.59-2.65%	0.98-1.14%	1.06-1.28%
Weighted average time to maturity	5.8 years	5.8 years	6.1 years	6.2 years	6.3 years	6.5 years	6.7 years
Fair value	\$0.51-0.78	\$0.53-0.79	\$0.07-0.39	\$0.09-0.40	\$0.09-0.38	\$0.09-0.35	\$0.11-0.36

The estimation of the fair value of share-based payment awards requires judgement with respect to the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions. The MEP awards have been valued using a combination of Monte-Carlo simulation and Black-Scholes modelling.

<sup>19</sup> The expected volatility was determined having regard to the historical share price volatility of the Group prior to its delisting and the volatility of comparable companies.



### 30. Share-based payments (continued)

The number of options under the MEP and the weighted average exercise price (WAEP) were as follows:

	2023 '000	WAEP \$	2022 '000	WAEP \$
Outstanding at the beginning of the year	52,256	1.00	42,445	1.00
Granted during the year	3,029	1.84	10,844	1.00
Forfeited during the year	(585)	1.00	(1,033)	1.00
<b>Outstanding at the end of the year</b>	<b>54,700</b>	<b>1.05</b>	<b>52,256</b>	<b>1.00</b>

No options issued under the MEP vested and were exercised or expired during the year and none were exercisable at year end.

#### Accounting policy

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised in the labour and staff related expense within the consolidated statement of profit or loss, together with a corresponding increase in equity reserves, over the period in which the service and any performance conditions are fulfilled (the vesting period). Settlement of options, upon vesting, are recognised as contributed equity.

### 31. Related parties

#### a) Key management personnel

Key management personnel (KMP) are those persons having responsibility and authority for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. The total remuneration of KMP of the Group is set out below.

	2023 \$'000	2022 \$'000
Salaries and short-term benefits	7,899	4,014
Long-term benefits	-	100
Termination benefits	-	1,459
Post-employment benefits	83	123
Share-based payments	2,793	1,813
	<b>10,775</b>	<b>7,509</b>

Unsecured loans provided to certain KMP totalling \$106,000 were outstanding at 30 June 2023 (2022: \$71,000). The loans are interest free and repayable over a 3-year period.

#### b) Transactions and balances with the ultimate parent and its controlled entities

The Group was provided with management and other consulting services during the year by a shareholder related party. A fixed annual fee, together with the reimbursement of expenses incurred by the shareholder related party, are payable for these services as rendered. Under the terms of the agreement, the shareholder related party may also charge a termination fee, in the event that the Group is involved in an Initial Public Offering ("IPO"). The Group has provided an indemnity to the shareholder related party, its employees and certain other parties specified in the agreement for any liabilities or claims that arise in relation to services provided.



### 31. Related parties (continued)

During the year, the Group made a capital repayment of \$730,000,000 to a shareholder related party which was recognised as a reduction in share capital (see note 21). No amounts remained outstanding at the end of the period.

### 32. Auditor's remuneration

Details of amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services are set out below.

	2023 \$'000	2022 \$'000
<b>Audit and review services</b>		
Audit and review of the financial statements of the Company and any other entity within the Group	1,673	1,392
<b>Other assurance services</b>		
Due diligence services	1,211	-
Other assurance services	186	139
<b>Other services</b>		
Taxation services	13	29
Other	87	-
	<b>3,170</b>	<b>1,560</b>

### 33. Events subsequent to reporting date

No matters or circumstances have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

### 34. Other information

#### a) Company information

Virgin Australia Holdings Pty Limited (VAH) (the Company) is a for-profit company incorporated and domiciled in Australia. BC Hart Investments L.P. (BC Hart) is the ultimate parent entity, domiciled in Delaware, USA. The principal activities of the Group are the operation of a domestic and short-haul international airline (including charter and cargo) and a loyalty program. The Group's principal place of business is Level 11, 275 Grey Street, Brisbane, Queensland, Australia.

The consolidated financial statements of the Company as at and for the year ended 30 June 2023 comprise the Company and its subsidiaries (collectively, the Group), and the Group's interests in associates.

#### b) Statement of compliance

These consolidated financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.



## 34. Other information (continued)

### c) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical costs, except where assets and liabilities are stated at fair value in accordance with relevant accounting policies.

The financial statements are presented in Australian dollars, unless otherwise noted, which is the functional currency of the Company.

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and in accordance with that instrument, amounts in the consolidated financial statements have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

### d) 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 the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates are reviewed on an ongoing basis and any revisions to estimates are recognised prospectively. Key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are described in the following notes:

- Note 7 - Taxation – recognition of deferred tax assets
- Note 13 - Unearned revenue and income – unearned passenger and loyalty program revenue
- Note 14 - Maintenance provision

### e) Going concern and net liability position

The Group has prepared the financial statements for the year ended 30 June 2023 on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. At 30 June 2023, the Group's current liabilities exceeded its current assets by \$1,719.4 million (2022: \$983.6 million) including a current liability for unearned revenue of \$1,846.2 million (2022: \$1,569.1 million). The Group also has a net asset deficiency of \$1,360.2 million (2022: \$730.9 million).

Management has prepared cash flow forecasts that support the Group's ability to continue as a going concern over the coming 12-month period from the date of issuing these financial statements. Key considerations impacting the assumptions used within these forecasts include:

- The Group continuing to focus on the Australian domestic market while growing its international short-haul operations;
- Allowances for uncertainties in economic conditions which may impact the demand for air travel and the Group's operating costs;
- Current market expectations of fuel prices and foreign exchange risk;
- Expenditures relating to the Group's continuing investments in IT and transformation programs;
- Repayments due under debt facilities, refinancing of existing facilities falling due over the forecast period and funding secured for future aircraft deliveries; and
- Extent and timing of utilisation of travel credits held by passengers and other unearned revenue.

Based on these forecasts, together with access to its available unrestricted cash reserves, the directors consider that the Group will continue as a going concern and be able to meet its obligations as and when they fall due over the coming 12-month period from the date these financial statements were authorised for issue.



### 34. Other information (continued)

#### f) Accounting policies

Accounting policies have been applied consistently by all the Group's entities and to all periods presented in the consolidated financial statements. The following accounting policies apply to the consolidated financial statements as a whole. Other significant accounting policies are described in the note to which they relate.

##### *i. New standards and interpretations not yet adopted by the Group*

The Group has not identified any standards or interpretations that have been issued but are not yet effective that would have a material impact on the Group when adopted.

##### *ii. Foreign currency transactions and balances*

Foreign currency transactions are initially recorded in the functional currency at the exchange rate at the date the transaction qualifies for recognition or the average exchange rate for the month if that is a reasonable approximation of the exchange rates for that month. Subsequently, foreign currency monetary balances are translated to the functional currency at the spot rates of exchange on the reporting date and the resultant exchange differences are recognised in profit or loss. Non-monetary balances that are measured in terms of historical cost are not re-translated. Non-monetary balances that are measured at fair value are translated at the date the fair value was determined with the gain or loss treated in line with the gain or loss recognised on changes to the fair value of the item.

##### *iii. Foreign operations*

The Group has foreign operations which operate in an economic environment in which the predominant currency is not Australian dollars, and which apply a functional currency other than Australian dollars. The assets and liabilities of these operations are translated from their functional currency to Australian dollars at the exchange rates at the reporting dates. The income and expenses are translated to Australian dollars at the exchange rate at the date of the transaction or the average exchange rate for the month if that is a reasonable approximation of the exchange rates on the transaction dates for that month. All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When an operation is disposed of, the cumulative amount in the foreign currency translation reserve relating to that operation is reclassified to profit or loss. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur are reclassified to other comprehensive income in the consolidated financial statements. These exchange differences are reclassified to profit or loss on disposal of the foreign operation.



### 34. Other information (continued)

#### iv. *Impairment*

The Group assesses at each reporting date whether there is an indication that an asset is impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use. Where the asset does not generate inflows that are largely independent of those from other assets or groups of assets, these assets are grouped together into a cash-generating unit (CGU). A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. The Group has determined that its CGUs are consistent with its operating segments.

If an impairment loss was recognised in a prior period for an asset other than goodwill, and the carrying value of the CGU exceeds its recoverable amount, management makes a judgement as to whether any portion of the impairment should be reversed in the profit or loss during the current reporting period. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset after the reversal cannot exceed the amount that would have been determined, net of amortisation or depreciation had no impairment loss been recognised.



## Directors' declaration

In the opinion of the directors of Virgin Australia Holdings Pty Limited (the Company):

- a) The consolidated financial statements and notes that are set out on pages 12-67 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position of the Group as at 30 June 2023, and its financial performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporation Regulations 2001*; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the group entities identified and marked (8) in note 26 to the consolidated financial statements 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 the Company and those group entities pursuant to *ASIC Instrument 2016/785*; and;

The notes to the consolidated financial statements include a statement of compliance with International Financial Reporting Standards (see note 34(b)).

Signed in accordance with a resolution of the directors:

A handwritten signature in blue ink that reads "Michael Murphy".

Michael Murphy  
**Director**

Sydney, 21 September 2023

A handwritten signature in blue ink, appearing to be "Jayne Hrdlicka".

Jayne Hrdlicka  
**Director**

Brisbane, 21 September 2023





# Independent Auditor's Report

To the shareholders of Virgin Australia Holdings Pty Limited

## Opinion

We have audited the **Financial Report** of Virgin Australia Holdings Pty 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 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2023;
- Consolidated statement of profit or loss; Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

## 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 these requirements.

## Other Information

Other Information is financial and non-financial information in Virgin Australia Holdings Pty 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.



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 the 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; and
- 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: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our Auditor's Report.

KPMG

Trent Duvall  
Partner

Sydney  
21 September 2023

Jason Adams  
Partner

Brisbane  
21 September 2023



## Corporate directory

### Principal administrative and registered office

Virgin Australia Holdings Pty Limited  
Level 11, 275 Grey St  
South Brisbane, QLD 4101 Australia  
Telephone: (07) 3295 3000 (within Australia) or +61 7 3295 3000 (outside Australia)

### Auditors

KPMG  
Level 16, Riparian Plaza  
71 Eagle Street  
Brisbane, QLD 4000 Australia





# Virgin Australia Group

## Consolidated Financial Statements for the year ended 30 June 2022

This financial report covers the Virgin Australia Group, consisting of Virgin Australia Holdings Pty Limited ACN 100 686 226 and its controlled entities.  
The financial report is presented in Australian dollars.

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## Directors' Report

The directors present their report on the consolidated entity comprising Virgin Australia Holdings Pty Limited ACN 100 686 226 (VAH or the Company) and the entities it controlled at the end of, or during, the financial year ended 30 June 2022.

### Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr Ryan Cotton (Chair)	Current
Ms Jayne Hrdlicka	Current
Mr Raymond Hass	Current
Mr Barnaby Lyons	Current
Mr Michael Murphy	Current
Mr Warwick Negus	Current
Mr Joshua Hartz (Alternate Director)	Current
Mr Charles Lawson (Alternate Director)	Current
Mr Stephen Pagliuca (Alternate Director)	Current

Except where otherwise indicated, each director named above held office for the whole financial year ended 30 June 2022.

### Principal activities and overview of the Group

The principal activities of the Group during the 2022 financial year were the operation of a domestic and short-haul international regular public transport (RPT) and charter passenger business, cargo airline business and a loyalty program. The Group offered a variety of aviation products and services to key segments of the Australian aviation market, including corporate, government, leisure, low cost, regional and charter travellers, and air freight customers.

The principal activities of the Group during the financial year continued to be significantly impacted by the global COVID-19 pandemic and the related international and state border restrictions.

### Significant changes in the state of affairs and key developments

#### Domestic/International Border opening

Virgin Australia's primary focus remains domestic travel and obtaining a 33 per cent share of the domestic RPT travel market. Limited short-haul international routes also resumed in the 2022 financial year and Virgin Australia may consider long-haul international travel at some point in the future.

The first half of the 2022 financial year was characterised by widespread lockdowns, including New South Wales and Victoria, Australia's two most populous states as well as Western Australia, resulting in significantly reduced flying activity. In the second half, as states and territories began lifting travel restrictions, Virgin Australia saw an immediate and significant increase in demand for domestic travel with capacity exceeding pre-COVID levels at several points towards the end of the 2022 financial year.

In February 2022, Australia fully opened its international borders for the first time in nearly two years. Prior to this, from late 2021, entry into Australia was primarily limited to Australian citizens and a small number of other travellers who met very specific entry requirements. Virgin Australia commenced services to Fiji on 16 December 2021, and services to Bali from Sydney, Melbourne and Brisbane in June 2022. It also announced the resumption of services to New Zealand (commencing in November 2022), Vanuatu and Samoa (both commencing in March 2023).

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## Directors' Report (continued)

### Improvement in Q4 business performance

There was a marked improvement in flying activity in the fourth quarter of the 2022 financial year as consumers began to feel comfortable travelling again following domestic and international borders opening, vaccination rates continued to rise, and the Australian community began to “learn to live” with COVID. Over Easter, Virgin Australia recorded its busiest travel period since before the pandemic, with Easter Monday a milestone day for Virgin Australia, with the highest number of daily passengers flying since before the pandemic. However, similar to most airlines globally, Virgin Australia also encountered operational resilience issues – largely attributable to ongoing team member illness – resulting in material network disruption in the fourth quarter and requiring Virgin Australia to take proactive measures to reduce flying capacity in the short term.

### Government support

Virgin Australia received financial support across the 2022 financial year from programs established by the Commonwealth Government to support the aviation industry through the COVID-19 pandemic. This included the International Aviation Support (IAS), Regional Airline Network Support (RANS), Domestic Aviation Network Support (DANS), Tourism Aviation Network Support (TANS), Retaining Domestic Airline Capability (RDAC), and Australian Airline Financial Relief Package (AAFRP) programs. Financial support under these programs ceased at various points during the 2022 financial year with no activities beyond 31 March 2022 eligible for assistance.

### Net zero

In the 2022 financial year, Virgin Australia committed to a target of Net Zero Emissions by 2050, underpinned by practical, innovative initiatives designed to build from the airline's historical efforts in sustainability. The 2050 commitment and pathway will complement Virgin Australia's existing sustainability measures, including having been the first airline in Australia to test Sustainable Aviation Fuel in the supply chain.

To reach net zero globally by 2050, Science Based Targets initiative (SBTi) modelling shows aviation emissions will need to decline to one-third of their pre-COVID levels, with the remainder required to be offset. We understand there is no easy solution for this challenge. Delivering net zero emissions will require a mix of actions with regards to aircraft technology, fleet and engine renewal, working with our partners, using smarter ground vehicles, carbon offsets and Sustainable Aviation Fuel (SAF) and waste and circular economy.

The significant reduction in our operations due to COVID-19 has meant our emissions were lower compared to historical levels. While the COVID-19 related reduction has provided a temporary relief, there is significant work still to be done to create a lasting improvement in our overall emissions. To this point, we are working to set emissions reduction targets and a detailed plan of practical, tangible actions to map our decarbonisation path to 2030 and beyond.

### Fleet

Since its re-launch in November 2020 Virgin Australia has grown its 737 fleet by over 50% from 58 aircraft to now having 88 committed. At the close of the 2022 financial year, Virgin Australia had 77 Boeing 737s in operation. In addition, the Virgin Australia Regional Airlines (VARA) fleet consisted of seven A320s and ten F100s.

After commencing the 2022 financial year with 63 Boeing 737s, in the first half of the 2022 financial year Virgin Australia added 14 737NG aircraft into its mainline fleet and secured an additional seven 737-700s in preparation for an expected increase in domestic travel as vaccination rates rise and interstate borders open. Following this, in April 2022, Virgin Australia announced the addition of four new Boeing 737 MAX 8 as well as the planned retirement of F100 aircraft from service starting in early calendar year 2023, to be replaced by 737-700s. Each 737-700 will fly more passengers than the F100's using a similar amount of fuel, resulting in 30% less emissions per seat per trip.

The four new MAX 8 aircraft, expected to start entering service in Q2 2023, are an important part of Virgin Australia's net zero strategy and are expected to reduce emissions by 15% per journey in comparison to current 737NG aircraft.

As part of its future fleet program Virgin Australia has an additional 25 Boeing 737 MAX 10 aircraft on order, which will transport more passengers for a similar amount of fuel to the current 737NG aircraft, resulting in 17% less emissions per seat per trip.

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## Directors' Report (continued)

### New partnerships

In addition to existing partnerships with Virgin Atlantic, Air Canada, Etihad Airways, Hawaiian Airlines, Singapore Airlines and South African Airways, Virgin Australia has announced new partnerships with United Airlines and Qatar Airways. These partnerships will significantly expand the airline's networks, lounges and loyalty programs, while allowing Velocity members to now earn and receive tier benefits to over 500 destinations worldwide.

The partnership with United, which commenced in April 2022, triples the number of U.S. cities Virgin Australia customers can reach, while providing United customers seamless connectivity to Australia's most popular destinations.

Through the Qatar partnership, which is expected to commence in late August 2022, Virgin Australia customers will be able to directly access Qatar Airways' route network of over 140 worldwide destinations, including the Middle East, Europe and Africa, via the airline's hub in Doha.

### Customer highlights

In FY22, Virgin Australia made significant improvements to its service and product offering to better focus on the airline's heartland customer.

Improvements included:

- A simplified fare structure, providing customers with greater value airfares and optionality, including Economy fares up to 67 per cent better value than its key competitor and Business Class fares up to 60 per cent better value when compared to Virgin Australia's pre-COVID pricing;
- New Velocity Frequent Flyer everyday earn partnerships, including with Medibank, and greater earning opportunities through FlyBuys with Bunnings and OfficeWorks joining the program. The extensive list of partnerships is making it easier for Velocity members to earn Points in the program;
- The launch of a small to medium-sized enterprise (SME) loyalty program, Virgin Australia Business Flyer, providing greater value airfares and rewards for Australian small to medium-sized businesses;
- Enhanced lounge and in-flight menus, including a new partnership with Betty's Burgers and Boost Juice; and
- The launch of the Beyond invitation-only loyalty program and lounges to drive more loyalty from the airline's corporate customers.

### Group strategy and likely developments

In 2022 the Group continued executing on the strategy of focusing on value-orientated customers including corporates, small and medium businesses, and premium leisure customers.

The Group's ambition is: *To be the most loved airline in Australia with a winning team that attracts the very best, generates extraordinary loyalty from our guests and delivers outstanding returns.*

The Group's ambition is guided by five key strategic pillars:

- Operational excellence
- Experiences our guests love
- A simple, focused business
- Strong financial performance
- Virgin flair

The implementation of the Group strategy is enabled by the investments made in our transformation program and organisation-wide transformation rhythm. More than 400 discrete transformation initiatives have now been delivered in the journey so far; these range from strategic procurement initiatives that structurally lower our cost base through to smaller incremental gains, such as operating routines to optimise fuel efficiency.

Other than as disclosed in this financial report, information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report.

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## Directors' Report (continued)

### Financial results

The Group recognised an underlying loss before tax<sup>1</sup> of \$386.7 million which excludes from the Group's statutory result \$88.3 million of restructuring and redundancy costs, \$42.1 million of costs relating to IT transformation projects, \$41.4 million of foreign exchange revaluation losses and \$9.4 million of impairment of assets and accelerated depreciation on F100 aircraft. The Group's statutory loss before tax was \$567.9 million (2021: profit before tax of \$3,718.8 million).

Revenue and income increased by 45.0% from \$1,542.7 million in 2021 to \$2,237.5 million in 2022.

Expenditure increased by 30.2% from \$2,079.5 million in 2021, excluding the creditor relief on effectuation of the Deeds of Company Arrangements (DOCAs) to \$2,707.4 million in 2022.

### Significant events after the balance date

COVID-19 continues to impact economic conditions and the operations of the airline sector as governments implement and/or ease restrictions in attempts to contain the spread of the virus. The Group continues to manage its response to these conditions and the resulting impact on the demand for its services. It is unclear what the ongoing implications from COVID-19 will be for the Group's results in future financial years.

### Dividends

No dividends were declared or paid during the year ended 30 June 2022 or during the prior corresponding year.

### Environmental regulation

The Group is subject to environmental regulations under federal, state, territory and international jurisdictions.

The Group is committed to environmental sustainability and meeting all its regulatory obligations. These objectives are managed through the following elements:

- Regular environmental risk and compliance reporting to management, the Board and external stakeholders;
- Accountability assigned for environmental performance and compliance to relevant executives across the Group;
- The use of robust management systems to identify environmental issues/risks, implement management programs and monitor the effectiveness of actions; and
- Engagement with regulators to maintain oversight and supporting the evolution of regulatory obligations.

Based on the information provided and enquiries made, the Board is not aware of any material non-compliances during this reporting period.

### Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a director or an officer of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company has directors' and officers' liability insurance contracts in place, for all current and former officers of the Company (including directors and the company secretary). The directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the insurance contract.

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<sup>1</sup> Underlying loss before tax is a non-statutory measure. This measure is used by management and the Board to assess the financial performance of the Group. This non-IFRS information has not been audited or reviewed by KPMG.



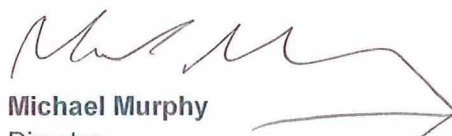

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## Directors' Report (continued)

### Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in the consolidated financial statements and Directors' report have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors:

	
<b>Michael Murphy</b> Director	<b>Jayne Hrdlicka</b> Director

Brisbane

Brisbane

This report is made on 25 August 2022



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Virgin Australia Holdings Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Virgin Australia Holdings Pty Limited 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

Trent Duvall

*Partner*

Brisbane

25 August 2022

# Consolidated statement of profit or loss

For the year ended 30 June 2022

	Note	2022 \$m	2021 \$m
<b>Revenue and income</b>			
Airline passenger revenue	B1	1,880.9	1,192.9
Loyalty program revenue	B1	155.7	122.8
Freight revenue	B1	19.9	16.0
Other income	B2	181.0	211.0
<b>Revenue and income</b>		<b>2,237.5</b>	<b>1,542.7</b>
<b>Expenditure</b>			
Aircraft variable lease expenses		(52.8)	(45.4)
Airport charges, navigation and station operations		(473.8)	(267.8)
Contract and other maintenance		(166.1)	(104.4)
Commissions, other marketing and reservations		(170.4)	(111.9)
Communications and technology		(97.5)	(72.2)
Fuel and oil		(497.6)	(201.5)
Labour and staff related	B4	(727.5)	(530.0)
Other	B4	(211.7)	(152.6)
Depreciation and amortisation		(264.1)	(282.3)
Foreign exchange gain/(loss)		(41.4)	(58.8)
Impairment of assets	D1, D2	(6.1)	(143.2)
Ineffectiveness on cash flow hedges		1.6	-
Administrator and advisor fees associated with administration		-	(109.4)
Creditor relief on effectuation of the DOCAs	B6	-	4,426.1
<b>Expenditure</b>		<b>(2,707.4)</b>	<b>2,346.6</b>
<b>Profit/(loss) before net finance costs and tax</b>		<b>(469.9)</b>	<b>3,889.3</b>
Finance income		1.8	1.6
Finance costs	B4	(99.8)	(172.1)
<b>Net finance costs</b>		<b>(98.0)</b>	<b>(170.5)</b>
<b>Profit/(loss) before tax</b>		<b>(567.9)</b>	<b>3,718.8</b>
Income tax benefit	B3	2.4	3.9
<b>Profit/(loss)</b>		<b>(565.5)</b>	<b>3,722.7</b>

The consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	2022 \$m	2021 \$m
<b>Profit/(loss)</b>		<b>(565.5)</b>	<b>3,722.7</b>
<b>Items that are or may be subsequently reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations (nil related tax)		1.6	(3.2)
Exchange differences on translation of foreign operations transferred to profit or loss (nil related tax)		-	105.8
Effective portion of changes in fair value of cash flow hedges		90.7	14.1
Net change in fair value of cash flow hedges transferred to profit or loss		(83.0)	(1.8)
De-designation of cash flow hedges transferred to profit or loss		(1.6)	-
Effective portion of changes in fair value of cash flow hedges (time value of options)		(5.1)	(0.6)
Net change in fair value of cash flow hedges transferred to profit or loss (time value of options)		7.1	1.1
Income tax expense on other comprehensive income		(2.4)	(3.8)
<b>Other comprehensive profit, net of tax</b>		<b>7.3</b>	<b>111.6</b>
<b>Total comprehensive profit/(loss)</b>		<b>(558.2)</b>	<b>3,834.3</b>

The consolidated statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated statement of financial position

As at 30 June 2022

	Note	2022 \$m	2021 \$m
<b>Current assets</b>			
Cash and cash equivalents	E2	833.4	916.7
Receivables	C1	217.4	144.4
Inventories	C2	39.9	41.5
Derivative financial instruments	E7	28.0	16.4
Other financial assets	C3	303.1	168.4
<b>Total current assets</b>		<b>1,421.8</b>	<b>1,287.4</b>
<b>Non-current assets</b>			
Receivables	C1	14.7	7.0
Other financial assets	C3	68.7	9.4
Property, plant and equipment	D1	1,999.3	1,883.1
Intangible assets	D2	68.2	78.0
<b>Total non-current assets</b>		<b>2,150.9</b>	<b>1,977.5</b>
<b>Total assets</b>		<b>3,572.7</b>	<b>3,264.9</b>
<b>Current liabilities</b>			
Payables	C4	336.3	194.6
Interest-bearing liabilities	E3	315.2	135.0
Provisions	C5	184.8	134.1
Unearned revenue and income	C6	1,569.1	1,319.0
Other		-	2.7
<b>Total current liabilities</b>		<b>2,405.4</b>	<b>1,785.4</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	E3	1,690.0	1,520.4
Provisions	C5	188.2	104.8
Unearned revenue and income	C6	20.0	30.0
<b>Total non-current liabilities</b>		<b>1,898.2</b>	<b>1,655.2</b>
<b>Total liabilities</b>		<b>4,303.6</b>	<b>3,440.6</b>
<b>Net liabilities</b>		<b>(730.9)</b>	<b>(175.7)</b>
<b>Equity</b>			
Share capital	E4	2,970.2	2,970.2
Reserves	E6	(509.1)	(519.4)
Retained earnings		(3,192.0)	(2,626.5)
<b>Total equity</b>		<b>(730.9)</b>	<b>(175.7)</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity

	Note	Share capital \$m	Foreign currency translation reserve \$m	Hedge reserve \$m	Option time value reserve \$m	Share-based payments reserve \$m	Other reserves \$m	Retained earnings \$m	Total equity \$m
<b>Balance at 1 July 2021</b>		<b>2,970.2</b>	<b>8.7</b>	<b>8.6</b>	<b>0.4</b>	<b>16.5</b>	<b>(553.6)</b>	<b>(2,626.5)</b>	<b>(175.7)</b>
<b>Profit/(loss)</b>		-	-	-	-	-	-	<b>(565.5)</b>	<b>(565.5)</b>
<b>Other comprehensive income, net of tax</b>									
Foreign currency translation		-	1.6	-	-	-	-	-	1.6
Effective portion of changes in fair value of cash flow hedges		-	-	63.5	(3.6)	-	-	-	59.9
Net change in fair value of cash flow hedges transferred to profit or loss		-	-	(58.1)	5.0	-	-	-	(53.1)
De-designation of cash flow hedges transferred to profit or loss		-	-	(1.1)	-	-	-	-	(1.1)
<b>Total other comprehensive income, net of tax</b>		-	1.6	4.3	1.4	-	-	-	7.3
<b>Total comprehensive profit/(loss)</b>		-	1.6	4.3	1.4	-	-	<b>(565.5)</b>	<b>(558.2)</b>
<b>Transactions with owners, recorded directly in equity, net of tax</b>									
Share-based payment transactions	G3	-	-	-	-	3.0	-	-	3.0
Issue of ordinary shares	E4	-	-	-	-	-	-	-	-
<b>Total transactions with owners, net of tax</b>		-	-	-	-	3.0	-	-	3.0
<b>Balance at 30 June 2022</b>		<b>2,970.2</b>	<b>10.3</b>	<b>12.9</b>	<b>1.8</b>	<b>19.5</b>	<b>(553.6)</b>	<b>(3,192.0)</b>	<b>(730.9)</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity (continued)

	Note	Share capital \$m	Foreign currency translation reserve \$m	Hedge reserve \$m	Option time value reserve \$m	Share-based payments reserve \$m	Other reserves \$m	Retained earnings \$m	Total equity \$m
<b>Balance at 1 July 2020</b>		<b>2,238.5</b>	<b>(93.9)</b>	<b>-</b>	<b>-</b>	<b>16.2</b>	<b>(516.0)</b>	<b>(6,349.2)</b>	<b>(4,704.4)</b>
<b>Profit</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,722.7</b>	<b>3,722.7</b>
<b>Other comprehensive income, net of tax</b>									
Foreign currency translation		-	(3.2)	-	-	-	-	-	(3.2)
Foreign currency translation transferred to profit or loss		-	105.8	-	-	-	-	-	105.8
Effective portion of changes in fair value of cash flow hedges		-	-	9.9	(0.4)	-	-	-	9.5
Net change in fair value of cash flow hedges transferred to profit or loss		-	-	(1.3)	0.8	-	-	-	(0.5)
<b>Total other comprehensive income, net of tax</b>		<b>-</b>	<b>102.6</b>	<b>8.6</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111.6</b>
<b>Total comprehensive profit/(loss)</b>		<b>-</b>	<b>102.6</b>	<b>8.6</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>3,722.7</b>	<b>3,834.3</b>
<b>Transactions with owners, recorded directly in equity, net of tax</b>									
Share-based payment transactions	G3	-	-	-	-	0.3	-	-	0.3
Issue of ordinary shares	E4	731.7	-	-	-	-	-	-	731.7
Transaction costs with owners	E6	-	-	-	-	-	(37.6)	-	(37.6)
<b>Total transactions with owners, net of tax</b>		<b>731.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>(37.6)</b>	<b>-</b>	<b>694.4</b>
<b>Balance at 30 June 2021</b>		<b>2,970.2</b>	<b>8.7</b>	<b>8.6</b>	<b>0.4</b>	<b>16.5</b>	<b>(553.6)</b>	<b>(2,626.5)</b>	<b>(175.7)</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated statement of cash flows

For the year ended 30 June 2022

	Note	2022 \$m	2021 \$m
<b>Cash flows from operating activities</b>			
Cash receipts from customers and government support		2,668.8	1,994.6
Cash payments to suppliers and employees		(2,406.9)	(1,728.1)
<b>Net cash from operating activities</b>	B5	261.9	266.5
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(102.0)	(39.6)
Proceeds on disposal of property, plant and equipment		0.4	1.8
Acquisition of intangible assets		(6.3)	-
Payments for other deposits		(304.1)	(291.1)
Proceeds from other deposits		112.9	6.1
<b>Net cash used in investing activities</b>		(299.1)	(322.8)
<b>Cash flows from financing activities</b>			
Finance income received		1.1	1.6
Interest paid (interest-bearing liabilities)		(36.2)	(54.4)
Repayment of interest-bearing liabilities		(108.9)	(62.6)
Interest paid (lease liabilities)		(34.8)	(10.6)
Repayment of lease liabilities		(81.5)	(33.3)
Proceeds from borrowings		209.6	222.4
Proceeds from share issuance		-	284.5
Payments to Creditors' Trust		(0.4)	(76.9)
Transaction costs with owners	E6	-	(37.6)
<b>Net cash from/(used in) financing activities</b>		(51.1)	233.1
<b>Net increase/(decrease) in cash and cash equivalents</b>		(88.3)	176.8
Cash and cash equivalents at 1 July		916.7	740.8
Effect of exchange rate fluctuations on cash and cash equivalents		5.0	(0.9)
<b>Cash and cash equivalents at 30 June</b>	E2	833.4	916.7

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# Notes to the consolidated financial statements

For the year ended 30 June 2022

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## A. Basis of preparation

### a) Reporting Entity

Virgin Australia Holdings Pty Limited (VAH) (the Company) is a for-profit company incorporated and domiciled in Australia. BC Hart Investments L.P. (BC Hart) is the ultimate parent company.

The consolidated financial statements of the Company as at and for the year ended 30 June 2022 comprise the Company and its subsidiaries (the Group), and the Group's interests in associates.

The group is primarily involved in the domestic and short-haul international airline industry.

### b) Basis of preparation and statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements are presented in Australian dollars, which is the functional currency of the Company. The consolidated financial statements have been prepared on the basis of historical costs, except where assets and liabilities are stated at fair value in accordance with relevant accounting policies.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in the consolidated financial statements have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

### c) 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 the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates are reviewed on an ongoing basis and any revisions to estimates are recognised prospectively.

Key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are described in the following notes:

- B1 Revenue – expiry of tickets which have passed their scheduled flight date, expected utilisation of credit vouchers and the estimation of the stand-alone selling price of the obligation to provide awards to members of the Velocity Frequent Flyer program
- B3 Taxation – recognition of deferred tax assets
- C5 Provisions – maintenance provisions
- C6 Unearned revenue and income – unearned passenger and loyalty program revenue
- D3 - Impairment testing – determination of cash-generating units and estimation of recoverable amount
- E8 - Fair value measurements - estimation of unobservable inputs

The Group exercised judgement in evaluating the impact of COVID-19 on the financial statements. The ongoing impacts from the pandemic result in increased uncertainty in future economic and market conditions as well as the recovery for both domestic and international flight activity subsequent to the easing of travel restrictions. These conditions increase the estimation uncertainty in relation to key accounting estimates and judgements in the financial report and have been taken into consideration in assessing the areas outlined above.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## d) Going concern

The Group has prepared the financial statements for the year ended 30 June 2022 on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

At 30 June 2022, the Group's current liabilities exceeded its current assets by \$983.6 million (2021: net current liabilities of \$498.0 million) including a current liability for unearned revenue of \$1,569.1 million (2021: \$1,319.0 million). The Group also has a net asset deficiency of \$730.9 million (2021: net asset deficiency of \$175.7 million) and incurred a loss before tax of \$567.9 million (2021: profit before tax of \$3,718.8 million) for the year ended 30 June 2022 with border restrictions and lockdowns adversely impacting flight demand.

The domestic aviation market in Australia experienced significant increases in demand following the lifting of domestic and international border restrictions. While challenges from illness in the community and staff absenteeism continue to impact operating conditions, the increased demand has contributed to the Group achieving improved financial performance and cash flows in the last quarter of the financial year.

Management has prepared cash flow forecasts that support the Group's ability to continue as a going concern over the coming 12-month period from the date of issuing these financial statements. Key considerations impacting the assumptions used within these forecasts include:

- The Group continuing to focus on the Australian domestic market with a limited return of international short-haul operations;
- Increased demand continuing for the Group's domestic airline operations with capacity returning to pre-COVID levels during FY23 based on the expectation that (i) governments' responses to managing the virus align with recent experience and border restrictions will not be reintroduced and (ii) disruptions from staff absenteeism will continue to be managed;
- Current market expectations of fuel prices;
- Repayments due under debt facilities; and
- Extent and timing of utilisation of travel credits held by passengers.

Based on these forecasts, together with access to its available unrestricted cash reserves, the directors consider that the Group will continue as a going concern and be able to meet its obligations as and when they fall due over the coming 12-month period from the date these financial statements were authorised for issue.

## e) Accounting policies

Accounting policies have been applied consistently by all the Group's entities and to all periods presented in the consolidated financial statements. The following accounting policies apply to the consolidated financial statements as a whole. Other significant accounting policies are described in the note to which they relate.

### Foreign currency transactions and balances

Foreign currency transactions are initially recorded in the functional currency at the exchange rate at the date the transaction qualifies for recognition or the average exchange rate for the month if that is a reasonable approximation of the exchange rates for that month. Subsequently, foreign currency monetary balances are translated to the functional currency at the spot rates of exchange on the reporting date and the resultant exchange differences are recognised in profit or loss. Non-monetary balances that are measured in terms of historical cost are not re-translated. Non-monetary balances that are measured at fair value are translated at the date the fair value was determined with the gain or loss treated in line with the gain or loss recognised on changes to the fair value of the item.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## e) Accounting policies (continued)

### Foreign operations

The Group has foreign operations which operate in an economic environment in which the predominant currency is not Australian dollars, and which apply a functional currency other than Australian dollars. The assets and liabilities of these operations are translated from their functional currency to Australian dollars at the exchange rates at the reporting dates. The income and expenses are translated to Australian dollars at the exchange rate at the date of the transaction or the average exchange rate for the month if that is a reasonable approximation of the exchange rates on the transaction dates for that month. All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When an operation is disposed of, the cumulative amount in the foreign currency translation reserve relating to that operation is reclassified to profit or loss. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur are reclassified to other comprehensive income in the consolidated financial statements. These exchange differences are reclassified to profit or loss on disposal of the foreign operation.

### New standards and interpretations not yet adopted by the group

The Group has not identified any standards or interpretations that have been issued but are not yet effective that would have a material impact on the Group when adopted.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## B. Results

### B1. Revenue

Revenue is measured based on the consideration specified in a contract with a customer.

#### Airline passenger revenue

Airline passenger revenue comprises revenue from passenger ticket sales including the provision of ancillary flight benefits, such as baggage and change fees, which are not considered to be distinct from the passenger ticket. Airline passenger and ancillary revenue is recognised in profit or loss when carriage is performed, net of sales discounts, certain commissions and Goods and Services Tax.

Airline passenger revenue is generally received in advance of carriage and is deferred to the consolidated statement of financial position as unearned revenue until the revenue recognition criteria are satisfied.

The Group was a party to various alliance arrangements. Revenue under these arrangements is recognised in profit or loss when the Group performs the carriage or otherwise fulfils all relevant contractual commitments.

The incremental costs in relation to ticket sales is recognised as an expense when incurred as the costs would otherwise have to be recognised within 12 months to align with the recognition of revenue on the underlying passenger ticket.

Members of the Velocity Frequent Flyer program accumulate loyalty points by, inter alia, travelling on qualifying airline services. The transaction price related to ticket sales is proportionately allocated to the obligation to provide awards to members and to the ticket sales, based on their relative stand-alone selling prices. The portion allocated to the obligation to provide awards to members is deferred to the consolidated statement of financial position as unearned loyalty program revenue until the revenue recognition criteria are satisfied.

#### Loyalty program revenue

The Group receives participation fee revenue from participation partners for the rights to have loyalty points allocated to members of the Velocity Frequent Flyer program. This results in an obligation of the Group to provide awards to members when these points are redeemed.

Loyalty program revenue is comprised of two performance obligations. The stand-alone selling price of the obligation to provide awards to members is calculated using expected redemption costs plus a reasonable profit margin and adjusted for the proportion of points not expected to be redeemed (breakage). It is deferred to the consolidated statement of financial position as unearned revenue. The residual amount, which represents marketing services, is recognised when the points are issued, and the Group has a right to invoice the participation partner. This occurs as the service is provided, which occurs over time. Consideration is typically received within normal credit terms, following the issuance of points. The consideration is generally received subsequent to the issue of points based on the Group's normal credit terms.

The following areas have been considered in forming assumptions relating to the behaviour of partners and members in the Velocity Frequent Flyer program which in turn impact upon the estimated stand-alone selling price and breakage rate applicable to loyalty points:

- the significant impacts of COVID-19 and volatility in member behaviour;
- the timing of recovery of flight activity by airline partners;
- the expected level of member engagement with new partner arrangements; and
- initiatives to engage with partners and members in the Velocity Frequent Flyer program.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## B1. Revenue (continued)

### Freight revenue

Freight revenue comprises revenue from freight carried on domestic and international flights. Revenue is recognised in profit or loss when carriage of the freight is performed, net of sales discounts, certain commissions and Goods and Services Tax.

Freight services are generally paid for subsequent to carriage being performed, based on the Group's normal credit terms.

### Principal and agent considerations

The Group considers whether it is a principal or agent in relation to services by considering whether it controls the service prior to that service being transferred to the customer. The Group acts as an agent when collecting revenue in relation to airline passenger services provided by other carriers. Commissions received from other carriers are paid subsequent to carriage being performed, in accordance with normal industry credit terms.

### Disaggregation of revenue from contracts with customers

The table below sets out the disaggregation of revenue from contracts with customers by the Group's key operating business units:

	2022 \$m	2021 \$m
Domestic – airline passenger and freight revenue <sup>2</sup>	1,885.6	1,200.9
International – airline passenger and freight revenue	15.2	8.0
Velocity – loyalty program revenue	155.7	122.8
<b>Total revenue from contracts with customers</b>	<b>2,056.5</b>	<b>1,331.7</b>

<sup>2</sup> Includes Virgin Australia Regional Airlines (VARA).

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## B2. Government grants and assistance

With the significant impact of COVID-19 on market trading conditions, and specifically the aviation sector, government support packages were offered in the form of rebates and other financial assistance.

Government grants and assistance have been recognised by the Group where there is reasonable assurance the associated conditions will be met and the grants will be received. Government grants are recognised in profit or loss within other income or as a deduction against the related expense on a systematic basis over the periods in which the Group recognises the related costs for which the grants are intended to compensate and/or the conditions associated with receiving the financial assistance are satisfied. Where the conditions have not been satisfied, the assistance received has been recognised as unearned income on the Group's consolidated statement of financial position.

The major support programs that the Group benefited from during the year and their related presentation in the Group's financial statements are outlined below.

### Domestic Aviation Network Support (DANS) and Regional Aviation Network Support (RANS)

#### *Recognised within Other income*

The Group operated a series of domestic and regional flights on behalf of the Australian Government to maintain critical links that had been made commercially unviable due to COVID-19 related travel restrictions. It includes a baseline network of domestic passenger flights servicing the most critical routes. The DANS and RANS flights were operated on a fee-for-service basis, with fare revenue offsetting the cost to the taxpayer. The Group recognised \$165.5 million in relation to DANS and RANS support in the financial year (2021: \$175.1 million).

The DANS program ceased on 31 December 2021 and the RANS program ceased on 30 June 2022.

### Tourism Aviation Network Support (TANS)

#### *Recognised within Other income*

This program was intended to help drive tourism demand for interstate travel and to support economic recovery in regional Australia by halving the price of airfares to select tourism regions. The travel and sale period was between 1 April 2021 and 30 November 2021. The Group recognised \$4.0 million in relation to TANS support in the financial year (2021: \$13.6 million).

The TANS program ceased on 28 February 2022.

### Australian Airline Financial Relief Package (AAFRP)

#### *Recognised within Fuel and Oil and Airport charges, navigation and station operations*

The AAFRP includes the refund and waiver of government charges on the aviation industry, including fuel excise, Airservices Australia charges on domestic airline operations and domestic and regional aviation security charges. Applicable charges applying to flights between 1 February 2020 and 31 December 2020 are eligible for relief in accordance with the eligibility criteria set out in the grant opportunity guidelines. On 1 January 2021, the Airservices Fee Waiver was reduced to 50 per cent and on 11 March 2021, the Domestic Airport Security Cost Support Package (DASCS) came into effect and extended to 31 December 2021. The DASCS program provided funding to providers to cover mandatory passenger and baggage screening costs deemed eligible which are subsequently waived to the Group. The Group recognised a benefit of \$29.5 million in relation to AAFRP, offsetting related costs in the financial year (2021: \$77.3 million).

The AAFRP program ceased on 31 December 2021.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## B2. Government grants and assistance (continued)

### International Aviation Support (IAS)

#### *Recognised within Labour and staff related expenses*

The program provided support to maintain a core Australian international aviation workforce and operational capability to ensure airlines can quickly reinstate commercial international flights with the lifting of border restrictions. The IAS program commenced on 1 April 2021. The Group recognised \$31.7 million in relation to IAS support in the financial year (2021: \$10.0 million).

The IAS program ceased on 31 March 2022.

### Retaining Domestic Airline Capability (RDAC)

#### *Recognised within Labour and staff related expenses*

The program provided payments to assist domestic airlines to maintain a core Australian domestic aviation workforce and operational capability to ensure they had the capability to quickly ramp up as aviation activity increases with domestic travel and border restrictions easing, which will help drive broader economic recovery. The RDAC program commenced on 2 August 2021. The Group recognised \$27.1 million in relation to RDAC support in the financial year (2021: nil).

The RDAC program ceased on 31 December 2021.

### JobKeeper Payments

#### *Recognised within Labour and staff related expenses*

JobKeeper was a federal government support package designed to keep Australians employed during the economic downturn caused by COVID-19. The JobKeeper subsidy payments commenced in May 2020. Labour and staff related expenses are recognised net of the JobKeeper subsidy received. The Group has not recognised any JobKeeper subsidies in the current financial year (2021: \$205.4 million). The subsidy received was paid directly to employees of the Group, where eligible, including those who were stood down.

The JobKeeper program ceased on 31 March 2021.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## B3. Taxation

VAH and its 100% owned Australian resident subsidiaries are part of the VAH income tax consolidated group (TCG). Two entities within The Group are stand-alone income taxpayers, being The Loyalty Trust and the Key Employee Performance Plan Trust. For the avoidance of doubt, foreign controlled entities of The Group are not part of the VAH TCG.

The head entity and each of the members of the VAH TCG have entered into a tax sharing agreement. Under the terms of the agreement, the members of the VAH TCG have agreed to pay (or receive) an amount to (or from) the head entity (VAH), based on the notional current tax liability or notional current tax asset of the relevant member. Notional tax payable from members to VAH, as the head entity, are payable upon demand from VAH.

Each entity in the VAH TCG measures its current and deferred taxes as if it is a separate taxable entity. In addition to its own current and deferred tax amounts, VAH, as head entity of the VAH TCG recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the TCG, subject to the satisfaction of the recognition requirements in AASB 112 *Income Taxes*.

### Income tax expense or benefit

Income tax expense or benefit comprises current and deferred tax expense. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

### Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates and tax laws enacted or substantively enacted at the reporting date.

### Deferred tax

Deferred tax is recognised for all taxable temporary differences arising from the difference between the carrying amount of assets and liabilities and their corresponding tax base. It is measured using tax rates and tax laws that are expected to apply when the assets are recovered or liabilities are settled based on those tax rates which are enacted or substantively enacted at the reporting date.

Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- relating to investments in subsidiaries and associates, and interests in joint arrangements, where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future; or
- arising on initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for deductible temporary differences and carried forward tax losses to the extent that it is probable that taxable profit will be available against which they can be utilised. Australian Accounting Standards require a more stringent test be applied in determining the probability of recovery of a deferred tax asset arising from tax losses.



# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## B3. Taxation (continued)

### Deferred tax (continued)

The Group has generated additional tax losses in the financial year given the significant impacts of COVID-19 on the Group's operations. The Group will be eligible to recognise deferred tax assets when convincing evidence is available that future taxable profits will be generated against which the carried forward tax losses can be applied. Whilst market conditions and business performance is expected to improve during the year ended 30 June 2023, management has had regard to the taxable losses incurred during 30 June 2022 in determining that deferred tax asset arising from tax losses and temporary differences can only be recognised to the extent there is an offsetting deferred tax liability on the Group's statement of financial position as at 30 June 2022.

The unrecognised deferred tax asset on tax losses carried forward of \$463.3 million includes an estimate of the impact of the prior period application of forgiven debts against tax losses carried forward, in accordance with Australian taxation law. The final quantum of tax losses carried forward by the VAH TCG can only be determined upon the finalisation of the Administrators' adjudication process, which is in progress at the date of the financial report. Any tax losses that are carried forward by the VAH TCG will be subject to Australia's loss integrity provisions, should they be utilised in future periods.

### Reconciliation of income tax expense

	2022 \$m	2021 \$m
<b>Statutory (loss)/profit before tax</b>	<b>(567.9)</b>	3,718.8
Tax benefit/(expense) at the Australian tax rate of 30% (2021: 30%)	<b>170.4</b>	(1,115.6)
<b>Tax effect of amounts which are not included in taxable income:</b>		
Accounting debt forgiveness	-	480.1
Tax debt forgiveness	-	(762.1)
Recognition of previously unrecognised tax losses	-	762.1
Movements in temporary differences not recognised	<b>(167.1)</b>	671.2
Foreign currency translation reserve recycled to profit or loss	-	(31.8)
Other non-deductible or non-assessable amounts	<b>(0.9)</b>	-
<b>Income tax benefit</b>	<b>2.4</b>	3.9
<b>Represented by:</b>		
Deferred tax benefit	<b>2.4</b>	3.9
<b>Income tax benefit</b>	<b>2.4</b>	3.9

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## B3. Taxation (continued)

The composition of the Group's unrecognised net deferred tax asset and the net deferred tax (expense)/benefit recognised in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Consolidated statement of financial position		Consolidated statement of profit or loss or retained earnings		Consolidated statement of other comprehensive income and retained earnings	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
<b>Deferred tax assets</b>						
Provisions	112.8	71.6	41.1	(460.8)	-	-
Payables	5.0	5.3	(0.3)	(15.1)	-	-
Unearned loyalty program revenue	132.7	132.5	0.2	(0.8)	-	-
Other liabilities	48.4	54.6	(6.2)	18.1	-	-
Lease liabilities	75.3	55.0	20.2	(309.8)	-	-
Other assets	5.7	5.9	(0.2)	(7.7)	-	-
Equity-raising costs (recognised in equity)	0.3	0.5	(0.2)	(0.8)	-	-
Tax losses carried forward	463.3	309.0	154.3	(706.0)	-	-
Total deferred tax assets	843.5	634.4	208.9	(1,482.9)	-	-
<b>Deferred tax liabilities</b>						
Property, plant and equipment	(184.1)	(158.3)	(25.8)	(150.8)	-	-
Maintenance assets	(22.6)	(9.0)	(13.6)	97.1	-	-
Cash flow hedges (recognised in other comprehensive income)	(6.3)	(3.9)	-	-	(2.4)	(3.9)
Other assets	-	-	-	-	-	-
Total deferred tax liabilities	(213.0)	(171.2)	(39.4)	(53.7)	(2.4)	(3.9)
<b>Net deferred tax assets before derecognition</b>	<b>630.5</b>	<b>463.2</b>	<b>169.5</b>	<b>(1,536.6)</b>	<b>(2.4)</b>	<b>(3.9)</b>
Deferred tax asset not recognised	(630.5)	(463.2)	(167.1)	1,540.5	-	-
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>	<b>2.4</b>	<b>3.9</b>	<b>(2.4)</b>	<b>(3.9)</b>

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## B4. Expenses

### Labour and staff related

Labour and staff related expenses includes the salary, wages, on-costs, payments to defined contribution plans, superannuation and share based payments for the group.

The Group contributes to several defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Such contributions are charged to profit or loss in the periods during which services are rendered by employees. The amount recognised as an expense within Labour and staff related expenses for the year ended 30 June 2022 was \$53.2 million (2021: \$37.8 million).

Share-based compensation benefits are provided to employees via the Management Equity Plan (MEP) as described in note G3. Such contributions are charged to profit or loss in the periods during which services are rendered by employees.

### Other

Other expenses relate to advisory fees, catering, insurance, travel and entertainment and other overheads incurred in the year which are included as 'Other' in the consolidated statement of profit or loss.

### Net finance costs

Finance income comprises interest receivable on funds invested. It is recognised in profit or loss as it accrues using the effective interest rate method.

Finance costs comprise interest paid or payable on borrowings calculated using the effective interest rate method, interest on lease liabilities, amortisation of borrowing costs and unwinding of the discount on provisions and other liabilities. In the prior period, finance costs also include additional obligations relating to penalty interest which arose as a result of the Group entering voluntary administration under the terms of the Group's contractual arrangements with financiers.

Finance costs that relate to qualifying assets are capitalised to the cost of the assets.

	2022 \$m	2021 \$m
Interest and finance charges	48.7	48.6
Interest on lease liabilities	44.3	23.5
Unwinding of discount on provisions	6.8	1.8
Interest accrued on repudiated contracts <sup>3</sup>	-	98.2
<b>Finance costs expensed</b>	<b>99.8</b>	<b>172.1</b>

<sup>3</sup> This includes interest and penalties accrued on contracts repudiated by the Group upon effectuation of the DOCA's on 17 November 2020, at which time the Group was relieved from its obligations to creditors.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## B5. Reconciliation of statutory profit/(loss) to net cash from operating activities

	2022 \$m	2021 \$m
<b>Statutory profit/(loss)</b>	<b>(565.5)</b>	<b>3,722.7</b>
<i>Adjustments for non-cash items included in profit or loss</i>		
Depreciation and amortisation	264.1	282.3
Unrealised foreign exchange movements	37.1	(56.0)
Net finance costs	98.0	170.5
Income tax benefit	(2.4)	(3.9)
Other non-cash expenses	0.1	(3.8)
Impairment losses on other assets	6.1	143.3
Net change in fair value of cash flow hedges transferred to profit or loss	5.7	9.0
Creditor relief on effectuation of the DOCAs	-	(4,426.1)
<b>Net adjusted loss after adding back non-cash items</b>	<b>(156.8)</b>	<b>(162.0)</b>
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in receivables	(62.4)	25.4
Decrease/(increase) in inventories	1.7	1.7
Decrease/(increase) in other assets	(7.7)	(7.0)
Decrease/(increase) in derivative financial instruments	(11.6)	(16.4)
Increase/(decrease) in payables	137.0	111.0
Increase/(decrease) in other liabilities	(2.7)	(8.2)
Increase/(decrease) in provisions	128.7	44.2
Increase/(decrease) in unearned revenue	235.7	277.8
<b>Net cash from operating activities</b>	<b>261.9</b>	<b>266.5</b>

## B6. Creditor relief on effectuation of the DOCAs

The gain recorded in the 2021 consolidated statement of profit or loss reflected the impact of transactions which occurred upon effectuation of the DOCA. The final outcome of the Administrators' adjudication of creditors' claims which continues to remain in progress at the date of this financial report will not have any further impact on the financial position or performance of the Group, other than as disclosed in note B3 in relation to the availability of unutilised historical tax losses.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## C. Working capital and other assets and liabilities

This section sets out information relating to the working capital and other assets and liabilities of the Group. Working capital includes the assets and liabilities that are used in the day-to-day trading operations of the Group.

### C1. Receivables

Receivables are initially recognised at fair value on the date the Group becomes a party to the contract. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less an allowance for impairment. Impairment is calculated using an expected credit loss model. No interest is charged on trade receivables. Maintenance prepayments include amounts prepaid to third party maintenance providers for the labour component of heavy maintenance and other major components of aircraft.

	2022 \$m	2021 \$m
<b>Current</b>		
Trade receivables	163.3	105.7
Less: expected credit loss	(2.8)	(3.3)
Other receivables	28.7	24.1
Prepayments	28.2	17.9
	217.4	144.4
<b>Non-current</b>		
Other receivables	10.7	4.8
Prepayments	4.0	2.2
	14.7	7.0

### C2. Inventories

Inventories are measured at the lower of cost and net realisable value. The costs of engineering consumables and uniforms are assigned to the individual items of inventory based on weighted average costs. Cost of catering inventory is determined using the first-in, first-out (FIFO) cost method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Inventories expensed during the financial year totalled \$15.0 million (2021: \$10.1 million). In addition, inventories have been reduced by \$0.1 million (2021: \$0.2 million) as a result of a write down to net realisable value.

	2022 \$m	2021 \$m
Engineering expendables – at cost	29.5	31.2
Consumables stores – at cost	9.3	8.5
Other – at cost	1.1	1.8
	39.9	41.5

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## C3. Other financial assets

Deposits include aircraft and other security deposits which are recognised at amortised cost. Maintenance reserve deposits are payments made to lessors under lease agreements and are measured at fair value with any resulting gains or losses recognised in the consolidated statement of profit or loss.

	2022 \$m	2021 \$m
<b>Current</b>		
Deposits	301.1	168.4
Maintenance reserve deposits	2.0	-
	303.1	168.4
<b>Non-current</b>		
Deposits	53.9	5.6
Maintenance reserve deposits	14.8	3.8
	68.7	9.4

## C4. Payables

Payables are recognised on the date the Group receives the associated goods or services. They are non-interest-bearing.

	2022 \$m	2021 \$m
<b>Current</b>		
Trade payables and accruals	327.5	182.4
Other payables	8.8	12.2
	336.3	194.6

The Group's exposure to currency and liquidity risk related to payables is disclosed in note E7.

## C5. Provisions

A provision is a liability of uncertain timing or amount. A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be estimated reliably. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate and the unwinding of the discount is recognised as a finance cost.

### Employee benefits – annual leave and sick leave

Liabilities for annual leave expected to be settled within twelve months of the reporting date are measured at their nominal amounts and represent the amounts expected to be paid when liabilities are settled. Liabilities for non-vesting sick leave are recognised when the leave is taken and measured at the rates paid or payable.

### Employee benefits - long term employee benefits

The provision for long term employee benefits, such as long service leave, represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to the reporting date. It is calculated using expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bond rates at the reporting date which most closely match the terms of maturity of the related liabilities.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## C5. Provisions (continued)

### Employee benefits - employee bonus plans

A liability for employee benefits in the form of bonus plans is recognised in the provision for employee entitlements when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit;
- The amounts to be paid are determined before the time of completion of the annual consolidated financial statements; or
- Past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### Employee benefits - termination benefits

Termination benefits are expensed 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.

### Maintenance - leased aircraft

If the Group is obligated under its lease agreements to complete an overhaul prior to return of the aircraft based on either use or condition of the aircraft, a provision is recognised at inception of the lease, or as obligations arise, for the present value of the expected payment.

The calculation of the maintenance provision requires the use of estimates and judgements. These include the expected use of the aircraft during the lease term and forecast contractual maintenance rates. CPI estimates have been applied to certain current labour and market costs.

### Other

The other category includes provisions for make good on leased property and legal costs.

### Provision balances

	2022 \$m	2021 \$m
<b>Current</b>		
Employee benefits	157.0	122.0
Maintenance	18.3	3.1
Other	9.5	9.0
	184.8	134.1
<b>Non-current</b>		
Employee benefits	17.9	17.8
Maintenance	143.2	59.4
Other	27.1	27.6
	188.2	104.8

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## C5. Provisions (continued)

### Provision movements

2022	Maintenance \$m	Other \$m	Total \$m
<b>Balance at 1 July</b>	<b>62.5</b>	<b>36.6</b>	<b>99.1</b>
Provisions made	82.1	-	82.1
Provisions utilised	-	-	-
Unwinding of discount	6.8	-	6.8
Effect of exchange rate fluctuations	10.1	-	10.1
<b>Balance at 30 June</b>	<b>161.5</b>	<b>36.6</b>	<b>198.1</b>

## C6. Unearned revenue and income

Refer to note B1 for a description of the Group's policy in relation to revenue recognition and deferral of unearned revenue, including estimates and judgements used in estimating unearned revenue.

### Unearned passenger revenue

Unearned passenger revenue comprises revenue from passenger ticket sales received in advance of carriage and is classified as current as all passenger tickets are expected to be used within 12 months. It is recognised as revenue when carriage is performed or, in the case of passengers not uplifted, when a passenger is not expected or able to utilise their ticket based on historical and future trends and fare rules.

The Group issues credit vouchers in a range of circumstances and classifies these as current as there are no restrictions on the ability of passengers to utilise these credits. Credit vouchers are recognised as revenue when carriage is performed, following redemption of the voucher or when the likelihood of a passenger utilising the voucher becomes remote, based on historical and expected future trends.

Judgement is used in estimating the revenue to be recognised from the proportion of unused tickets and credit vouchers which are expected to expire. In determining the proportion of passengers who are not expected or able to utilise their ticket or credit voucher in the financial year, management have considered:

- the changes made to fare rules in response to the disruptions caused by COVID-19;
- the terms and conditions associated with credit vouchers and future flight credits issued by the Group, including the extended period of time provided to passengers to utilise these credits; and
- the significant impact on the behaviour of passengers in response to the COVID-19 pandemic.



# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## C6. Unearned revenue and income (continued)

### Unearned loyalty program revenue

Unearned loyalty program revenue comprises the obligation to provide awards to members in relation to points which have been issued but not yet redeemed. It is classified as current as there are no restrictions on the ability of members to redeem their points. The Group expects a portion of the balance will be redeemed beyond 12 months. It is recognised as revenue when the points are redeemed or, in the case of points redeemed for qualifying airline services provided by the Group, when carriage is performed. Revenue per point is recognised using a weighted average value based on the balance of unearned loyalty program revenue divided by the number of points expected to be redeemed. At each reporting date, the Group estimates the amount of outstanding points that are expected to be redeemed based on the terms and conditions of the program, experience, historical and future trends. Changes in this estimate are recognised as revenue.

	2022 \$m	2021 \$m
<b>Current</b>		
Unearned passenger revenue	1,113.8	855.7
Unearned loyalty program revenue	437.7	431.7
Other unearned income	17.6	31.6
	1,569.1	1,319.0
<b>Non-current</b>		
Other unearned income	20.0	30.0

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## D. Tangible and intangible assets

This section sets out the non-current tangible and intangible assets used by the Group to generate revenues and the methods the Group uses to assess the recoverable amount of these assets.

### D1. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price plus any costs directly attributable to the acquisition. This may include transfers from other comprehensive income of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Costs of day-to-day servicing of owned and leased aircraft, including minor airframe checks are recognised in profit or loss as incurred.

The cost of major cyclical maintenance and modifications to aircraft are capitalised as improvements where future economic benefits are expected and depreciated over the shorter of the remaining lease term, the estimated useful life of the improvement or the time to the next major maintenance event. The useful life is revised at each reporting date to match the timing of the next scheduled maintenance event.

If the Group is obligated under its lease agreements to complete an overhaul prior to return of the aircraft based on either use or condition of the aircraft, a provision is recognised at inception of the lease, or as obligations arise, for the present value of the expected payment. Where the maintenance expenditure is expected to give rise to economic benefits over the term of the lease, a corresponding asset is also recognised, reflecting the maintenance components within the payments. The asset is depreciated on a straight-line basis over the life of the lease.

Depreciation is recognised on a straight-line basis over the estimated useful life, taking into account estimated residual values. Assets are depreciated from the date they are purchased and are ready for use, or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimation of useful lives and residual values requires judgement. Australian dollar residual value estimates are based on US dollar market estimates of future aircraft values and estimates of future use of the aircraft, including maintenance profiles. The estimated useful lives in years of each class of asset are as follows:

	2022	2021
Buildings	10-40	10-40
Aircraft and aeronautic related assets		
– Modifications to leased aircraft	6-13	6-13
– Rotables and maintenance parts	9-22	9-30
– Airframe, engines and landing gear	5-22	4-22
– Major cyclical maintenance	1-10	1-10
Plant and equipment		
– Leasehold improvements	1-15	1-15
– Other	5-26	5-26
Computer equipment	3-5	3-5
Right-of-use assets		
– Aircraft	1-9	1-10
– Property	1-33	1-34
– Other	1-5	1-6

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## D1. Property, plant and equipment (continued)

2022	Buildings \$m	Aircraft and aeronautic <sup>4</sup> \$m	Plant and equipment \$m	Right-of-use Assets <sup>5</sup> \$m	Computer equipment \$m	Work in progress \$m	Total \$m
<b>Balance at 1 July 2021</b>	<b>4.7</b>	<b>1,477.2</b>	<b>64.3</b>	<b>303.4</b>	<b>0.9</b>	<b>32.6</b>	<b>1,883.1</b>
Additions	-	32.1	1.1	255.7	1.6	68.6	359.1
Impairment losses	-	(1.0)	(4.5)	-	-	(0.6)	(6.1)
Depreciation	(0.1)	(135.3)	(9.7)	(101.7)	(1.3)	-	(248.1)
Transfers from work in progress	-	77.1	6.4	-	11.4	(94.9)	-
Foreign exchange movements	-	11.3	-	-	-	-	11.3
<b>Balance at 30 June 2022</b>	<b>4.6</b>	<b>1,461.4</b>	<b>57.6</b>	<b>457.4</b>	<b>12.6</b>	<b>5.7</b>	<b>1,999.3</b>
At cost	18.4	2,788.6	267.2	744.0	43.2	43.9	3,905.3
Accumulated depreciation and impairment	(13.8)	(1,327.2)	(209.6)	(286.6)	(30.6)	(38.2)	(1,906.0)
	4.6	1,461.4	57.6	457.4	12.6	5.7	1,999.3
Total pledged as security against interest-bearing liabilities	-	1,317.0	15.6	-	-	-	1,332.6

4 Includes deposits and other costs incurred in respect of aircraft which have not yet been delivered of \$269.3 million (2021: \$269.3 million). These amounts are not being depreciated.

5 The carrying value of right-of-use (ROU) assets at 30 June 2022 is comprised of aircraft leases of \$319.3 million (2021: \$207.2 million), property leases of \$127.2 million (2021: \$91.0 million) and other leases of \$10.9 million (2021: \$5.2 million). The depreciation on right-of-use (ROU) assets at 30 June 2022 comprised of aircraft leases of \$76.1 million (2021: \$59.7 million), property leases of \$18.8 million (2021: \$91.0 million) and other leases of \$2.8 million (2021: \$1.7 million).

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## D1. Property, plant and equipment (continued)

	Buildings	Aircraft and aeronautic	Plant and equipment	Right-of-use Assets <sup>5</sup>	Computer equipment	Work in progress	Total
2021	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2020</b>	4.9	2,290.6	58.9	606.2	1.3	51.7	3,013.6
Additions	-	15.5	-	68.6	-	24.1	108.2
Lease modification	-	-	-	(268.4)	-	-	(268.4)
Impairment losses	-	(59.0)	(3.6)	(11.0)	-	(3.9)	(77.5)
Disposals <sup>6</sup>	-	(632.3)	-	-	-	-	(632.3)
Depreciation	(0.2)	(151.4)	(9.5)	(88.7)	(0.4)	-	(250.2)
Transfers to intangible assets	-	7.2	(1.9)	(3.3)	-	-	2.0
Transfers from work in progress	-	18.9	20.4	-	-	(39.3)	-
Foreign exchange movements	-	(12.3)	-	-	-	-	(12.3)
<b>Balance at 30 June 2021</b>	4.7	1,477.2	64.3	303.4	0.9	32.6	1,883.1
At cost	18.4	2,679.4	267.3	488.3	31.6	70.8	3,555.8
Accumulated depreciation and impairment	(13.7)	(1,202.2)	(203.0)	(184.9)	(30.7)	(38.2)	(1,672.7)
	4.7	1,477.2	64.3	303.4	0.9	32.6	1,883.1
Total pledged as security against interest-bearing liabilities	-	1,064.3	17.6	-	-	-	1,081.9

<sup>6</sup> Disposals in the prior year relate to assets transferred to creditors in satisfaction of security arrangements upon effectuation of the DOCAs.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## D2. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. They are classified as having a useful life that is either finite or indefinite. Assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication the asset may be impaired. Amortisation methods, useful lives and residual values are reviewed at each reporting date. Assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication the asset may be impaired. The estimation of useful lives and residual values and impairment requires judgement.

### Software

The Group's software assets have useful lives of between 1 and 5 years (2021: 1 and 5 years).

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Group intends to, and has, sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract	<ul style="list-style-type: none"><li>• Fee for use of the application</li><li>• Customisation costs</li></ul>
Recognise as an operating expense as the service is received	<ul style="list-style-type: none"><li>• Data conversation and migration costs</li><li>• Configuration costs</li><li>• Testing costs</li><li>• Training costs</li></ul>

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets and depreciated over the useful life of the asset.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## D2. Intangible assets (continued)

### Contract intangible

An intangible asset was recognised during a prior financial year following the completion and commencement of use of Terminal 1 at Perth Airport. The asset has a useful life of 20 years. The remaining amortisation period is 14 years (2021: 15 years).

	Software \$m	Contract intangible \$m	Work in progress \$m	Total \$m
<b>2022</b>				
<b>Balance at 1 July 2021</b>	<b>25.9</b>	<b>44.5</b>	<b>7.6</b>	<b>78.0</b>
Additions	-	-	6.2	6.2
Disposals	-	-	-	-
Amortisation	(13.0)	(3.0)	-	(16.0)
Transfers from work in progress	3.9	-	(3.9)	-
<b>Balance at 30 June 2022</b>	<b>16.8</b>	<b>41.5</b>	<b>9.9</b>	<b>68.2</b>
At cost	328.4	80.3	52.2	460.9
Accumulated amortisation and impairment	(311.6)	(38.8)	(42.3)	(392.7)
	<b>16.8</b>	<b>41.5</b>	<b>9.9</b>	<b>68.2</b>

	Software \$m	Contract intangible \$m	Work in progress \$m	Total \$m
<b>2021</b>				
<b>Balance at 1 July 2020</b>	<b>58.3</b>	<b>47.1</b>	<b>73.6</b>	<b>179.0</b>
Additions	-	-	-	-
Disposals	(1.2)	-	-	(1.2)
Amortisation	(25.3)	(6.8)	-	(32.1)
Impairment losses	(0.5)	(65.2)	-	(65.7)
Transfers from property, plant and equipment	(2.0)	-	-	(2.0)
Transfers from work in progress	(3.4)	69.4	(66.0)	-
<b>Balance at 30 June 2021</b>	<b>25.9</b>	<b>44.5</b>	<b>7.6</b>	<b>78.0</b>
At cost	324.6	80.3	49.9	454.8
Accumulated amortisation and impairment	(298.7)	(35.8)	(42.3)	(376.8)
	<b>25.9</b>	<b>44.5</b>	<b>7.6</b>	<b>78.0</b>

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## D3. Impairment testing

The Group assesses at each reporting date whether there is an indication that an asset is impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use. Where the asset does not generate inflows that are largely independent of those from other assets or groups of assets, these assets are grouped together into a cash-generating unit (CGU). A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

The determination of CGUs requires judgement regarding the way management monitors the Group's operations and makes decisions regarding continuing or disposing of those operations. The Group has determined that its CGUs are consistent with its operating segments.

If an impairment loss was recognised in a prior period for an asset other than goodwill, and the carrying value of the CGU exceeds its recoverable amount, management makes a judgement as to whether any portion of the impairment should be reversed in the profit or loss during the current reporting period. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The carrying amount of the asset after the reversal cannot exceed the amount that would have been determined, net of amortisation or depreciation had no impairment loss been recognised.

### Allocation of intangible assets with indefinite useful lives

The Group has no goodwill or other intangible assets with indefinite useful lives.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E. Capital structure and financial risks

### E1. Capital management

Capital management is a key focus of the Board and executive leadership team and it is the Group's policy to maintain a strong capital base that provides the ability to manage the business through cyclical downturns and ensure it can adequately meet its future growth needs.

The Board monitors:

- The liquidity of the Group, including unrestricted and total cash balances;
- Future financing requirements including those relating to aircraft purchases, with determination of financing being based on competitively priced financing alternatives available at the time of the financing transaction; and
- Compliance with debt covenants.

Refer to note E7 for information regarding key market, credit and liquidity risks.

The following table summarises the Group's net debt position:

	2022 \$m	2021 \$m
Current interest-bearing liabilities	(315.2)	(135.0)
Cash and cash equivalents (including restricted cash)	833.4	916.7
<b>Current net debt</b>	<b>518.2</b>	<b>781.7</b>
Non-current interest-bearing liabilities	(1,690.0)	(1,520.4)
<b>Net debt (non-IFRS measure)</b>	<b>(1,171.8)</b>	<b>(738.7)</b>

### E2. Cash and cash equivalents

Cash and cash equivalents are carried at amortised cost and comprise cash on hand, on-demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

	2022 \$m	2021 \$m
Cash at bank and on hand	251.9	256.8
Deposits	581.5	659.9
	<b>833.4</b>	<b>916.7</b>

Certain merchant acquiring relationships require cash to be held to cover total forward sales for some forms of payment. Cash is also required to secure standby letters of credit and bank guarantees. Cash held in certain controlled entities of the Velocity business are subject to restrictions relating to distributions and/or use in other parts of the Group's operations. The amount of cash and cash equivalents not available for use is \$282.5 million (2021: \$259.4 million).



# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E3. Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs incurred, on the date they originate. They are subsequently measured at amortised cost, using the effective interest method. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance date.

### Aeronautic and property leases

The Group leases assets, including aircraft, engines, real estate, ground support equipment and aircraft spare parts. Under AASB 16, a contract is a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. ROU assets are presented in property, plant and equipment and are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Each separately identifiable component of a ROU asset is depreciated over the lesser of the lease term or the component's useful life.

Lease liabilities are presented in interest-bearing liabilities and are initially measured at the present value of future lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the scope, lease term, in-substance fixed lease payments or assessment to purchase the underlying asset. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero. The Group remeasures its foreign currency denominated lease liabilities using the exchange rate at each reporting date. Any changes to the lease liabilities due to exchange rate changes are recognised in profit or loss. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period during which the event or condition that triggers the payment occurs.

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group is subjected to customary restrictions in aircraft leases which limit the Group from subleasing aircraft to third parties without lessor consent. Property leases are also subjected to similar restrictions whereby the Group cannot assign, sublease or license certain properties without consent.

### Carrying amount

	2022 \$m	2021 \$m
<b>Current</b>		
Aeronautic finance facilities - secured	96.6	76.2
Bank loans - secured	67.4	-
Lease liabilities	151.2	58.8
	<b>315.2</b>	<b>135.0</b>
<b>Non-current</b>		
Aeronautic finance facilities - secured	879.3	749.7
Bank loans - secured	103.7	203.7
Loans from shareholders - unsecured	140.6	130.0
Lease liabilities	566.4	437.0
	<b>1,690.0</b>	<b>1,520.4</b>

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E3. Interest-bearing liabilities (continued)

### Facility terms

	Currency	Year of maturity	Carrying/drawn amount <sup>7</sup> \$m		Facility limit \$m	
			2022	2021	2022	2021
Secured bank loans						
– Aircraft	AUD	2031	580.7	656.9	580.7	656.9
– Aircraft	USD	2032	367.6	138.3	409.4	138.3
– Aircraft	JPY	2028	27.6	30.7	27.6	30.7
– Other	AUD	2024	171.1	203.7	171.1	203.7
Unsecured loans						
– Other	AUD	2025	140.6	130.0	140.6	130.0
Lease liabilities	AUD	2047	157.3	120.6	157.3	120.6
Lease liabilities	USD	2032	560.3	375.2	560.3	375.2
Standby letters of credit and bank guarantees	AUD and USD	2032	62.3	54.3	63.2	60.3
			2,067.5	1,709.7	2,110.2	1,715.7

For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, refer to note E7.

### Reconciliation of movements of interest-bearing liabilities to cash flows arising from financing activities

	2022 \$m	2021 \$m
<b>Balance at 1 July</b>	<b>1,655.4</b>	<b>5,154.1</b>
<b>Changes from financing cash flows</b>		
Repayment of interest-bearing liabilities	(108.9)	(62.6)
Repayment of lease liabilities	(81.5)	(33.3)
Interest paid (lease liabilities)	(34.8)	(10.6)
Proceeds from borrowings	209.6	222.4
<b>Total changes from financing cash flows</b>	<b>(15.6)</b>	<b>115.9</b>
<b>Other changes</b>		
Lease modifications and new leases	255.5	(133.8)
Foreign exchange revaluation	56.2	(38.9)
Interest on lease liabilities	42.4	21.2
Interest capitalised to loan balance	11.0	9.8
Amortisation of deferred borrowing costs	0.3	0.3
Effectuation of the DOCAs	-	(3,473.2)
<b>Total other changes</b>	<b>365.4</b>	<b>(3,614.6)</b>
<b>Balance at 30 June</b>	<b>2,005.2</b>	<b>1,655.4</b>

<sup>7</sup> The carrying/drawn amount is presented net of deferred borrowing costs.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E3. Interest-bearing liabilities (continued)

### Assets pledged as security

\$26.9 million (2021: \$25.0 million) of the standby letters of credit and bank guarantee facilities require no collateral. The remaining letters of credit and bank guarantee facilities are secured over cash and cash equivalents or property, plant and equipment of an equivalent amount. The carrying amount of property, plant and equipment pledged as security and the subsidiaries whose issued capital is pledged as security for interest-bearing liabilities is disclosed in notes D1 and F2, respectively.

## E4. Share capital

### Ordinary share capital

Ordinary shares carry one vote per share and carry the right to dividends. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. All authorised shares have been issued and fully paid and have no par value.

### 'A' class shares

	2022		2021	
	Number (m)	Value \$m	Number (m)	Value \$m
<b>Ordinary share capital (issued and fully paid)</b>				
Balance at 1 July	731.7	2,970.2	8,445.2	2,255.0
Transfer to BC Hart and consolidation of shares	-	-	(8,445.2)	-
Issue of shares net of transaction costs <sup>8</sup>	-	-	731.7	731.7
Reclassification of treasury shares	-	-	-	(16.5)
<b>Balance at 30 June</b>	<b>731.7</b>	<b>2,970.2</b>	<b>731.7</b>	<b>2,970.2</b>
<b>Less: Treasury shares</b>				
Balance at 1 July	-	-	(3.4)	(16.5)
Transfer to BC Hart and consolidation of shares	-	-	3.4	-
Reclassification to share capital	-	-	-	16.5
<b>Balance at 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net ordinary share capital balance at 30 June</b>	<b>731.7</b>	<b>2,970.2</b>	<b>731.7</b>	<b>2,970.2</b>

During the current financial year, 10.8 million 'A' class shares (2021: 42.4 million), backed in full by a limited recourse loan, were issued to employees under the Management Equity Plan (MEP) outlined in note G3. The 'A' class shares are held in trust until they vest in accordance with the rules of the plan.

'A' class shares carry no voting rights other than on resolutions which only holders of 'A' class shares can vote on. In the event of a winding up of the Company, 'A' class shares rank pari passu with ordinary shares (provided that in the case of a distribution to ordinary shares prior to a winding up of the Company, 'A' class shares will only participate in such distribution if so determined by the Board of the Company in its absolute discretion). 'A' class shares are also considered to represent treasury shares.

8 In the prior year, the Group issued 447.2 million shares with a value of \$447.2 million with the funds being transferred directly by BC Hart to the Creditors' Trust representing a non-cash transaction for the Group. The remainder of shares were issued for cash.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E4. Share capital (continued)

### Treasury shares

The trustee for the Key Employee Performance Plan (KEPP) held shares in VAH which may be transferred to employees of the Group in accordance with the rules of the plan. All VAH shares held by KEPP were transferred to BC Hart as part of its acquisition of the Group. The trust acted as the Company's agent and, accordingly, KEPP transactions were treated as being directly executed by the Company. These shares were represented as treasury shares and offset against share capital in the table above. The Group recognised the cost of the KEPP shares in profit or loss and has recognised the carrying value of the shares in the share-based payments reserve.

## E5. Dividends

No dividends were declared or paid during the year ended 30 June 2022 or during the prior financial year. The following franking credits are available for use in a subsequent reporting period. The ability to use franking credits is dependent on the ability to declare dividends.

	2022 \$m	2021 \$m
<b>Dividend franking account balances</b>		
Exempting franking credits from acquisition of Skywest Group based on tax rate of 30% (2021: 30%)	4.2	4.2

## E6. Reserves

### Foreign currency translation reserve

Exchange differences arising on translation of foreign operations are recognised in the foreign currency translation reserve, as described in note A(e).

### Hedge reserve and option time value reserve

The hedge reserve and option time value reserve are used to recognise the effective portion of changes in the fair value of cash flow hedging instruments. If the hedging instrument no longer meets the criteria for hedge accounting, is expired or sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedge reserve or option time value reserve remains there until the forecast transaction is recognised in profit or loss or recognised as part of the acquisition price of property, plant and equipment.

### Share-based payments reserve

The Group operates employee option plans and share plans. The share-based payments reserve is used to recognise the grant date fair value of equity-settled share-based payments provided to employees with a corresponding entry in profit or loss. When the underlying shares vest and are transferred to the employee, the reserve balance is reversed and recognised in share capital. Refer to note G3 for further information on share-based payments.

### Other reserves

Other reserves is used to recognise transactions with owners in their capacity as owners. During the prior year, the Group reimbursed \$37.6 million in transaction costs of related entities which has been recognised directly in equity as a transaction with owners.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E7. Financial risk management

The Group has exposure to a variety of financial risks, including market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. There have been no significant changes in the Group's risk management strategy from the previous period.

The Group manages these risk exposures using various financial instruments. The Board has determined hedging limits for financial risks and these are documented in the Treasury Risk Management Policy. Transactions entered into must be carried out within these guidelines unless otherwise approved by the Board. Implementation of this policy is delegated to management, who have flexibility to act within the bounds of the authorised policy limits. Group policy is to not enter, issue or hold derivative financial instruments for speculative trading purposes. Compliance with the policy is monitored on an ongoing basis through regular reporting to the Board.

### Market risk

Market risk is the risk that changes in market prices, such as fuel prices, foreign exchange rates and interest rates, will affect the Group's cash flows and profits. The objective of market risk management is to manage and control market exposures, within tolerances.

The Group enters into derivatives and non-derivative financial assets to manage market risks relating to fuel prices (commodity and currency risk). Derivatives are recognised at fair value, both initially and on an ongoing basis. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group assesses, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be "highly effective".

Hedges of highly probable forecast transactions which are exposed to variations in cash flows that could ultimately affect profit or loss are called cash flow hedges. Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss. Cumulative gains and losses in other comprehensive income, including those relating to discontinued hedges, are recognised in profit or loss in the periods in which the hedged item will affect profit or loss.

The following table summarises the fair value of the Group's cash flow hedges relating to non-derivative financial assets and fuel hedging contracts as at the reporting date.

	2022 \$m	2021 \$m
<b>Assets</b>		
Cash and cash equivalents - fair value through other comprehensive income	217.3	-
Fuel hedging contracts - fair value through other comprehensive income	28.0	16.4
	<b>245.3</b>	<b>16.4</b>

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E7. Financial risk management (continued)

### Market risk (continued)

#### Fuel price risk management

Fuel price risk arises on the Group's exposure to jet fuel prices. The underlying contracted purchase price for jet fuel is denominated in USD and is referenced to market movements in crude oil prices and refining margins. Expenditure on jet fuel represents a material cost to the Group. Exposure to movements in jet fuel prices gives rise to two separate underlying risks to be managed:

- Foreign exchange risk relating to movements in the AUD/USD exchange rate; and
- Commodity price risk resulting from movements in crude oil prices and refining margins.

The Group's fuel price risk management strategy aims to provide the airline with protection against sudden and significant increases in fuel prices while ensuring that the airline is not competitively disadvantaged in the event of a substantial decrease in the price of fuel.

The Group's risk management policy is to hedge anticipated jet fuel consumption subject to limits determined by the Board. This exposure is managed by using Singapore kerosene and Brent crude commodity swaps, option contracts and other fuel related derivatives. These contracts are designated as hedges of price risk on specific volumes of future jet fuel consumption. The Group considers Brent crude to be a separately identifiable and measurable component of Singapore kerosene. Over the long term, the price of Brent crude has been highly correlated with the price of Singapore kerosene, although recent volatility in oil markets driven by the conflict in the Ukraine has reduced that correlation. The Group operates in a geographical area in which jet fuel is priced in reference to Singapore jet kerosene as opposed to other jet fuels (i.e. MOPAG).

Ineffectiveness on fuel derivatives can arise from timing differences on the notional amount between the hedging instrument and hedged item, or changes in market dynamics which may cause the Group to reassess the component inputs into jet fuel. As at 30 June 2022, the Group has \$1.6 million of hedging ineffectiveness (2021: no ineffectiveness) on derivative positions.

Realised gains or losses on fuel hedging contracts arise due to differences between the actual fuel prices on settlement, the forward rates of derivative contracts and the cost of option premiums paid.

	2022 \$m	2021 \$m
Fuel hedging gains recognised in fuel and oil expenses	75.9	0.7

The following table sets out the timing of the notional amount and the hedged price range (minimum and maximum strike/contract rates) of the Group's fuel hedging instruments.

	Hedged prices <sup>9</sup> \$/bbl	Notional amount Bbl (m)	Carrying amount \$m	Change in fair value of hedge instrument <sup>10</sup> \$m	Change in fair value of hedged item <sup>10</sup> \$m
<b>AUD fuel costs</b>					
<b>2022</b>	<b>119 – 188</b>	<b>2.0</b>	<b>28.0</b>	<b>28.0</b>	<b>(28.0)</b>
2021	76 – 107	1.4	16.4	16.4	(16.4)

<sup>9</sup> The Group's hedge price reflects the range of strikes on call options which protect against upward movements in price while retaining full participation to downward moves.

<sup>10</sup> The change in fair value of the hedge instrument and the hedged item are used in assessing hedge effectiveness.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E7. Financial risk management (continued)

### Market risk (continued)

#### Sensitivity to fuel price

The following table summarises the sensitivity of the Group's financial assets and liabilities to a reasonably possible change in fuel prices. An AUD 10 (2021: AUD 10) per barrel (bbl) increase or decrease in the price of fuel (with no change in refining margin) would have increased/ (decreased) equity and the profit or loss (before tax) by the amounts shown below. This assumes all other variables remain constant and is based on the designated hedge relationship at the reporting dates.

	AUD 10/bbl increase <sup>11</sup>		AUD 10/bbl decrease <sup>11</sup>	
	Profit or loss \$m	Equity \$m	Profit or loss \$m	Equity \$m
<b>2022</b>				
Net derivative financial asset	-	12.2	-	(10.4)
<b>2021</b>				
Net derivative financial asset	-	10.4	-	(7.6)

#### Foreign exchange risk management

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Group undertakes transactions in US dollars, including the cost of purchasing fuel, aircraft, aircraft lease payments, some maintenance costs, the sale of airline passenger tickets and the repayment of USD debt and interest. The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
AUD/USD	0.73	0.74	0.69	0.75

#### Exposure to foreign exchange risk

The Group is predominately exposed to USD foreign exchange risk. The Group's exposure to USD foreign exchange risk at the reporting date was as follows, based on notional amounts (presented in AUD):

	2022 \$m	2021 \$m
Cash and cash equivalents	262.3	152.2
Receivables	16.5	2.1
Other financial assets	72.2	20.2
Payables	(11.0)	(4.5)
Interest-bearing liabilities	(801.3)	(404.8)
<b>Gross statement of financial position exposure</b>	<b>(461.3)</b>	<b>(234.8)</b>

<sup>11</sup> As all derivatives are designated as effective hedges, there is no profit or loss impact on the sensitivity to market movements.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E7. Financial risk management (continued)

### Market risk (continued)

To protect against exchange rate movements, the Group uses USD cash and cash equivalents to hedge highly probable forecasted purchases of jet fuel for the ensuing financial periods. Realised gains or losses on these contracts arise due to differences in exchange rates from the hedge designation to maturity of the hedge relationship.

Ineffectiveness on foreign exchange derivatives can arise from timing differences on the notional amount between the hedged instrument and hedged item. At 30 June 2022, there is no hedging ineffectiveness recognised on cash and cash equivalents designated in a hedge relationship (2021: n/a).

No realised gains or losses on the hedge designation have been recognised in the current financial year.

The following table sets out the timing of the notional amount and the hedged rate of the Group's foreign exchange hedging instruments.

	Hedged prices	Notional amount	Carrying amount	Change in fair value of hedge instrument <sup>12</sup>	Change in fair value of hedge item <sup>12</sup>
	AUD/USD	US\$m	\$m	\$m	\$m
<b>USD fuel costs</b>					
<b>2022</b>	<b>0.72</b>	<b>150.0</b>	<b>217.3</b>	<b>8.2</b>	<b>(8.2)</b>
2021	N/A	-	-	-	-

### Sensitivity to foreign exchange rates

The following table summarises the sensitivity of the Group's foreign currency denominated financial assets and liabilities to a reasonably possible change in the exchange rate to the US dollar. This includes monetary assets and liabilities denominated in a foreign currency which are held by controlled entities with a US dollar functional currency for which changes in exchange rates are recognised within the foreign currency translation reserve. A 10% (2021: 10%) appreciation or depreciation of the AUD against the USD would have increased/(decreased) equity and profit or loss (before tax) by the amounts shown below. This assumes all other variables remain constant.

		10% appreciation in AUD		10% depreciation in AUD	
	Carrying amount \$m	Profit or loss \$m	Equity \$m	Profit or loss \$m	Equity \$m
<b>2022</b>					
Non-derivative financial asset	351.0	(12.1)	(19.8)	14.9	24.1
Net derivative financial asset	8.6	-	(0.8)	-	1.0
Non-derivative financial liabilities	(933.5)	73.9	11.0	(90.2)	(13.5)
		61.8	(9.6)	(75.3)	11.6
<b>2021</b>					
Non-derivative financial asset	174.5	(15.9)	-	19.4	-
Net derivative financial liability	7.9	-	(0.7)	-	0.9
Non-derivative financial liabilities	(519.5)	37.2	10.0	(45.5)	(12.2)
		21.3	9.3	(26.1)	(11.3)

<sup>12</sup> The change in fair value of the hedge instrument and the hedged item are used in assessing hedge effectiveness.



# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E7. Financial risk management (continued)

### Market risk (continued)

#### Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from cash and cash equivalents and interest-bearing liabilities. The carrying value of these financial instruments is set out in the table below. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by entering into fixed and floating rate debt and operating lease arrangements. The residual exposure to variable interest rates is managed by holding floating rate assets to create a natural hedge and may include entering into floating-to-fixed interest rate swaps to hedge part of this exposure (no interest rate swaps were in place in the current or prior financial years). The Group accounts for variable rate financial assets and financial liabilities at amortised cost using the effective interest rate method. There were no gains or losses on interest rate hedging activities for the Group during the current or prior financial years.

#### Exposure to interest rate risk and sensitivity to interest rates

The fixed and variable components of the Group's cash and cash equivalents and interest-bearing liabilities are set out in the table below. Non-interest-bearing amounts are not reported separately in the table. The impact on profit or loss (before tax) of a 100 basis point increase or decrease in interest rates, assuming all other variables remain constant, is also set out below. There are no impacts on equity.

	Carrying amount \$m	Interest rate profile		Profit or loss sensitivity	
		Fixed rate instruments \$m	Variable rate instruments \$m	100 bp increase \$m	100 bp decrease \$m
<b>2022</b>					
Cash and cash equivalents	833.4	81.0	752.4	7.5	(7.5)
Interest-bearing liabilities	(2,005.2)	(1,425.4)	(579.8)	(5.8)	5.8
	(1,171.8)	(1,344.4)	172.6	1.7	(1.7)
<b>2021</b>					
Cash and cash equivalents	916.7	62.9	853.8	8.5	(8.5)
Interest-bearing liabilities	(1,655.4)	(1,019.2)	(636.2)	(6.4)	6.4
	(738.7)	(956.3)	217.6	2.1	(2.1)

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## E7. Financial risk management (continued)

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. Financial assets include cash and cash equivalents, receivables, derivative financial instruments and other financial assets.

Exposure to credit risk in relation to cash and cash equivalents, derivative financial instruments and other financial assets arises principally from financial institution, credit card acquirers and aircraft lessors. The Group limits its exposure to credit risk by investing in liquid securities with counterparties and entering into derivative contracts with counterparties that have an investment grade rating where possible. The Group also limits exposure by transacting with multiple aircraft lessors in various countries.

### Receivables

Exposure to credit risk in relation to receivables arises principally from trade debtors and other counterparties (travel agents, industry settlement organisations and credit provided direct to customers).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty and is assessed based on trading performance of the counterparty. The Group has credit policies in place under which each new trade debtor is analysed individually for creditworthiness before the Group's standard payment terms are offered. Purchase limits are established for each counterparty and reviewed on a regular basis to ensure that sales made on credit terms are made to counterparties with an appropriate credit history. The Group continuously monitors counterparty credit limits on defaults, incorporating this information into credit risk controls.

The demographics of the Group's customer base, including default risk of the industry, have less of an influence on credit risk. A significant proportion of the Group's revenue is received through credit cards, however, there are no significant concentrations of credit risk.

Of the trade receivables as at 30 June 2022, deemed neither past due nor impaired, customers who represent more than 5% of the balance have an investment grade credit rating and the credit exposure is short term in nature with no history of default. The average credit period on revenue is 30 days (2021: 37 days). In the event of a default, the Group would cease trading with the customer and any credit extended would be withdrawn. A provision for doubtful receivables account in respect of trade receivables is used to record expected credit losses (ECLs). The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers because trade receivables is comprised of a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable being written off.

The Group considers individual customer data and publicly available information, including any forward-looking statements, when assessing whether there has been an increase in credit risk with individual debtors since the initial recognition of the financial assets and when estimating ECL. The Group considers a financial asset to be in default when the counterparty is unlikely to pay its credit obligations in full. If the Group is satisfied that no recovery of the amount owing is possible, subsequent to engagement with the debtor and any commercial negotiations, the financial asset is written off.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E7. Financial risk management (continued)

### Credit risk (continued)

An ageing analysis of receivables is included in the table below:

	<b>Gross 2022 \$m</b>	<b>Impairment 2022 \$m</b>	<b>Gross 2021 \$m</b>	<b>Impairment 2021 \$m</b>
Not past due	158.2	-	123.0	-
Past due 1-30 days	27.3	-	4.3	-
Past due 31-60 days	1.4	-	0.5	-
61+ days	15.8	(2.8)	6.8	(3.3)
	<b>202.7</b>	<b>(2.8)</b>	<b>134.6</b>	<b>(3.3)</b>

### Exposure to credit risk

The Group's maximum exposure to credit risk at the reporting date equates to the carrying amount of its financial assets and is set out in the table below.

	<b>Note</b>	<b>2022 \$m</b>	<b>2021 \$m</b>
Cash and cash equivalents	E2	833.4	916.7
Receivables	C1	199.9	131.3
Derivative financial instruments		28.0	16.4
Other financial assets	C3	371.8	177.8
		<b>1,433.1</b>	<b>1,242.2</b>

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E7. Financial risk management (continued)

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The following table summarises the periods in which the cash flows associated with derivatives are expected to occur, as well as the contractual maturities of financial liabilities, including estimated interest payments and the impact of netting agreements. The carrying amount of derivative financial instruments that are cash flow hedges is based on the valuation at reporting date and therefore the settled gain or loss may be more or less than this amount. The net inflows/(outflows) relating to derivatives that are net cash settled represent the contractual undiscounted cash flows relating to derivatives held for risk management purposes as at 30 June. Derivative financial instruments may be closed out prior to their contracted maturity date in accordance with the Group's hedging policy. The cash flows relating to derivatives are expected to impact profit or loss in the same periods in which the cash flows are expected to occur.

Interest-bearing liabilities are denominated in AUD and USD (refer to note E3) and therefore the contractual cash flows noted in the table below may differ as a result of the foreign exchange rate that applies at the date the USD denominated instrument is settled. Any breach in financial covenants relating to financing arrangements may result in a requirement for the Group to repay the relevant loans earlier than indicated by the contractual cash flows. At reporting date, the Group was in compliance with its covenants.

It is not expected that the cash flows below could occur significantly earlier or at significantly different amounts.

	Carrying amount \$m	Contractual cash flows			Total \$m
		Less than one year \$m	One to five years \$m	More than five years \$m	
<b>2022</b>					
Secured loans (aeronautic and other)	(1,147.0)	(186.7)	(861.2)	(198.5)	(1,246.4)
Unsecured loans	(140.6)	(11.2)	(168.8)	-	(180.0)
Lease liabilities	(717.6)	(180.8)	(537.5)	(152.8)	(871.1)
Payables	(336.3)	(336.3)	-	-	(336.3)
	(2,341.5)	(715.0)	(1,567.5)	(351.3)	(2,633.8)
<b>2021</b>					
Secured loans (aeronautic and other)	(1,019.6)	(116.5)	(797.0)	(261.1)	(1,174.6)
Unsecured loans	(140.0)	-	(163.1)	-	(163.1)
Lease liabilities	(495.8)	(87.2)	(382.9)	(133.6)	(603.7)
Payables	(194.6)	(194.6)	-	-	(194.6)
	(1,850.0)	(398.3)	(1,343.0)	(394.7)	(2,136.0)

The Group also has contractual commitments for the acquisition of property, plant and equipment and intangible assets, which are detailed in note G1.

### Liquidity risk management

The Group aims to ensure that it has sufficient cash on demand to meet expected operational expenses, aircraft maintenance obligations and contractual commitments, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be predicted, such as natural disasters. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping adequate liquidity available. The Group also maintains various lines of credit, which are detailed in note E3. The Group's capital management policies are detailed in note E1. The Group's funding plans and basis of going concern are detailed in note A(d).

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## E8. Fair value measurement

Financial assets and liabilities are measured at either fair value or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, the determination of which requires the use of estimates and judgements. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are directly or indirectly observable

Level 3 - Inputs are not observable based on market data

### Derivative financial instruments

The fair value of financial instruments that are not traded in an active market (i.e. over-the-counter derivatives) is based on Level 2 inputs. These financial instruments relate to fuel hedging contracts principally with counterparties with investment grade credit ratings. The fair value of these instruments is determined using estimated discounted cash flows based on fuel prices at the reporting date.

### Interest-bearing liabilities

The fair value of the Group's interest-bearing liabilities is determined based on Level 2 inputs by discounting the remaining contractual cash flows at the relevant credit-adjusted market interest rates at the reporting date. There have been no transfers between levels of the fair value hierarchy during the current or prior financial years. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurs.

### Maintenance reserve deposits

The fair value of maintenance reserve deposits on leased aircraft is based on Level 3 inputs. Fair value is calculated as the present value of the estimated costs of future maintenance events, based on historical transactions with third party maintenance providers. In the Group's view, there are no reasonably possible changes in these unobservable inputs that could significantly impact the fair value measurement. Refer to note C3 for further disclosure.

### Other financial assets and liabilities carried at amortised cost

The fair value of cash and cash equivalents, receivables and payables approximate their carrying amounts largely due to the short-term nature of these instruments. The fair value of other financial assets and variable rate liabilities that are not recognised net of transaction costs approximate their carrying amounts.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## E8. Fair value measurement (continued)

	Note	Carrying amount \$m	Fair value \$m	Level 2 inputs \$m
<b>2022</b>				
<b>Financial assets carried at fair value</b>				
Derivative financial instruments	E7	28.0	28.0	28.0
<b>Financial liabilities carried at amortised cost</b>				
Aeronautic finance facilities - secured	E3	975.9	974.7	974.7
Bank loans - secured	E3	171.1	171.5	171.5
Other loans - unsecured	E3	140.6	144.9	144.9
<b>2021</b>				
<b>Financial assets carried at fair value</b>				
Derivative financial instruments	E7	16.4	16.4	16.4
<b>Financial liabilities carried at amortised cost</b>				
Aeronautic finance facilities - secured	E3	825.9	825.9	825.9
Bank loans - secured	E3	203.7	204.3	204.3
Other loans - unsecured	E3	130.0	134.0	134.0

## E9. Offsetting financial assets and liabilities

The Group enters into contractual arrangements such as the International Air Transport Association (IATA) and International Swaps and Derivatives Association (ISDA) Master Agreements 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 contractual terms.

Amounts are recognised net in the consolidated statement of financial position where the Group has a legally enforceable right to set off and there is intention to settle on a net basis. Where there is no legally enforceable right to offset recognised amounts, the balances are recognised gross.

As at 30 June 2022, the amounts shown as financial assets and financial liabilities (including provisions) would each have been \$87.2 million lower (2021: \$5.0 million) in the event the right to offset was currently enforceable.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## F. Group structure

This section sets out the legal structure of the Group. It provides information on business combinations, details on controlled entities, joint ventures, associates, non-controlling interests and unconsolidated structures.

### F1. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. The Group did not complete any acquisitions during the current or prior financial years.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## F2. Controlled entities

The consolidated financial statements comprise the financial statements of the Company and the entities it controls. The Company controls an entity when it 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. Controlled entities are consolidated from the date on which control commences and are de-consolidated from the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Significant judgement may be required to determine if an entity is controlled by the Company. The Company consolidates a number of entities in which it holds minimal or no issued capital. There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of the Group.

The parent entity in the Group is Virgin Australia Holdings Pty Limited. The consolidated financial statements include the following subsidiaries which are wholly owned in the current and prior financial years unless otherwise noted.

Country of incorporation is as follows:

### Australia

737 2012 No.1 Pty. Ltd <sup>(7)(5)</sup>	VA Hold Co Pty Ltd <sup>(5)(7)</sup>	Velocity Frequent Flyer Holdco Pty Ltd
737 2012 No. 2 Pty Ltd <sup>(7)(5)</sup>	VA Lease Co Pty Ltd <sup>(5)</sup>	Velocity Frequent Flyer Pty Ltd
098 904 262 Pty Ltd <sup>(7)</sup>	VA Regional Leaseco Pty Ltd <sup>(5)(7)</sup>	Velocity Rewards Pty Ltd
Short Haul 2014 No. 1 Pty Ltd <sup>(3)(7)</sup>	VAH Newco No.1 Pty Ltd <sup>(5)(7)</sup>	Virgin Australia 2013-1 Issuer Co Pty Ltd <sup>(5)(7)</sup>
Short Haul 2014 No. 2 Pty Ltd <sup>(3)(7)</sup>	VAH Newco No.2 Pty Ltd <sup>(7)</sup>	Virgin Australia Airlines Holdings Pty Ltd <sup>(1)(7)</sup>
Short Haul 2016 No. 1 Pty Ltd <sup>(5)(7)</sup>	VB 800 2009 Pty Ltd <sup>(3)(7)</sup>	Virgin Australia Airlines Pty Ltd <sup>(1)(7)</sup>
Short Haul 2016 No. 2 Pty Ltd <sup>(5)(7)</sup>	VB Investco Pty Ltd <sup>(7)</sup>	Virgin Australia Airlines (SE Asia) Pty Ltd <sup>(2)(7)</sup>
Short Haul 2017 No. 1 Pty Ltd <sup>(5)(7)</sup>	VB Leaseco No 2 Pty Ltd <sup>(3)(7)</sup>	Virgin Australia Cargo Pty Ltd <sup>(1)(7)</sup>
Short Haul 2017 No. 2 Pty Ltd <sup>(3)</sup>	VB Leaseco Pty Ltd <sup>(1)(7)</sup>	Virgin Australia Holidays Pty Ltd <sup>(7)</sup>
Short Haul 2017 No. 3 Pty Ltd <sup>(3)(7)</sup>	VB LH 2008 No. 1 Pty Ltd <sup>(5)(7)</sup>	Virgin Australia International Airlines Pty Ltd <sup>(2)(7)</sup>
Short Haul 2018 No. 1 Pty Ltd <sup>(3)</sup>	VB LH 2008 No. 2 Pty Ltd <sup>(5)(7)</sup>	Virgin Australia International Holdings Pty Ltd <sup>(2)(7)</sup>
ULCC Air Pty Ltd <sup>(1)(7)</sup>	VB PDP 2010-11 Pty Ltd <sup>(1)(7)</sup>	Virgin Australia International Operations Pty Ltd <sup>(1)(7)</sup>
ULCC Air International Pty Ltd <sup>(2)(7)</sup>	VB Ventures Pty Ltd <sup>(7)</sup>	Virgin Australia Regional Airlines Pty Ltd <sup>(1)(7)</sup>
Torque Solutions (Australia) Pty. Ltd	VBNC5 Pty Ltd <sup>(1)(7)</sup>	Virgin Tech Pty Ltd <sup>(1)(7)</sup>
VA Borrower 2019 No. 1 Pty Ltd <sup>(5)(7)</sup>	Velocity Frequent Flyer 1 Pty Ltd	BC Hart Company Pty Ltd <sup>(1)</sup>
VA Borrower 2019 No. 2 Pty Ltd <sup>(3)(7)</sup>	Velocity Frequent Flyer 2 Pty Ltd	



# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## F2. Controlled entities (continued)

### Australia - Trusts

Key Employee Performance Plan Trust <sup>(6)</sup>	Virgin Australia 2013-1A Trust <sup>(5)</sup>	Virgin Australia 2013-1C Trust <sup>(5)</sup>
The Loyalty Trust <sup>(6)</sup>	Virgin Australia 2013-1B Trust <sup>(5)</sup>	

### New Zealand

Virgin Australia Airlines Limited <sup>(2)</sup>	Virgin Australia (NZ) Employment and Crewing Limited <sup>(4)</sup>
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### Singapore

TA Holdco (Singapore) Pte Ltd
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1) These controlled entities are party to the Deed of Cross Guarantee. Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 28 September 2016, where these controlled entities were required under the Corporations Act 2001 to prepare, audit and lodge financial reports, they have been relieved for the financial year ended 30 June 2022. Refer to note F3 for further information.

2) The Company consolidates these entities in accordance with the requirements of Australian accounting standards, despite holding minimal issued capital as the Company is exposed to or has rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over the entities and they are therefore controlled entities of the Company.

3) The issued capital of these entities is pledged as security for the aeronautic finance facilities in note E3.

4) These entities have been placed into voluntary (solvent) liquidation.

5) These controlled entities are under the de-registered process at 30 June 2022.

6) The Company administers the Key Employee Performance Plan Trust and The Loyalty Trust through appointed Trustees.

7) These entities were placed into voluntary administration effective 20 April 2020 and were subject to the DOCA's which were effectuated on 17 November 2020.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## F3. Deed of Cross Guarantee

For the year ended 30 June 2022 and the prior year, pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 28 September 2016 (Corporations Instrument), the wholly-owned subsidiaries identified in note F2 are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of a financial report and Directors' Report.

It is a condition of the ASIC Instrument that the Company and each of the subsidiaries eligible to obtain relief under the ASIC Instrument lodge a Deed of Cross Guarantee (the Deed). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of those subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries that are a party to the Deed have also given similar guarantees in the event that the Company is wound up. It is also a condition of the Deed that consolidated financial information of the Company and the controlled entities which are a party to the Deed (the Deed Group) is presented.

In the current financial year, VARA was added to the Deed Group. The comparative year in the table below does not included VARA.

### Consolidated statement of profit or loss of the Deed Group

	2022 \$m	2021 \$m
Revenue and income	2,121.6	1,227.5
Impairment of assets	(6.1)	(117.8)
Expenditure	(2,617.6)	2,407.6
<b>Profit/(loss) before net finance costs and tax</b>	<b>(502.1)</b>	3,517.3
Finance income	1.4	0.8
Finance costs	(112.1)	(157.1)
<b>Net finance costs</b>	<b>(110.7)</b>	(156.3)
<b>Profit/(loss) before tax</b>	<b>(612.8)</b>	3,361.0
Income tax benefit	4.3	3.9
<b>Profit/(loss)</b>	<b>(608.5)</b>	3,364.9

### Consolidated statement of profit or loss and other comprehensive income and retained earnings of the Deed Group

	2022 \$m	2021 \$m
<b>Profit/(loss)</b>	<b>(608.5)</b>	3,364.9
Other comprehensive income that may be reclassified subsequently to profit or loss	7.3	115.7
<b>Other comprehensive profit, net of tax</b>	<b>7.3</b>	115.7
<b>Total comprehensive profit/(loss)</b>	<b>(601.2)</b>	3,480.6
Retained earnings at 1 July	(2,818.0)	(6,182.9)
Adjustment with the addition of VARA to Deed Group	(99.8)	-
Transfers to reserves	(7.3)	(115.7)
<b>Retained earnings at 30 June</b>	<b>(3,526.3)</b>	(2,818.0)

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## F3. Deed of Cross Guarantee (continued)

Consolidated statement of financial position of the Deed Group

	2022 \$m	2021 \$m
<b>Current assets</b>		
Cash and cash equivalents	678.7	794.7
Receivables	188.4	101.4
Inventories	39.9	32.8
Derivative financial instruments	28.0	16.4
Other financial assets	302.3	168.4
<b>Total current assets</b>	<b>1,237.3</b>	<b>1,113.7</b>
<b>Non-current assets</b>		
Receivables	13.9	2.7
Other financial assets	66.2	5.1
Investment in subsidiary	1,026.8	1,026.8
Property, plant and equipment	1,844.1	1,652.2
Intangible assets	53.7	59.7
<b>Total non-current assets</b>	<b>3,004.7</b>	<b>2,746.5</b>
<b>Total assets</b>	<b>4,242.0</b>	<b>3,860.2</b>
<b>Current liabilities</b>		
Payables	1,368.7	850.7
Interest-bearing liabilities	246.1	129.4
Provisions	174.3	110.4
Unearned revenue and income	963.7	773.9
Other	-	2.7
<b>Total current liabilities</b>	<b>2,752.8</b>	<b>1,867.1</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	1,620.9	1,349.1
Provisions	188.1	89.8
Unearned revenue and income	20.0	30.0
<b>Total non-current liabilities</b>	<b>1,829.0</b>	<b>1,468.9</b>
<b>Total liabilities</b>	<b>4,581.8</b>	<b>3,336.0</b>
<b>Net assets / (liabilities)</b>	<b>(339.8)</b>	<b>524.2</b>
<b>Equity</b>		
Share capital	2,986.7	2,986.7
Reserves	199.8	355.5
Retained earnings	(3,526.3)	(2,818.0)
<b>Total equity</b>	<b>(339.8)</b>	<b>524.2</b>

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## F4. Parent entity disclosures

The parent entity of the Group is Virgin Australia Holdings Pty Limited. Information relating to the parent entity is set out below.

	2022 \$m	2021 \$m
<b>Results of the parent entity</b>		
Profit	2.1	1,193.7
<b>Total comprehensive profit</b>	<b>2.1</b>	<b>1,193.7</b>
<b>Financial position of the parent entity</b>		
Current assets	41.0	34.5
Total assets	41.0	34.5
Current liabilities	(437.3)	(433.0)
Total liabilities	(437.3)	(433.0)
<b>Net liabilities</b>	<b>(396.3)</b>	<b>(398.5)</b>
Share capital	2,986.7	2,986.7
Reserves	(21.5)	(21.5)
Retained earnings	(3,361.5)	(3,363.7)
<b>Total equity</b>	<b>(396.3)</b>	<b>(398.5)</b>

The Company impaired the carrying value of its investments in subsidiaries during the current and prior financial years to reflect the net asset value of its subsidiaries.

The Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of a number of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed, are disclosed in note F3.

The Company does not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2022 (2021: nil).

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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## G. Other items

This section sets out other disclosures that may be relevant to understanding the financial position and performance of the Group.

### G1. Commitments

#### Capital Commitments

The Group has capital expenditure commitments to purchase property, plant and equipment and intangibles contracted at the reporting date but not recognised as liabilities. These commitments are predominantly in US dollars. US dollar amounts are translated to Australian dollars at the 30 June 2022 closing exchange rate of 0.69 (2021: 0.75). The Group has capital expenditure commitments as at 30 June 2022 of \$1,887.5 million (2021: \$1,645.3 million).

#### Lease Commitments

The Group has entered into lease commitments for the right to use aircraft which have yet to be delivered as at 30 June 2022. The undiscounted value of these contractual lease commitments which are not reflected on balance sheet is \$353.6 million (2021: \$43.8 million).

### G2. Contingent liabilities

A contingent liability is:

- a possible obligation arising from past events which will only be confirmed by the occurrence or non-occurrence of future events, not wholly within the control of the Group; or
- a present obligation arising from past events that is not probable or cannot be measured reliably.

Contingent liabilities are not recognised on the consolidated statement of financial position.

The Group has provided bank guarantees, standby letters of credit and surety bonds to third parties as guarantees of payment for aircraft lease security deposits and maintenance reserve deposits, non-aircraft lease commitments, a workers' compensation self-insurance licence and other arrangements entered into with third parties. As at 30 June 2022, the total outstanding is \$62.3 million (2021: \$54.3 million). Refer to note E3 for further information on facility limits.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## G3. Share-based payments

The Group established an equity-settled Management Equity Plan (MEP) on 13 May 2021. The fair value of equity instruments granted is recognised as an employee benefits expense over the expected vesting period with a corresponding increase in equity. The MEP is designed to provide long-term incentives for senior managers and executives to deliver long-term returns.

Under the MEP, a fully paid 'A' class share issued by the Group is backed in full by a limited recourse loan, with a maximum term of 10 years, solely for the employee's purpose of acquiring the shares. This limited recourse loan arrangement results in the share issue being treated as an option grant in accordance with AASB 2 and AASB 139. The options are exercised on the date or dates when the loan is repaid. As the A class shares are held on trust until they vest, these are treated as treasury shares and accordingly derecognised in the statement of changes in equity in accordance with AASB 2.

The shares vest on the occurrence of an exit event which may include the sale of the Group and/or an initial public offering (IPO). Vesting conditions include the individual needing to be an employee at the time of the exit event and certain share price targets associated with the terms of the exit event.

Market vesting conditions are included in assumptions used to determine the grant date fair value. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each period, the Group revises its estimate of the number of options that are expected to vest and the expected vesting date. It recognises the impact of the revision to original estimates, if any, to the cumulative amount recognised as an expense with a corresponding adjustment to equity.

The estimated value of options granted was determined at grant date using a Monte Carlo model. The weighted average fair value of options granted during the year was \$0.25 (2021: \$0.26). The inputs used in the measurement of the fair values at the grant date for the tranches listed below include \$1 (2021: \$1) share price on grant date and \$1 (2021: \$1) loan value per share (exercise price). The model also assumed share price volatility of 35% (2021: 35%) and dividend yield of 0% (2021: 0%). The expected volatility was determined having regard to the historical share price volatility of the Group prior to its delisting and the volatility of comparable companies.

Other inputs used in the measurement of the fair values at grant date were as follows:

Grant Date	15 June 2022	25 March 2022	1 October 2021	13 May 2021
Risk free rate <sup>13</sup>	4.03 - 4.08%	2.63 - 2.67%	1.08 - 1.21%	0.96 - 1.59%
Weighted average time to maturity	6.3 - 7.1 Years	6.4 - 7.2 Years	6.6 - 7.5 Years	5.8 - 8.8 Years

The number of options under the MEP were as follows:

	2022 '000	2021 '000
Outstanding at the beginning of the year	42,445	-
Granted during the year	10,844	42,445
Forfeited during the year	(1,033)	-
<b>Outstanding at year end</b>	<b>52,256</b>	<b>42,445</b>

No options issued under the MEP vested and were exercised or expired during the year and none were exercisable at year end. All outstanding options have an exercise price of \$1 and an estimated weighted average time to maturity at year end of 7 years (2021: 7 years).

The total expense recognised in the profit and loss for the year ended 30 June 2022 in respect of the options issued under the MEP was \$3,155,729 (2021: \$324,446).

<sup>13</sup> The risk-free rate was the yield on an Australian Government Bond at the grant date matching the expected life of the options.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## G4. Related parties

### Key management personnel disclosures

Key Management Personnel (KMP) are those persons having responsibility and authority for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. The total remuneration of KMP of the Group is set out below.

	2022 \$'000	2021 \$'000
Salaries and short-term benefits	4,014	4,389
Long-term benefits	100	108
Termination benefits	1,459	1,051
Post-employment benefits	123	192
Share-based payments <sup>14</sup>	1,813	269
	7,509	6,009

Unsecured loans provided to certain KMP totalling \$71,000 were outstanding at 30 June 2022 (2021: \$106,000). The loans are interest free and repayable over a 3-year period.

The individuals appointed as Joint and Several Administrators of the Group, being Vaughan Strawbridge, John Greig, Salvatore Algeri and Richard Hughes, have acted in the capacity of KMP from the date of their appointment on 20 April 2020 until the end of the administration on 17 November 2020. In the prior year, fees totalling \$17.9 million paid to Deloitte were expensed as compensation for the services provided by the Joint and Several Administrators. The amounts payable to Deloitte have not been included in the amount for total key management compensation disclosed above. No fees were paid in the current financial year.

### Transactions and balances with the ultimate parent and its controlled entities

The Group was provided with management and other consulting services during the year by a shareholder related party. A fixed annual fee, together with the reimbursement of expenses incurred by the shareholder related party, are payable for these services as rendered. Under the terms of the agreement, the shareholder related party may also charge a termination fee, in the event that the Group is involved in an Initial Public Offering ("IPO"). The Group has provided an indemnity to the shareholder related party, its employees and certain other parties specified in the agreement for any liabilities or claims that arise in relation to services provided.

During the prior year, the Group reimbursed \$37.605 million of transaction costs of a shareholder related party which was recognised as a transaction with owners. No amounts remained outstanding at the end of the period.

Related party transactions are made on terms equivalent to those that prevail in arm's length transactions or on a cost plus margin basis.

<sup>14</sup> Commenced on 13 May 2021.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## G5. Auditor's remuneration

Details of amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services are set out below:

	2022 \$'000	2021 \$'000
<b>Audit and review services</b>		
Audit and review of financial statements	1,392	1,434
<b>Other services</b>		
Other assurance services	139	-
Taxation services	29	4
Other <sup>15</sup>	-	150
	168	154

## G6. Events subsequent to reporting date

COVID-19 continues to impact economic conditions and the operations of the airline sector as governments implement and/or ease restrictions in attempts to contain the spread of the virus. The Group continues to manage its response to these conditions and the resulting impact on the demand for its services. It is unclear what the ongoing implications from COVID-19 will be for the Group's results in future financial years.

In the opinion of the directors, no other matters or circumstances have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

<sup>15</sup> Other services in 2021 comprised advisory services relating to customer engagement.




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## Directors' declaration

1. In the opinion of the directors of Virgin Australia Holdings Pty Limited ('the Company'):
  - a) the consolidated financial statements and notes that are set out on pages 7 to 60 are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date; and
    - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified and marked (1) in note F2 to the consolidated financial statements 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 the Company and those group entities pursuant to ASIC Instrument 2016/785; and;
3. The notes to the consolidated financial statements include a statement of compliance with International Financial Reporting Standards (see note A(b)).

Signed in accordance with a resolution of the directors:



**Michael Murphy**  
Director

Brisbane



**Jayne Hrdlicka**  
Director

Brisbane

This report is made on 25 August 2022



# Independent Auditor's Report

To the shareholders of Virgin Australia Holdings Pty Limited

## Opinion

We have audited the **Financial Report** of Virgin Australia Holdings Pty 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 **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- Consolidated statement of profit or loss; Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

## 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 these requirements.

## Other Information

Other Information is financial and non-financial information in Virgin Australia Holdings Pty 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.

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 the 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; and
- 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: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our Auditor's Report.

KPMG

Trent Duvall  
Partner

Brisbane, 25 August 2022

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## Corporate directory

### Principal administrative and registered office

Virgin Australia Holdings Pty Limited  
Level 11, 275 Grey St  
South Brisbane, QLD 4101 Australia  
Telephone: (07) 3295 3000 (within Australia) or +61 7 3295 3000 (outside Australia)

### Auditors

KPMG  
Level 16, Riparian Plaza  
71 Eagle Street  
Brisbane, QLD 4000 Australia