The Sum of Us

Annual Report 2010

In 2009/2010 the Qantas Group delivered a strong result and we advanced our plans for a successful and sustainable future. Working together, all parts of our diverse business contributed to our performance. This report is the sum of all our efforts. The sum of us.

The Sum of Us

Contents

For 90 years Qantas has been a global aviation innovator, driving higher performance in everything from technology and flying records to product and service leadership. In 10 years the Qantas Group will celebrate a century of aviation forward thinking that makes us the world's most experienced airline.

Forward Thinking

Safety is our first priority. It underpins everything that we do. Our unwavering commitment is to world's best safety practices and reporting in all aspects of our business, from operational safety to the physical security and well-being of our customers and our people.

Safety First

Superior Infrastructure

Superior infrastructure is fundamental to Qantas Group operations. We have a fleet of 254 aircraft and an ambitious fleet renewal program. Our engineering and maintenance capabilities ensure safe, reliable performance. We have 14 stylish Qantas international lounges, while at home we are the only airlineto offer multi-tiered domestic lounges.

Caring for Customers

More than ever we are investing in understanding what our customers want, and delivering more than they could imagine. Qantas is redefining the modern premium airline brand – and, with our Next Generation Check-in, streamlining and simplifying the airport experience.

Great People

The Qantas Group employs 35,700 people across 250 unique roles, with 93 per cent of them based in Australia. Our goal is to deliver a great place to work, provide training and development for our people, and harness their passion in support of our brands.

Environmental Responsibility

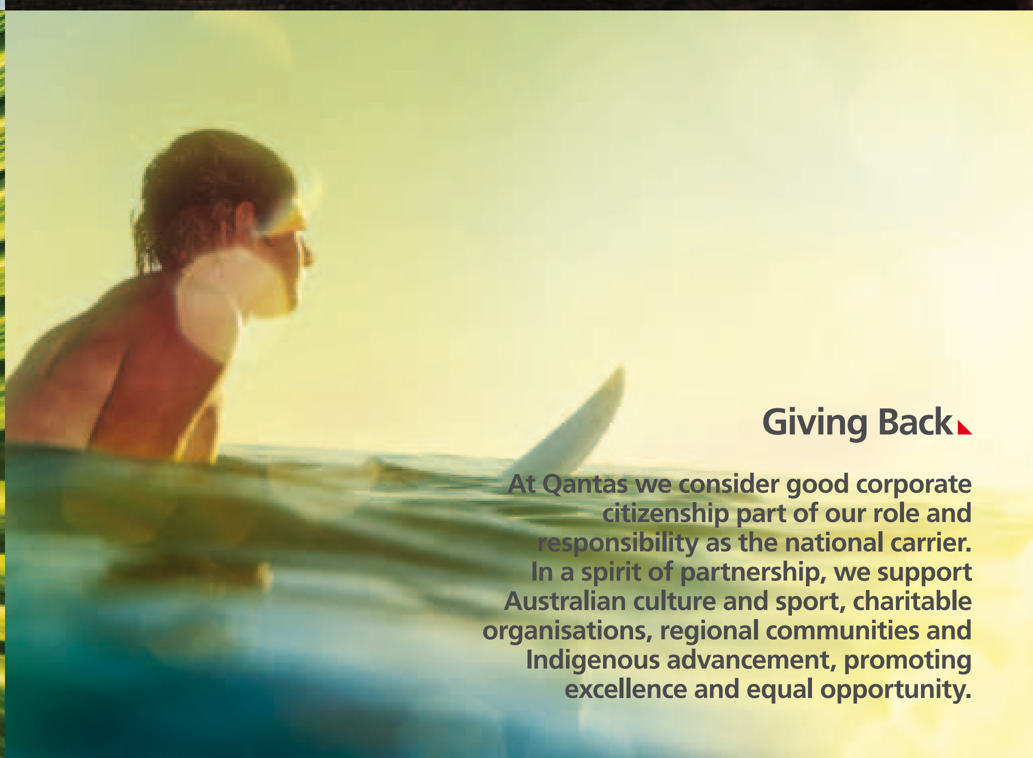
Responsible environmental behaviour is a strategic imperative. From innovations in fuel conservation and flight planning to onboard recycling, care for the environment is integrated with the Qantas Group's business strategy. We also strongly encourage positive environmental action in the community.

With Qantas and Jetstar we have two strong and complementary brands, and a unique ability to respond to changing market conditions. We aim to make each airline the best in its class. And we have the flexibility to make flying decisions based on the airline, aircraft and route that will deliver the best outcomes for our customers and returns to our shareholders.

Strong Complementary Brands

We've been part of Australian life for 90 years, and we've made an annual profit every year since privatisation in 1995. Our shareholders, customers, employees and the Australian community look to us for the highest standards of safety, service, citizenship and environmental responsibility and we aim to meet those expectations year after year.

Sustainable Operations



Giving Back

At Qantas we consider good corporate citizenship part of our role and responsibility as the national carrier. In a spirit of partnership, we support Australian culture and sport, charitable organisations, regional communities and Indigenous advancement, promoting excellence and equal opportunity.

Forward Thinking

Qantas has been pursuing innovation in technology, flight operations and product and service for 90 years. Forward thinking has always been, and always will be, part of our culture. This timeline highlights our major achievements during that period – many of them 'firsts' in

Founded in Queensland on 16 November

1920

First airline to offer round-the-world services via both hemispheres

1958

Qantas employee Jack Grant invented the inflatable aircraft escape slide-raft

1965

Invented Business Class travel

1979

World's longest flight undertaken by a commercial jet aircraft: London-Sydney non-stop with a B747-400

1989

Pioneered flying operations over the Silk Road route, saving 30 minutes' flying time, after six years' planning with the Civil Aviation Authority of China and Airservices Australia

2001

1943-45

Flew the world's longest route of 28 hours from Perth to Colombo (Sri Lanka) using Catalina Flying Boats, undertaken in almost total radio silence to avoid Japanese attack: 271 safe crossings, 858 passengers, nearly a million miles

1959

First airline outside the United States to fly Boeing 707 jets and to take passengers by jet across the Pacific

1974

World record for largest passenger load, evacuating 674 passengers with 23 crew via B747 after Cyclone Tracy devastated Darwin

1980s

Leading role in developing Extended Twin Operations with the B767-200ER fleet, dramatically improving reliability, saving fuel and reducing flight times

1995

Leading role in the use of Future Air Navigation system to optimise routing and save fuel

2002

First airline to introduce Rockwell Collins Multi Scan radar on B747-400ERs to detect the ice content of storms and deliver smoother flying

the aviation industry – and the milestones we are set to reach over the next 10 years, as we move towards our centenary. Continued innovation will be essential to meet the needs of customers and deliver value for shareholders.

First airline to introduce specialised cabin lighting on long haul flights to promote well-being and reduce jetlag
2003

First airline to launch low-fare long haul operations with Jetstar
2006

First airline to offer 'degustation' First Tasting Menu with Neil Perry cuisine
2007

World record for commercial engine performance with 42,019 hours on-wing (equal to 1,000 return trips to the UK) with a Qantas General Electric CF6-80C2 engine installed on a B747-400 aircraft for nine years
2008

Only airline to offer Premium Economy with in-arm inflight entertainment
2008

Next generation flying with the arrival of the first of our B787 fleet
2012

2004
First full service airline to successfully launch a budget airline, Jetstar, with the largest first day of commercial sales (100,000 fares) in aviation history

2006
First airline to perform a landing using the satellite technology-based Global Landing System with a B737-800

2008
Introduced the Qantas Airbus A380, the world's first passenger aircraft cabin wholly conceived by one acclaimed designer: Marc Newson

2008
Achieved a 'perfect flight path gate to gate' with the inaugural A380 service between Los Angeles and Melbourne using Required Navigation Performance and air traffic management to save thousands of kilograms of carbon emissions

2010
Introduced a new era of domestic flying with Next Generation Check-in

2020
Centenary of Qantas

"The task for this 21st century aviation generation… is to create the infrastructure of the sky. We have all the elements in Australia for the world's best air traffic management regime... now is the time to make Australian skies the safest, smartest and most environmentally sustainable on the planet."

ALAN JOYCE, SAFESKIES CONFERENCE, CANBERRA, OCTOBER 2009

Chairman's Report

This year the Qantas Group trebled last year's profit by taking rapid advantage of improving conditions, and by maximising the strengths of Qantas and Jetstar, its two complementary flying brands.

I am pleased to report that the Qantas Group delivered a good result for 2009/2010 and laid the groundwork for continuing and sustainable success.

Highlights

Highlights of the year were:
- Underlying Profit Before Tax of $377 million
- Revenue of $13.8 billion
- Operating cash flow of $1.3 billion
- Cash held at year end of $3.7 billion

In 2008/2009 the Group stood out in the global aviation sector by recording a profit, due to its decisive response to the global financial crisis. This year the Group trebled that profit by taking rapid advantage of improving conditions, and by maximising the strengths of Qantas and Jetstar, its two complementary flying brands.

Key factors

Key factors in the result this year included:
- A robust performance by Qantas, which was Australia's most profitable and punctual domestic airline, and which achieved a significantly improved international performance despite global uncertainty and the impact of the volcanic ash disruptions
- A record profit by Jetstar, which grew passenger revenue by 21 per cent and increased international capacity by 50 per cent
- A record performance by Qantas Frequent Flyer, with all-time highs in customer satisfaction and benefits deriving from enhanced alliance relationships, notably with the Woolworths Group
- Industry-leading financial strength, including cash holdings of $3.7 billion, increased operating cash flow, and the best credit rating of any airline in the world
- Continuing investment in a modern and simplified fleet, with around 160 aircraft on order, and an average of one delivery per month planned for the next eight years
- Continuing innovation and improvement in the customer experience, including the industry-leading Next Generation Check-in
- Significant progress towards $1.5 billion in permanent savings over three years through the QFuture program, with $533 million in savings achieved this year, allied to a business transformation and simplification agenda

Industry context and outlook

In 2009/2010 global operating conditions improved from historic lows, with recovery in demand in both the passenger and freight markets. International demand improved across premium and leisure sectors. Domestic business demand also returned strongly, although domestic leisure demand continued to be relatively soft late in the financial year.

Looking ahead, the Australian commercial aviation sector will remain highly competitive, both domestically and internationally. Aviation is a complex industry, subject both to long-term economic cycles and short-term shocks, with high fixed costs and long investment lead times. The industry is globalising unevenly, and still suffers overcapacity and high start-up and drop-out rates.

To succeed, the Qantas Group's two flying brands will be competing vigorously every day in their different market segments – the full service Qantas and the low fares Jetstar.

Reporting clarity

This year the Group introduced a new primary reporting measure: Underlying Profit Before Tax (PBT). This is a non-statutory measure which is now being used by the Board of Directors and Executive Committee to assess and improve the performance of the Group. Underlying PBT makes it easier for the Group – and its shareholders – to identify how well the Group manages those business factors it controls, by eliminating the difficulty statutory accounting treatments pose in recording one-off and high-change factors such as hedge volatility in currencies and fuel.

Dividend approach

The Board recognises the desirability of returning a dividend to shareholders wherever possible, and careful consideration was given to this matter. Over the coming period the Qantas Group will need to service its very high capital requirements, and retaining a high credit rating remains a priority. The economic outlook and competitive situation will continue to be challenging and potentially volatile. With this in mind, the Board has determined not to deliver an interim or final dividend in 2009/2010, and future dividends will continue to be assessed against ongoing earnings performance and capital requirements.

People

On behalf of the Board of Qantas, I want to thank all members of the Qantas Group for their efforts through the year. I travel a lot, which means I often get to see their dedication at first hand, across Australia and throughout our international networks. The good results this year are in large part testament to the immense dedication and skill our staff display day in day out. They have much to be proud of.

LEIGH CLIFFORD, AO

CEO's Report

Our strategy is to create two airlines – Qantas and Jetstar – that are the best in their class, giving us the flexibility to ride economic cycles, leverage different sectors of the market, and maintain a robust operating cash flow.

It has been a busy and productive year at the Qantas Group.

Our strategy is to create two airlines – Qantas and Jetstar – that are the best in their class, and which will continue to give us the flexibility to ride economic cycles, leverage different sectors of the market, and maintain a robust operating cash flow. Our fleet strategy reflects this approach.

With Marc Newson's signature design and a dedicated crew in all cabins, the Qantas Airbus 380 has become a destination in its own right. We will have 10 in service by 2011, and a further 10 coming into service over the next five years.

We have also brought forward our order for 50 Boeing 787s, with the first now due in mid-2012. We will be the second largest airline customer for these new-era aircraft – offering improved technologies, lower operating costs, fuel efficiencies, and greater passenger comfort.

The first 15 B787s will go to Jetstar International, enabling the transfer of A330-200s to Qantas and the earlier retirement of eight Qantas B767-300ERs, effectively renewing both airlines' fleets.

Qantas

It is now 90 years since Qantas started in outback Queensland, and we remain hard at work to make a journey with Qantas a fresh and enjoyable experience for each new generation of travellers.

In the past year we have introduced more features to give our customers greater control and flexibility. This includes exit row seat purchase, additional baggage allowance purchase, advanced seat selection and combined bookings for flights, car hire and travel insurance.

We are successfully introducing Next Generation Check-in, and it will progressively be rolled out around major domestic ports. With our new Q Card Readers, Next Generation Check-in will be as simple as a flick of a card, and we're also simplifying the bag drop process.

Our Qantas 'refresh' project is about redefining the Qantas signature at home and in the world – one that is modern, caring, distinctive, contemporary and consistent.

Cabin: We are creating a seamless Business Class offering. We'll be investing millions to upgrade the cabin and seats on nine B747s, which will bring them in line with our A380s. Over the coming year our domestic fleet will be revamped with a new look Business Class product.

On-board: New domestic Business Class menus will be designed by our Qantas consultant chef Neil Perry to be more consistent with our international offering. A new inflight entertainment format is also being introduced.

Lounges: We have one of the world's best domestic airline networks and our international lounges designed by Marc Newson set the benchmark for global excellence. We will be undertaking a significant refresh of Qantas Club lounge facilities, with our domestic Business lounges modelled on our international Business lounges. Neil Perry will design the food menus.

Our enhanced Qantas Frequent Flyer program now has 7.2 million members and continues to offer major opportunities for the Group to win and reward loyal customers.

Jetstar

With Jetstar, the goal is to create the best low fares airline in the world, which is all about sustainable growth and being true to the positive and energetic values of the brand. For example, this year Jetstar was the first airline in the world to trial the iPad as an inflight entertainment system.

Jetstar has now carried more than 50 million passengers since taking off in 2004, with more than half of them travelling for under $100. It is now well placed in Asia through Jetstar Asia, which is based in Singapore, and Jetstar Pacific in Vietnam. It has a real opportunity to achieve more.

Our people

This year our people continued to excel: from exceptional customer care during the volcanic ash crisis, through to delivering a world first new check-in system, they have gone above and beyond. On behalf of the leadership team I want to acknowledge and thank everyone for their efforts.

ALAN JOYCE

Board of Directors

BEng, MEngSci
Chairman
Independent Non-Executive Director

Leigh Clifford was appointed to the Qantas Board in August 2007 and as Chairman in November 2007. He is Chairman of the Qantas Nominations Committee. Mr Clifford is a Director of Barclays Bank plc and Bechtel Group Inc. He is Chairman of Bechtel Australia Pty Ltd and the Murdoch Childrens Research Institute, a Senior Advisor to Kohlberg Kravis Roberts & Co and a Board Member of the National Gallery of Victoria Foundation. Mr Clifford was Chief Executive of Rio Tinto from 2000 to 2007. He retired from the Board of Rio Tinto in 2007 after serving as a Director of Rio Tinto plc and Rio Tinto Limited for 13 and 12 years respectively. His executive and board career with Rio Tinto spanned some 37 years, in Australia and overseas. Age: 62

BApplSc(Phy)(Math)(Hon.), MSc(MgtSc), FRAeS
Chief Executive Officer

Alan Joyce was appointed Chief Executive Officer and Managing Director of Qantas in November 2008 and CEO Designate and to the Qantas Board in July 2008. He is a Member of the Safety, Health, Environment and Security Committee. Mr Joyce is a Director of a number of controlled and associated entities of the Qantas Group, and a former Director of Orangestar Investment Holdings Pte Limited and Jetstar Pacific Airlines Aviation Joint Stock Company. He was the CEO of Jetstar from 2003 to 2008. Before that, Mr Joyce spent over 15 years in leadership positions for Qantas, Ansett and Aer Lingus. At both Qantas and Ansett, he led the Network Planning, Schedules Planning and Network Strategy functions. Prior to that, Mr Joyce spent eight years at Aer Lingus, where he held roles in Sales, Marketing, IT, Network Planning, Operations Research, Revenue Management and Fleet Planning. Age: 44

BBus(Acc), FCA, CPA, FAICD
Independent Non-Executive Director

Garry Hounsell was appointed to the Qantas Board in January 2005. He is Chairman of the Audit Committee and a Member of the Nominations Committee. Mr Hounsell is Chairman of PanAust Limited and a Director of Orica Limited, DuluxGroup Limited and Nufarm Limited. Mr Hounsell is also Deputy Chairman of Mitchell Communication Group Limited. He is Chairman of Investec Global Aircraft Fund, a Director of Ingeus Limited and a Board Member of law firm Freehills. Mr Hounsell is a former Senior Partner of Ernst & Young and Chief Executive Officer and Country Managing Partner of Arthur Andersen. Age: 55

BEc, MAdmin, FAICD
Independent Non-Executive Director

Paul Rayner was appointed to the Qantas Board in July 2008. He is a Member of the Audit Committee and Safety, Health, Environment and Security Committee. Mr Rayner is a Director of Boral Limited and Centrica plc. He also serves as Chairman of Boral's and Centrica's Audit Committees. From 2002 to 2008, Mr Rayner was Finance Director of British American Tobacco plc, based in London. Mr Rayner joined Rothmans Holdings Limited in 1991 as its Chief Financial Officer and held other senior executive positions within the Group, including Chief Operating Officer of British American Tobacco Australasia Limited from 1999 to 2001. Previously Mr Rayner worked for 17 years in various finance and project roles with General Electric, Rank Industries and the Elders IXL Group. Age: 56

General Peter Cosgrove, AC, MC

FAICD
Independent Non-Executive Director

Peter Cosgrove was appointed to the Qantas Board in July 2005. He is a Member of the Safety, Health, Environment and Security Committee and a Director of Qantas Superannuation Limited. General Cosgrove is a Director of Cardno Limited, Chairman of the South Australian Defence Industry Advisory Board and the Australian War Memorial Council. General Cosgrove served in the Australian Army from 1965 including command of the international forces in East Timor from 1999 until the force was withdrawn in February 2000. He was the Chief of the Australian Defence Force from July 2002 until his retirement in July 2005. General Cosgrove was Australian of the Year in 2001. Age: 63

Patricia Cross

BSc(Hons), FAICD
Independent Non-Executive Director

Patricia Cross was appointed to the Qantas Board in January 2004. She is a Member of the Audit and Remuneration Committees. Mrs Cross is a Director of National Australia Bank Limited, JBWere Pty Limited, the Murdoch Childrens Research Institute, the Grattan Institute and the Methodist Ladies College. She is a Member of the Government's Australian Financial Centre Forum and Melbourne University's Advisory Council to the Faculty of Business and Economics. Mrs Cross was previously a director of Wesfarmers Limited, Chairman of Qantas Superannuation Limited and Deputy Chairman of Victoria's Transport Accident Commission. She has served on a variety of publicly listed, government, university and private company boards. Prior to becoming a professional company director in 1996, Mrs Cross held senior executive positions with Chase Manhattan Bank, Banque Nationale de Paris and National Australia Bank. Age: 51

Richard Goodmanson

BEng(Civil), BCom, BEc, MBA
Independent Non-Executive Director

Richard Goodmanson was appointed to the Qantas Board in June 2008. He is a Member of the Remuneration Committee and a Member of the Safety, Health, Environment and Security Committee. Mr Goodmanson is a Director of Rio Tinto plc and Rio Tinto Limited. From 1999 to 2009 he was Executive Vice President and Chief Operating Officer of E.I du Pont de Nemours and Company. Previous to this role, he was President and Chief Executive Officer of America West Airlines. Mr Goodmanson was also previously Senior Vice President of Operations for Frito-Lay Inc. and was a principal at McKinsey & Company Inc. He spent 10 years in heavy civil engineering project management, principally in South East Asia. Mr Goodmanson was born in Australia and is a citizen of both Australia and the United States. Age: 63

Dr John Schubert

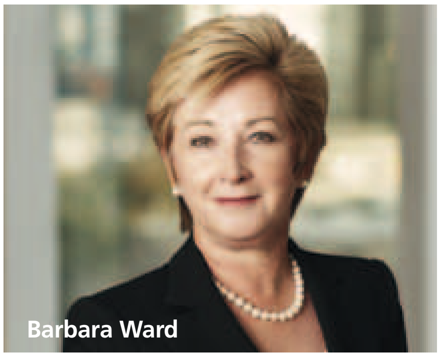
BE, PhD, FIEAust, CPEng, FTS, FIChemE
Independent Non-Executive Director

John Schubert was appointed to the Qantas Board in October 2000. He is Chairman of the Safety, Health, Environment and Security Committee and a Member of the Nominations Committee. Dr Schubert is a Director of BHP Billiton Limited and BHP Billiton plc. He is also Chairman of G2 Therapies Limited and the Great Barrier Reef Foundation. He was most recently Chairman of the Commonwealth Bank of Australia and was also previously Chairman of WorleyParsons Limited and President of the Business Council of Australia. Dr Schubert was also Managing Director and Chief Executive Officer of Pioneer International Limited from 1993 until 2000. Dr Schubert held various positions with Esso in Australia and overseas. In 1983, he was appointed to the Board of Esso Australia. In 1985, Dr Schubert became Esso's Deputy Managing Director and in 1988 he became Esso's Chairman and Managing Director. Age: 67

James Strong, AO

Independent Non-Executive Director

James Strong was appointed to the Qantas Board in July 2006. He is Chairman of the Remuneration Committee and a Member of the Nominations Committee. Mr Strong was the Chief Executive Officer and Managing Director of Qantas between 1993 and 2001, following his appointment to the Board in 1991. He is Chairman of Woolworths Limited, Kathmandu Holdings Limited and the Australia Council for the Arts. He is also a member of the Nomura Australia Advisory Board and a Director of the Australian Grand Prix Corporation. Mr Strong was formerly the Chairman of Insurance Australia Group Limited, a Director of IAG Finance (New Zealand) Limited, the Group Chief Executive of the DB Group in New Zealand and National Chairman of Partners of Corrs Chambers Westgarth. He was also Chief Executive Officer of Australian Airlines from 1985 until 1989. He has been admitted as a barrister and/or solicitor in various state jurisdictions in Australia. Age: 66



Barbara Ward

BEc, MPolEc
Independent Non-Executive Director

Barbara Ward was appointed to the Qantas Board in June 2008. She is a Member of the Safety, Health, Environment and Security Committee and the Audit Committee. Ms Ward is Chairman of Country Energy, a Director of a number of Brookfield Multiplex Group companies and O'Connell Street Associates Pty Ltd, and is on the Advisory Board of LEK Consulting. She was formerly a Director of the Commonwealth Bank of Australia, Lion Nathan Limited, Brookfield Multiplex Limited, Allco Finance Group Limited, Record Investments Limited, Data Advantage Limited, Rail Infrastructure Corporation and Delta Electricity. She was Chairman of NorthPower and a Board Member of Allens Arthur Robinson. Ms Ward was Chief Executive Officer of Ansett Worldwide Aviation Services from 1993 to 1998. Before that, Ms Ward held various positions at TNT Limited, including General Manager Finance, and also served as a Senior Ministerial Adviser to The Hon PJ Keating. Age: 56

Information on Qantas and Review of Operations

Information on Qantas

for the year ended 30 June 2010

NINETY YEARS OF EXPERIENCE

Founded in the Queensland outback in 1920, Qantas is Australia's largest domestic and international airline and, for nearly 90 years, has been one of global aviation's great pioneers and innovators.

The Qantas Group's main business is the transportation of passengers using two complementary airline brands – Qantas and Jetstar.

The airline brands operate regional, domestic and international services. The Group's portfolio of subsidiary businesses also includes Qantas Freight Enterprises and Qantas Frequent Flyer.

The Group employs 35,700 people, 93 per cent of them based in Australia.

ORGANISATIONAL STRUCTURE

Executive Committee

Alan Joyce, Chief Executive Officer and Managing Director
Bruce Buchanan, Chief Executive Officer Jetstar
David Epstein, Group Executive Government and Corporate Affairs
Gareth Evans, Chief Financial Officer
Lesley Grant, Group Executive Qantas Customer and Marketing
Rob Gurney, Group Executive Qantas Commercial
David Hall, Group Executive Corporate Services and Technology
Simon Hickey, Chief Executive Officer Qantas Frequent Flyer
Brett Johnson, General Counsel
Rob Kella, Chief Risk Officer
Jon Scriven, Group Executive People
Lyell Strambi, Group Executive Qantas Operations

Qantas

Qantas Airlines is a premium, full-service Australian domestic and international airline that offers services across a broad network. Customer benefits include a global network, as many as four travel classes (depending on aircraft type), a leading loyalty program in Qantas Frequent Flyer, inflight meals and entertainment, airport lounges and other services. Qantas is a founding member of the **one**world global airline alliance.

The Qantas brands are:

- Qantas
- QantasLink

Qantas Airlines is divided into three closely related groups:

- Commercial – sales and distribution, QantasLink, alliances
- Customer and Marketing – customer experience, inflight services, cabin crew, marketing
- Operations – engineering, airports, catering, flight operations, operations planning and control, Qantas Aviation Services

QantasLink is a full-service regional airline that supports Qantas' domestic network by developing 'feeder' markets that connect regional business and leisure travellers with major cities.

Jetstar

Jetstar, the Group's low fares airline, began operating Australian domestic services in May 2004, international services in November 2006 and New Zealand domestic operations in June 2009. Following an ownership restructure in April 2009, Jetstar also manages the Jetstar Asia operations based in Singapore.

The Jetstar brands are:

- Jetstar
- Jetstar Asia
- Jetstar Pacific

Portfolio Businesses

In addition to its airline brands, the Group operates a number of airline related businesses, including Qantas Frequent Flyer and Qantas Freight, that provide diversified revenue streams.

With 7.2 million members and more than 400 partners, Qantas Frequent Flyer is the largest and most popular airline loyalty program in the southern hemisphere.

Qantas Freight Enterprises manages the Group's freight assets, which include Qantas Freight and strategic assets in logistics business such as Australian air Express and Star Track Express.

Corporate Groups

A range of corporate groups provide guidance, shape policy, develop strategic direction and perform a safeguarding role in terms of compliance and performance monitoring for the Group. These include:

- Business Information Systems
- Finance – financial policy, planning and reporting; treasury; tax; insurance; fleet; investor relations and strategy
- Government and Corporate Affairs – government and international relations; and employee and external communications
- Legal
- People – people strategy; industrial relations; remuneration; workforce management initiatives; and the implementation of programs aimed at creating a competitive and motivated workforce
- Public Company – including the Company Secretary
- Risk and Assurance – risk; safety; security; occupational health and safety; environment; aviation health; and internal audit, providing an integrated approach to risk management across the Group

Investments

The Group has investments in other airline and airline related businesses and currently holds:

- A 27 per cent stake in Vietnam's Jetstar Pacific
- A 46 per cent interest in Air Pacific
- A 58 per cent interest in Jetset Travelworld Limited
  - This interest will reduce to approximately 29 per cent if the proposed merger transaction with Stella Travel Services is completed

Qantas is also a partner with Australia Post in two jointly controlled entities:

- The domestic air freight operator Australian air Express
- The national road freight business Star Track Express

Airline Network

Qantas Group airlines offer services to 184 destinations in 42 countries – 59 in Australia and 125 in other countries (including those operated by codeshare partner airlines). They carried 41.4 million passengers in 2009/2010.

Domestically, Qantas, QantasLink and Jetstar operate around 5,300 flights a week serving 59 city and regional destinations in all states and mainland territories (Qantas – 2,300; QantasLink – 1,900; Jetstar – 1,100).

Internationally, Qantas and Jetstar operate more than 900 flights each week (Qantas – 600; Jetstar – 320). Jetstar also operates nearly 170 domestic flights a week in New Zealand.

Information on Qantas continued

for the year ended 30 June 2010

Aircraft Fleet

At 30 June 2010, the Qantas Group operated a total passenger and freighter fleet of 254 aircraft.

	Aircraft Type	30 June 2010	30 June 2009
Qantas and QantasLink	A380-800	6	3
	B747-400ER	6	6
	B747-400	21	24
	B767-300ER	26	29
	B737-800	41	38
	B737-400	21	21
	B737-300	–	3
	A330-200	7	6
	A330-300	10	10
	B717-200	11	11
	Dash 8 100/200/300	21	21
	Q400	21	14
Total Qantas and QantasLink Fleet		**191**	**186**
Jetstar	A330-200	7	6
	A320-200	36	33
	A320-200 (Jetstar Asia)	10	7
	A321-200	6	4
Total Jetstar Fleet		**59**	**50**
Total Passenger Fleet		**250**	**236**
Express Freighters Australia	B737-300SF	4	4
Total Fleet		**254**	**240**

During the year, the Group brought 23 new aircraft into service:

- Qantas and QantasLink – three A380s, one A330-200, three B737-800s, seven Bombardier Q400s
- Jetstar, including Jetstar Asia – one A330-200, six A320-200s, two A321-200s

The Group retired nine aircraft – three B747-400s, three B767-300ERs and three B737-300s.

More than 150 new aircraft are planned for delivery over the next eight years. This represents more than one new aircraft per month, and will enable the retirement of up to 65 older aircraft with some types (B767-300 and B737-400) to be progressively phased out.

Qantas Group Aircraft on order at 30 June 2010[1]	
A380-800	14
A330-200	5
B787-8	15
B787-9	35
B737-800	28
A320 Family	54
Q400	7
Total	**158**

1. Firm deliveries, excluding rights to purchase.

STRATEGIC DIRECTION

In 2009/2010, the Qantas Group delivered a strong result and advanced plans for a successful and sustainable future.

The Group's two-brand strategy, supported by its portfolio of other assets, remains central to its future growth plans and success.

The two complementary airline brands – Qantas and Jetstar – continue to meet the needs of different market segments.

Qantas and Jetstar continue to give the Group an optimal 65 per cent Australian domestic market share, and the best opportunities to develop an expansive and profitable international network.

The Group's portfolio businesses and investments continue to provide strategic flexibility and earnings diversification.

The pillars of the Group's strategy are:

- Safety as a first priority, backed by an unwavering commitment to world's best safety practices and reporting
- The right aircraft on the right routes, with fleet renewal delivering one of the world's most effective fleets flying on an optimal route network
- Customer service excellence
- Operational efficiency and achieving simplicity and further productivity across the business
- Two strong complementary brands – Qantas and Jetstar as the best premium and low fares brands respectively

QFuture

QFuture is a three-year business transformation program aimed at equipping Qantas for sustainable growth in an increasingly competitive operating environment. The program is targeting $1.5 billion in revenue improvements and cost savings over three years from 1 July 2009.

The program is focusing on transformation across a wide range of operational and non-operational areas such as aircraft utilisation and scheduling, alliances, procurement, airport terminal development, business information solutions and office consolidation.

Product, Service and Technology

The Group remains committed to innovation and investment in customer service, new and enhanced products, infrastructure, leading edge technology and training.

Development work undertaken during the year culminated in commencement of the world first Next Generation Check-in at Qantas' domestic terminal in Perth.

In February 2010, Qantas announced a $400 million, three-year program to upgrade nine B747-400 aircraft and reconfigure the A380 fleet to meet forecast changes in passenger demand.

Jetstar continued work to achieve a target of 100 per cent customer self service – from booking to boarding.

New Qantas A330-200 and B737-800 aircraft entered service on domestic and trans-Tasman services respectively, featuring enhanced cabin product, including a seat-back inflight entertainment system on the B737-800s.

Review of Operations

for the year ended 30 June 2010

SUMMARY

Underlying Profit Before Tax (PBT)[1] more than tripled to $377 million in 2009/2010 from $100 million in 2008/2009.

Underlying Income Statement

$M	2010	2009	$ change
Net passenger revenue	10,938	11,604	(666)
Net freight revenue	821	764	57
Other	2,013	2,014	(1)
Revenue	**13,772**	**14,382**	**(610)**
Operating expenses	11,577	12,545	968
Depreciation and amortisation	1,200	1,251	51
Non-cancellable operating lease rentals	527	450	(77)
Expenses	**13,304**	**14,246**	**942**
Underlying EBIT	**468**	**136**	**332**
Net finance costs	(91)	(36)	(55)
Underlying PBT	**377**	**100**	**277**

1. Underlying PBT is the primary measure used by Management and the Board to assess the financial performance of the Group. All financial information in the table above and the commentary below is adjusted to reflect the underlying result. Refer to page 59 for a reconciliation of Underlying PBT to Statutory PBT.

Key features of this result were:

—Revenue was down 4 per cent to $13,772 million from $14,382 million

—Operating expenses improved 8 per cent to $11,577 million from $12,545 million

—Net unit costs improved by 4 per cent to 5.55 cents/ASK from 5.80 cents/ASK

—QFuture delivered cost savings of $533 million

—Operating cash flows improved 14 per cent to $1,307 million from $1,149 million

—Statutory Profit After Tax was down 6 per cent to $116 million from $123 million

—Earnings per share was down 13 per cent to 4.9 cents from 5.6 cents

OVERVIEW

The Qantas Group reported an Underlying PBT of $377 million for the year ended 30 June 2010, an increase of 277 per cent on the previous year's result of $100 million.

$M	2010	2009	$ change
Qantas	67	4	63
Jetstar	131	107	24
Qantas Frequent Flyer	328	226	102
Qantas Freight	42	7	35
Jetset Travelworld	14	16	(2)
Corporate/Eliminations	(114)	(224)	110
Underlying EBIT	**468**	**136**	**332**
Net finance costs	(91)	(36)	(55)
Underlying PBT	**377**	**100**	**277**

All business segments have remained profitable, demonstrating yield improvements from lows resulting from the global economic downturn and robust cost saving achievements for the year. The Qantas, Jetstar, Qantas Freight and Qantas Frequent Flyer businesses have all delivered double digit percentage growth in underlying earnings compared to the prior year, with both Jetstar and Qantas Frequent Flyer delivering record results.

Group revenue for the year was $13,772 million, a 4 per cent decrease from the prior year's revenues of $14,382 million. Average passenger yields (excluding the impact of FX) fell 7 per cent to 10.61 cents/RPK from 11.43 cents/RPK in the prior year. These falls reflect the full year impact of the global financial crisis on demand, as well as external factors such as the H1N1 influenza outbreak and the closure of European airspace in response to Icelandic volcanic activity.

Review of Operations continued

for the year ended 30 June 2010

Operating expenses for the year were $11,577 million, an improvement of 8 per cent from the prior year's operating expenses of $12,545 million. Unit costs improved by 8 per cent to 8.07 cents/ASK from 8.80 cents/ASK in the prior year. These improvements were attributable to substantial reductions in fuel and manpower costs, and savings of $533 million for the year from the QFuture program. Fuel into-plane prices were 13 per cent lower than 2008/2009. Excluding fuel and one-off items, net underlying unit costs were 5.55 cents/ASK, an improvement of 4 per cent on the previous year's result of 5.80 cents/ASK.

		2010	2009	% change
Available Seat Kilometres (ASKs)[1]	M	124,717	124,594	0.1
Revenue Passenger Kilometres (RPKs)[2]	M	100,727	99,176	1.6
Passenger Numbers	'000	41,428	38,438	7.8
Seat Factor	%	80.8	79.6	1.2 pts
Yield (excluding FX)	c/RPK	10.61	11.43	(7.2)
Net Underlying unit cost[3]	c/ASK	5.55	5.80	4.3

1. ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
2. RPK – total number of paying passengers carried, multiplied by the number of kilometres flown.
3. Net Underlying unit cost – Net expenditure excluding fuel and one-off items per ASK.

The Qantas Group funded the purchase of 11 new aircraft, and leased a further 12 in 2009/2010. This resulted in an increase in the Group's net debt including non-cancellable operating leases, of $474 million, and a corresponding increase in Group gearing to 51:49.

		2010	2009	$ change
Net Debt[1]	$M	2,209	1,923	286
Net Debt including off balance sheet debt[2]	$M	6,170	5,696	474
Equity (excluding hedge reserves)	$M	5,896	5,794	102
Net Debt to Net Debt and Equity Ratio[3]		51:49	50:50	

1. Includes fair value of hedges related to debt and aircraft security deposits.
2. Includes non-cancellable operating leases, excluding hedge reserves. Non-cancellable operating leases are a representation assuming assets are owned and debt funded and is not consistent with the disclosure requirements of AASB 117: Leases.
3. Net Debt to Net Debt and Equity (including off balance sheet debt from operating leases excluding hedge reserves).

Qantas Group cash was $3,704 million as at 30 June 2010, an increase of $87 million from 30 June 2009. This reflects improvements in the Group's operating cash flows, and ongoing management of the Group's strong liquidity position.

$M	2010	2009	$ change
Cash at Beginning	3,617	2,599	1,018
Operating Cash Flow	1,307	1,149	158
Investing Cash Flow	(1,601)	(1,163)	(438)
Financing Cash Flow	381	1,032	(651)
Cash at Year End	**3,704**	**3,617**	**87**

Operating cash flow grew to $1.3 billion, an increase of $158 million compared to the prior year result that included Qantas Frequent Flyer billings associated with the direct earn rush in. This increase was attributable to:

—Improvements in cash earnings across the Group and working capital initiatives

—Tax refunds of $129 million in 2009/2010, compared to payments of $274 million in 2008/2009

Investing cash flows grew to $1.6 billion for the year following the purchase of 11 new aircraft, including three A380s.

Financing cash flows decreased to $0.4 billion, from $1.0 billion for 2008/2009. The reduction reflects the capital raising and dividend payments that took place in 2008/2009, as well as prepayments of secured debt undertaken in 2009/2010.

Review of Operations continued

for the year ended 30 June 2010

QANTAS

		2010	2009	% change
Total Revenue	$M	10,609	11,624	(9)
Underlying EBIT	$M	67	4	>100
Seat Factor	%	81.3	80.1	1.2 pts

Qantas achieved an Underlying EBIT of $67 million for the full year, $63 million above the prior year. This result reflects effective capacity and yield management during tough economic conditions. Fuel savings resulting from lower average fuel into-plane prices, operational savings from capacity reductions and $533 million in QFuture benefits have contributed to the profitable result for the year.

Passenger revenue declined 10 per cent compared to the prior year, primarily due to capacity reductions across the international network which was required to mitigate the softening in demand experienced during the economic downturn.

Weak premium demand affected international yields particularly in the first half of the year. Yields began to recover in the second half, however recovery was impacted by international events including Icelandic volcano disruptions and political unrest in Bangkok. The effects of the Icelandic volcano on Qantas' earnings totalled $46 million.

Whilst international capacity decreased 9.4 per cent compared to the prior year, seat factor remained strong at 82.5 per cent.

Qantas domestic yields, while lower than the prior year, are improving from the lowest point reached in the second half of 2009 and the beginning of 2010. Business demand continues to recover.

QFuture

The QFuture business transformation program aims to equip Qantas for sustainable and profitable growth in an increasingly competitive operating environment.

QFuture initiatives achieved a $533 million benefit in terms of cost savings and new revenue in the program's first full year, with significant savings in manpower, fuel conservation, IT and other direct costs.

The program continues to target a total $1.5 billion benefits by the end of 2011/2012.

JETSTAR

		2010	2009	% change
Total Revenue	$M	2,197	1,851	19
Underlying EBIT	$M	131	107	22
Seat Factor	%	79.2	77.4	1.8 pts

Jetstar achieved an Underlying EBIT of $131 million, a 22 per cent increase on the prior year, with capacity increasing by 27.8 per cent across its network.

This substantial capacity growth increased Jetstar's passenger revenue by 21 per cent. The inclusion of a full year's operation for Jetstar Asia and expansion across the international network resulted in a 50 per cent increase in international capacity. The Group's New Zealand domestic routes were successfully transferred to Jetstar, delivering the Group substantial savings and profit improvements in this important market. International growth was supported by additional A330 capacity ahead of the arrival of the B787.

Jetstar remained firmly established as Australia's leading low fares airline and continued to grow.

The launch of the Jetstar Credit Card, along with other product innovations, also contributed to the increase in total revenue.

Strong cost management was achieved during the year. Gross unit cost (excluding fuel and non-recurring items) is 2 per cent lower than the prior year.

QANTAS FREQUENT FLYER

		2010	2009	% change
Members	M	7.2	5.8	24
Total Revenue	$M	1,108	1,049	6
Underlying EBIT	$M	328	226	45
Normalisation Adjustment	$M	(161)	(77)	>100
Normalised EBIT[1]	$M	167	149	12

1. Normalised EBIT is a non-statutory measure which restates redemption revenue to the fair value of awards redeemed (removing the impact of the change in accounting estimate) and recognises the 'marketing revenue' when a point is sold. This creates a comparable basis for the presentation of results.

Qantas Frequent Flyer achieved a record Underlying EBIT of $328 million which was $102 million higher than the prior year. This result includes the full-year impact of the change in accounting estimate implemented on 1 January 2009, which has contributed $161 million to the 2009/2010 result, compared to $77 million in 2008/2009 (calculated on a normalised basis).

The reduction in Qantas' capacity has resulted in lower Classic Award redemptions. However, Any Seat and Frequent Flyer Store redemptions have increased 21 per cent and 8 per cent respectively, resulting in an overall increase in the redemption margin of 10 per cent.

Qantas Frequent Flyer continued to build on program enhancements and alliances through 2009/2010. The successful launch of the Woolworths alliance has assisted in maintaining point sales during the global financial crisis.

More than 1.4 million new members have joined since 1 July 2009, with total membership increasing to over 7.2 million people. Of the total members, around 2.8 million have linked through the partnership with the Woolworths Group.

Review of Operations continued

for the year ended 30 June 2010

QANTAS FREIGHT

		2010	2009	% change
Total Revenue	$M	1,007	1,080	(7)
Underlying EBIT	$M	42	7	>100
Load Factor	%	60.0	54.0	6 pts

Qantas Freight's Underlying EBIT of $42 million was $35 million above the prior year. The significant improvement reflects recovery in the airfreight market since November 2009.

The freighter network has shown strong recovery of volumes and yields on the key China-US routes. This is due to restocking of retail inventories and the global launch of new electronic devices.

The global freight market has been slower to recover. Volumes are improving but, due to intense competition, yields remain lower than the prior year.

JETSET TRAVELWORLD GROUP

		2010	2009	% change
Total Transaction Value	$M	2,198	2,377	(8)
Total Revenue	$M	135	145	(7)
Underlying EBIT	$M	14	16	(13)

Jetset Travelworld Group Underlying EBIT was $14 million. The recovery from the economic downturn has been slower than anticipated with volumes lower than the prior year. A continued focus on cost control has helped to offset the revenue decline.

STATUTORY RESULT

Management and the Board have adopted Underlying PBT as the primary measure of business performance. A reconciliation to Statutory PBT is provided below.

$M	2010	2009	$ change
Underlying PBT	**377**	**100**	**277**
Non-recurring items	(59)	(106)	47
Ineffectiveness and non-designated derivatives relating to other reporting periods	(140)	187	(327)
Statutory PBT	**178**	**181**	**(3)**

Statutory PBT was $178 million, down $3 million on the prior year.

Statutory PBT includes ineffectiveness and non-designated derivatives relating to other reporting periods of $140 million in losses in 2010, compared to $187 million in gains in 2009.

Non-recurring items in the statutory result included aircraft write-downs of $48 million, transaction costs incurred during the year in relation to the Jetset Travelworld Group merger, and other provisions.

Corporate Governance Statement

for the year ended 30 June 2010

OVERVIEW

Corporate Governance is core to ensuring the creation, protection and enhancement of shareholder value. The Board maintains, and requires that Qantas Management maintains, the highest level of corporate ethics. The Board comprises a majority of Independent Non-Executive Directors who, together with the Executive Director, have an appropriate balance of skills, experience and expertise. The Board endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition (ASX Principles).

THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

The Board is responsible for setting and reviewing the strategic direction of Qantas and monitoring the implementation of that strategy by Executive Management, including:

—Promoting ethical and responsible decision-making

—Monitoring compliance with all relevant laws, tax obligations, regulations, applicable accounting standards and significant corporate policies (including the Qantas Code of Conduct & Ethics)

—Overseeing the Qantas Group, including its control and accountability systems

—Approving the annual operating budget and monitoring the operating and financial performance of the Qantas Group

—Approving and monitoring the capital management strategy, including major acquisitions and divestitures

—Appointing and removing the Chief Executive Officer (CEO)

—Monitoring the performance of the CEO and Executive Management, including the Chief Financial Officer (CFO)

—Developing Board and Executive Management and succession planning

—Ensuring a clear relationship between performance and executive remuneration

—Monitoring the Group's system of risk management and internal compliance and control

—Ensuring that the market and shareholders are fully informed of material developments

The CEO is responsible for the day-to-day management of the Qantas Group with all powers, discretions and delegations authorised, from time to time, by the Board. Details of the CEO's Management Team are detailed on page 14.

Board Meetings

The Board holds seven formal Meetings a year, one of which serves to review and approve the strategy and financial plan for the next financial year. Additional Meetings are held as required. The Board also meets with Executive Management to consider matters of strategic importance to Qantas.

Details of the Directors, their qualifications, skills and experience are available on pages 10 and 11. Attendance at 2009/2010 Board and Committee Meetings is detailed on page 29.

Australian Provisions

The Qantas Constitution contains the following provisions required by the Qantas Sale Act to ensure the independence of the Qantas Board and to protect the airline's position as the Australian flag carrier:

—Head office must be in Australia

—Two-thirds of the Directors must be Australian citizens

—Chairman must be an Australian citizen

—Quorum for a Directors' Meeting must include a majority of Directors who are Australian citizens

—Maximum 49 per cent aggregate foreign ownership

—Maximum 35 per cent aggregate foreign airline ownership

—Maximum 25 per cent ownership by one foreign person

Corporate Governance Statement continued

for the year ended 30 June 2010

THE BOARD IS STRUCTURED TO ADD VALUE

Qantas currently has ten Directors (see details on pages 10 and 11). Nine Directors are Independent Non-Executive Directors elected by shareholders. The Independent Non-Executive Directors are:

Director	Year of Appointment
Leigh Clifford (Chairman)	2007
Peter Cosgrove	2005
Patricia Cross	2004
Richard Goodmanson	2008
Garry Hounsell	2005
Paul Rayner	2008
John Schubert	2000
James Strong	2006
Barbara Ward	2008

Independence

Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationship and are willing to express their opinions at the Board table free of concern about their position or the position of any third party. The Board does not believe it is possible to draft a list of criteria which are appropriate to characterise, in all circumstances, whether a Non-Executive Director is independent. It is the approach and attitude of each Non-Executive Director which is critical and this must be considered in relation to each Director while taking into account all other relevant factors, which may include whether the Non-Executive Director:

- Is a substantial shareholder (within the definition of section 9 of the Corporations Act) of Qantas, or an officer of, or otherwise associated directly with, a substantial shareholder of Qantas
- Has, within the last three years, been employed in an executive capacity by the Qantas Group
- Has, within the last three years, been a principal of a material professional adviser or a material consultant to the Qantas Group or an employee materially associated with the service provided
- Is a material supplier or customer of the Qantas Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Has any material contractual relationship with the Qantas Group other than as a Director
- Has served on the Board for a period which could materially interfere with the Director's ability to act in the best interests of the Qantas Group (and it is neither possible nor appropriate to assign a fixed term to this criteria)
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Qantas

The Board Charter requires each Director to immediately disclose to the Board if they have any concerns about their independence.

All Independent Non-Executive Directors bring an independent view to the consideration of Board issues.

Qantas believes that the following materiality thresholds are relevant when considering the independence of Non-Executive Directors:

- For Directors:
  - A relationship which accounts for more than 10 per cent of their gross income (other than Director's fees paid by Qantas), or
  - When the relationship is with a firm, company or entity, in respect of which the Director (or any associate) has more than a 20 per cent shareholding if a private company or two per cent shareholding if a listed company
- For Qantas:
  - In respect of advisers or consultants – where fees paid exceed $2 million per annum
  - In respect of suppliers – where goods or services purchased by the Qantas Group exceed $100 million per annum (other than banks, where materiality must be determined on a case by case basis), or
  - In respect of customers – where goods or services supplied by the Qantas Group exceed $100 million per annum

Qantas, as the principal Australian airline, has commercial relationships with most, if not all, major entities in Australia. As such, in determining whether a Non-Executive Director is independent, simply being a non-executive director on the board of another entity is not, in itself, sufficient to affect independence. Nevertheless, any Director on the board of another entity is ordinarily expected to excuse themselves during any meeting where that entity's commercial relationship with Qantas is to be directly or indirectly discussed.

Qantas currently has one Executive Director Alan Joyce, who is not treated as independent.

Independent professional advice is available to the Directors if necessary, at the expense of Qantas.

At the 2000 AGM, shareholders approved Qantas entering into Director Protection Deeds with each Director.

Nominations Committee

The Nominations Committee:

- Has four Members who are Independent Non-Executive Directors
- Is chaired by Leigh Clifford
- Has a written Charter which is available in the Corporate Governance section on the Qantas website
- Meets as required to assist the Board in fulfilling its corporate governance responsibilities in regard to:
  - Board appointments, re-elections and performance
  - Directors' induction and continuing development
  - Committee Membership
  - Endorsement of Executive Management appointments
  - Diversity obligations

The experience and qualifications of Members of the Nominations Committee are detailed on pages 10 and 11. Membership of and attendance at 2009/2010 Nominations Committee Meetings are detailed on page 29.

Appointment and Re-Election of Directors

When appointing new Directors, the Board and its Nominations Committee looks to ensure that an appropriate balance of skills, experience, expertise and diversity is maintained. External consultants are engaged to assist with the selection process as necessary and each Board Member has the opportunity to meet with the nominated Director.

Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

Directors to be re-elected are reviewed by the Nominations Committee. Directors are re-elected in accordance with the Qantas Constitution and the ASX Listing Rules.

Corporate Governance Statement continued

for the year ended 30 June 2010

Induction and Continuing Development of Directors

A formal induction program is available to new Directors to ensure they have a working knowledge of Qantas (including its culture and values) and the aviation industry.

The Directors have open access to all relevant information, including discussions from Management and subject matter experts, and visits to operations. Directors may meet independently with Management at any time to discuss areas of interest or concern.

Review of Board Performance

The Board undertakes an annual review of its performance, and that of its Committees, and periodically engages the assistance of external consultants to facilitate formal Board performance reviews.

During 2009/2010, the Board undertook an internal performance review, which included a series of interviews with Directors and Executive Management and Board discussion. The Board will next undertake an external review in 2010/2011.

In addition, the Board continually assesses its performance and the Chairman discusses performance with each Director during the year.

THE BOARD PROMOTES ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board has a formal Code of Conduct & Ethics which deals with:

- Compliance with laws, regulations and ethical standards
- Political donations and prohibited payments
- Giving or receiving gifts and conflicts of interest
- Retention of records
- Proper accounting
- Dealing with auditors
- Making public statements about the Qantas Group and use of confidential information
- Continuous disclosure and share trading
- Whistleblower policy
- Privacy policy

The core elements of the Qantas Code of Conduct & Ethics are summarised in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

Diversity

Qantas has reported on diversity in its Sustainability Report since 2007. The Qantas Board will formalise its oversight role in relation to current diversity practices, in line with the proposed revisions to the ASX Principles.

Qantas' Share Trading Policy

The Qantas Code of Conduct & Ethics contains Qantas' Share Trading Policy. The Policy sets guidelines designed to protect the Qantas Group and Qantas Group employees from intentionally or unintentionally breaching the law. Qantas Group employees must not purchase or sell securities of any Qantas Group Listed Entity while in possession of material non-public information. Further, certain Nominated Qantas Employees (including Key Management Personnel) are prohibited from entering into any hedging or margin lending arrangement or otherwise granting a charge over the securities of any Qantas Group Listed Entity, where control of any sale process relating to those securities may be lost.

Whistleblower Policy

The Qantas Whistleblower Policy encourages employees to report concerns in relation to illegal, unethical or improper conduct in circumstances where they may be apprehensive about raising their concern because of fear of possible adverse repercussion. A Qantas Whistleblower Committee has been established to manage investigations and report to the Board and Audit Committee. The Policy is available to all Qantas Group employees and is summarised in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

Other Policies and Statements

Qantas also has formal policies and statements relating to its legal and other obligations to all legitimate stakeholders. These include areas such as safety, health, environment, security, employment practices and fair trading. Each policy is supported by procedures for compliance and monitoring effectiveness. A summary of Qantas' core values and business practices can be found in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

THE BOARD SAFEGUARDS THE INTEGRITY OF FINANCIAL REPORTING

Audit Committee

The Board has an Audit Committee which:

- Has four Members who are Independent Non-Executive Directors
- Is chaired by Garry Hounsell, an Independent Non-Executive Director who is a Fellow of The Institute of Chartered Accountants in Australia and a Certified Practising Accountant
- Has a written Charter which is available in the Corporate Governance section on the Qantas website
- Includes Members who are all financially literate
- Is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:
  - The integrity of the Qantas Group's financial reporting
  - Compliance with legal and regulatory obligations
  - The effectiveness of the Qantas Group's enterprise-wide risk management and internal control framework
  - Oversight of the independence of the external and internal auditors

The experience and qualifications of Members of the Audit Committee are detailed on pages 10 and 11. Membership of and attendance at 2009/2010 Audit Committee Meetings are detailed on page 29.

Corporate Governance Statement continued

for the year ended 30 June 2010

The Board and Audit Committee closely monitor the independence of the external auditor. Regular reviews occur of the independence safeguards put in place by the external auditor. As required by section 300(11D)(a) of the Corporations Act and the Audit Committee Charter, the Audit Committee has advised the Board that it is appropriate for the following statement to be included in the 2010 Directors' Report under the heading "Non-audit Services":

"The Directors are satisfied that:

a. The non-audit services provided during the 2009/2010 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001; and

b. Any non-audit services provided during the 2009/2010 financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Qantas rotates the lead audit partner every five years and imposes restrictions on the employment of ex-employees of the external auditor.

Policies are in place to restrict the type of non-audit services which can be provided by the external auditor and there is a detailed quarterly review of non-audit fees paid to the external auditor.

At each Meeting, the Audit Committee meets privately with Executive Management without the external auditor and with the internal and external auditors without Executive Management.

THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

Qantas has an established process to ensure that it is in compliance with its ASX Listing Rule disclosure requirements. This includes a quarterly confirmation by all Executive Management that their areas have complied with the Continuous Disclosure Policy, together with an ongoing obligation to advise the Company Secretary of any material non-public information arising in between confirmations.

The Continuous Disclosure Policy is summarised in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

THE BOARD RESPECTS THE RIGHTS OF SHAREHOLDERS

Qantas has a Shareholder Communications Policy which promotes effective communication with shareholders and encourages participation at general meetings. The Qantas Shareholder Communications Policy is summarised in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

Qantas makes all ASX announcements available via its website. In addition, shareholders who are registered receive email notification of announcements.

The 2010 Notice of Annual General Meeting (AGM) will be provided to all shareholders and posted on the Qantas website, and the 2010 AGM will be available for viewing by live and archived webcast. For shareholders unable to attend, an AGM Question Form will accompany the Notice of Meeting, giving shareholders the opportunity to forward questions and comments to Qantas or the external auditor prior to the AGM.

Auditor at AGM

The external auditor attends the AGM and is available to answer shareholder questions on:

- The conduct of the audit
- The preparation and content of the auditor's report
- The accounting policies adopted by Qantas in relation to the preparation of the Financial Report
- The independence of the auditor in relation to the conduct of the audit

THE BOARD RECOGNISES AND MANAGES RISK

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

Qantas is a complex business and faces a range of strategic, financial and operational risks and is not immune from the risks inherent in operating in the aviation industry. To manage these and other risks, the Board is responsible for reviewing and approving the Qantas Group Risk Management Framework (Framework) which is underpinned by three interrelated elements: governance, risk management and assurance.

The Board also reviews and approves the Qantas Group Risk Management Policy (Policy) which sets out the minimum requirements and roles and responsibilities for managing risk across the Qantas Group. All employees have a responsibility to identify, report and/or manage risk as it arises within the work environment. Summaries of the Policy and other significant risk policies are included in the Qantas Group Business Practices Document available in the Corporate Governance section on the Qantas website.

The Qantas risk management and internal control system aligns to the principles included in the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009) and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework for evaluating internal controls. The Qantas Management System (QMS) provides a common standard for identifying, assessing and managing material business risks across the Group. QMS provides guidance for business units to adopt regarding leadership, commitment and planning, process management, risk management, assurance and training and promotion. QMS has already been implemented within all operational areas of the Qantas Group and will be implemented to all non-operational areas over the coming year.

Corporate Governance Statement continued

for the year ended 30 June 2010

Material risks and the effectiveness of risk management plans are escalated to Executive Management, relevant Board Committees and/or the Board as appropriate and are reported on as part of the quarterly risk reporting process. During the quarterly risk reporting process, each Qantas Group business unit prepares and submits a detailed risk register outlining the key risks to achieving their objectives and mitigating actions. Beyond reporting, the identification, assessment and management of risks is also integrated into key business decision-making and activities, such as strategy development, projects and change initiatives.

Management self-assessments, including self-assessments against the different QMS elements, audits and risk management reviews are undertaken to confirm that risks are being mitigated where possible. On a quarterly basis, Executive Management is required to certify that there is an effective risk management process in place within their area of responsibility.

The internal auditor, through an independent third party validation, also reports to the Board and relevant Board Committees that there is an effective risk management process in place for the financial period and up to the date of signing the Financial Report.

Further details of the Framework and corporate governance structure are captured in the Qantas Investor Data Book available in the Investors section on the Qantas website.

Safety, Health, Environment & Security Committee (SHESC)

The SHESC:

- Has six Members – the CEO and five others who are Independent Non-Executive Directors
- Is chaired by John Schubert, an Independent Non-Executive Director
- Has a written Charter which is available in the Corporate Governance section on the Qantas website
- Is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:
  - Safety, health, environment and security matters
  - Compliance with related legal and regulatory obligations
  - Enterprise-wide risk management

The experience and qualifications of Members of the SHESC are detailed on pages 10 and 11. Membership of and attendance at 2009/2010 SHESC Meetings are detailed on page 29.

Internal Audit

The Internal Audit function provides independent, objective assurance and consulting services on Qantas' system of risk management, internal compliance, control and governance. The Internal Audit charter is approved by the Audit Committee and the Internal Auditor reports functionally to the Audit Committee.

Internal Audit adopts a risk-based approach in formulating its audit plan to align audit activities to the key risks across Qantas. The audit plan is reviewed every six months to align audit activity to changes to the Qantas Group business and risk profile. The audit plan is approved by the Audit Committee bi-annually and endorsed by the SHESC.

Audit projects performed by Internal Audit assist the Audit Committee and the SHESC to promote sound risk management and good corporate governance. Internal Audit assesses the design and operating effectiveness of controls for key business processes to mitigate risks identified in the Qantas risk profile. Management is responsible for ensuring that appropriate corrective actions are taken on the reported areas for improvement arising from audit projects within the required time frame. The status of audit Management actions are submitted monthly to the Executive Management and quarterly to the Audit Committee and the SHESC.

The Internal Audit function is independent of the external auditor, has full access to Management and the right to seek information and explanation. The Audit Committee oversees the scope of the Internal Audit function and has access to the Internal Auditor without the presence of Management.

CEO/CFO Declaration

As required by section 295A of the Corporations Act, the CEO and CFO have declared that:

"In our opinion:

a. the financial records of Qantas and its controlled entities (Qantas Group) for the financial year ended 30 June 2010 (Financial Period) have been properly maintained in accordance with section 286 of the Corporations Act;
b. the financial statements and the notes referred to in section 295(3)(b) of the Corporations Act for the Financial Period comply with the accounting standards and other mandatory professional reporting requirements; and
c. the financial statements and notes for the Financial Period give a true and fair view of the financial position and performance of the Qantas Group in accordance with section 297 of the Corporations Act."

In addition, in accordance with Recommendation 7.3 of the ASX Principles, the CEO and CFO also state to the Board that, in respect of the Qantas Group for the Financial Period:

a. "The declaration given in accordance with section 295A is founded on a sound system of risk management and internal compliance and control and the system is operating effectively in all material respects in relation to financial reporting risks; and
b. The statement given in accordance with Recommendation 7.3 (above) regarding the risk management and internal compliance and control system provide a reasonable, but not absolute level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future."

Corporate Governance Statement continued

for the year ended 30 June 2010

THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas Executive Remuneration Objectives and Approach is set out in full in the Directors' Report (from page 33).

Remuneration Committee

The Board has a Remuneration Committee which:

- Has three members who are Independent Non-Executive Directors
- Is chaired by James Strong, an Independent Non-Executive Director
- Has a written Charter which is available in the Corporate Governance section on the Qantas website
- Is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:
  - The remuneration framework for Non-Executive Directors
  - The remuneration and incentive framework, including any proposed equity incentive awards for the CEO, any other Executive Directors, Executive Committee Members and Senior Executives
  - Recommendations and decisions (as relevant) on remuneration and all incentive awards for the CEO, any other Executive Directors and Executive Committee Members
  - Strategic human resources policies

The experience and qualifications of Members of the Remuneration Committee are detailed on pages 10 and 11. Membership of and attendance at 2009/2010 Remuneration Committee Meetings are detailed on page 29.

The remuneration of Executive Management is disclosed to the extent required in the Remuneration Report from page 33.

Qantas Directors are entitled to statutory superannuation and certain travel entitlements (accrued during service) which are reasonable and standard practice in the aviation industry (see page 42).

Review of Executive Management Performance

At least annually, the Remuneration Committee undertakes a review of the performance of Executive Management against their Key Performance Indicators (KPIs). The process for evaluating the performance of Executive Management is detailed from page 33. Executive Management's performance for the 2009/2010 year was assessed against individual KPIs in August 2010. The structure of Non-Executive Directors' remuneration is detailed on page 39.

Financial Report

Contents

Directors' Report

for the year ended 30 June 2010

The Directors of Qantas Airways Limited (Qantas) present their Report together with the Financial Statements of the consolidated entity, being Qantas and its controlled entities (Qantas Group), for the year ended 30 June 2010 and the Independent Audit Report thereon.

DIRECTORS

The Directors of Qantas at any time during or since the end of the year are:

Leigh Clifford, AO
Alan Joyce
Colin Storrie (resigned 5 March 2010)
Peter Cosgrove, AC, MC
Patricia Cross
Richard Goodmanson
Garry Hounsell
Paul Rayner
John Schubert
James Strong, AO
Barbara Ward

Details of Directors, their qualifications, experience and any special responsibilities, including Qantas Committee Memberships, are set out on pages 10 and 11.

PRINCIPAL ACTIVITIES

The principal activities of the Qantas Group during the course of the year were the operation of international and domestic air transportation services, the provision of freight services, the operation of a Frequent Flyer loyalty program, the sale of international and domestic holiday tours and associated support activities including flight training, catering, passenger and ground handling, and engineering and maintenance. There were no significant changes in the nature of the activities of the Qantas Group during the year.

DIVIDENDS

No final dividend will be paid in relation to the year ended 30 June 2010. (2009: nil final dividend). No interim dividend was paid during the year.

REVIEW OF OPERATIONS AND STATE OF AFFAIRS

A review of, and information about, the Qantas Group's operations, including the results of those operations and changes in the state of affairs of the Qantas Group during the year together with information about the financial position of the Qantas Group, appear on pages 6 to 19. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Qantas Group that occurred during the year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the year and to the date of this Directors' Report, any other matter or circumstance that has significantly affected or may significantly affect the Qantas Group's operations, results of those operations or state of affairs in future years.

LIKELY DEVELOPMENTS

Further information about the likely developments in the operations of the Qantas Group in future years and the expected results of those operations has been omitted from this Directors' Report because disclosure of the information is likely to result in unreasonable prejudice to the Qantas Group. Further information about the Qantas Group's business strategies and its prospects for future years has been omitted from this Directors' Report because disclosure of the information is likely to result in unreasonable prejudice to the Qantas Group.

DIRECTORS' MEETINGS

The number of Directors' Meetings (including Meetings of Committees of Directors) held during the year are as follows:

	Qantas Board											
	Meetings		Sub-Committee Meetings[1]		Audit Committee		Safety, Health, Environment & Security Committee		Remuneration Committee		Nominations Committee	
Directors	**Attended**	**Held[2]**	**Attended**	**Held[3]**	**Attended**	**Held[4]**	**Attended**	**Held[4]**	**Attended**	**Held[4]**	**Attended**	**Held[4]**
Leigh Clifford	7	7	3	3	4[5]	4	2[5]	4	3[5]	3	2	2
Alan Joyce	7	7	3	3	4[5]	4	4	4	3[5]	3	–	–
Colin Storrie[6]	5	5	2	2	3[5]	3	–	–	–	–	–	–
Peter Cosgrove	7	7	–	–	–	–	4	4	1[5]	3	–	–
Patricia Cross	7	7	–	–	4	4	–	–	3	3	–	–
Richard Goodmanson[7]	7	7	–	–	1[5]	4	3	3	3	3	–	–
Garry Hounsell	7	7	1	1	4	4	–	–	1[5]	3	2	2
Paul Rayner	7	7	1	1	4	4	4	4	3[5]	3	–	–
John Schubert	7	7	–	–	–	–	4	4	–	–	2	2
James Strong[8]	7	7	–	–	–	–	–	–	3	3	1	1
Barbara Ward[9]	7	7	–	–	3	3	4	4	–	–	–	–

1. Sub-Committee Meetings convened for specific Board-related business.
2. Number of Meetings held during the time that the Director held office during the year.
3. Number of Meetings held and requiring attendance.
4. Number of Meetings held during the year that the Director held office and attended as a Committee Member or in an ex-officio capacity.
5. Attended Meetings in an ex-officio capacity.
6. Mr Storrie resigned as a Director on 5 March 2010.
7. Mr Goodmanson was appointed as a Member of the Safety, Health, Environment & Security Committee on 16 November 2009.
8. Mr Strong was appointed as a Member of the Nominations Committee on 16 November 2009.
9. Ms Ward was appointed as a Member of the Audit Committee on 16 November 2009.

Directors' Report continued

for the year ended 30 June 2010

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2010 – FOR THE PERIOD 1 JULY 2007 TO 30 JUNE 2010

Leigh Clifford	Qantas Airways Limited	– Current, appointed 9 August 2007
	Barclays Bank plc	– Current, appointed 1 October 2004
Alan Joyce	Qantas Airways Limited	– Current, appointed 28 July 2008
Peter Cosgrove	Qantas Airways Limited	– Current, appointed 6 July 2005
	Cardno Limited	– Current, appointed 26 March 2007
Patricia Cross	Qantas Airways Limited	– Current, appointed 1 January 2004
	National Australia Bank Limited	– Current, appointed 1 December 2005
	Wesfarmers Limited	– Ceased, appointed 11 February 2003 and ceased 24 March 2010
Richard Goodmanson	Qantas Airways Limited	– Current, appointed 19 June 2008
	Rio Tinto Limited	– Current, appointed 1 December 2004
	Rio Tinto plc	– Current, appointed 1 December 2004
Garry Hounsell	Qantas Airways Limited	– Current, appointed 1 January 2005
	Mitchell Communication Group Limited	– Current, appointed 1 September 2006
	Nufarm Limited	– Current, appointed 1 October 2004
	Orica Limited	– Current, appointed 21 September 2004
	PanAust Limited	– Current, appointed 1 July 2008
Paul Rayner	Qantas Airways Limited	– Current, appointed 16 July 2008
	Boral Limited	– Current, appointed 5 September 2008
	Centrica plc	– Current, appointed 1 September 2004
	British American Tobacco plc	– Ceased, appointed 1 January 2002 and ceased 30 April 2008
John Schubert	Qantas Airways Limited	– Current, appointed 23 October 2000
	BHP Billiton Limited	– Current, appointed 1 June 2000
	BHP Billiton plc	– Current, appointed 29 June 2001
	Commonwealth Bank of Australia	– Ceased, appointed 8 October 1991 and ceased 10 February 2010
James Strong	Qantas Airways Limited	– Current, appointed 1 July 2006
	IAG Finance (New Zealand) Limited	– Current, appointed 9 November 2004
	Insurance Australia Group Limited	– Current, appointed 10 August 2001
	Kathmandu Holdings Limited	– Current, appointed 16 October 2009
	Woolworths Limited	– Current, appointed 10 March 2000
Barbara Ward	Qantas Airways Limited	– Current, appointed 19 June 2008
	Brookfield Multiplex Capital Management Limited[1]	– Current, appointed 1 January 2010
	Lion Nathan Limited	– Ceased, appointed 21 February 2003 and ceased 21 October 2009
	Allco Finance Group Limited	– Ceased, appointed 27 April 2005 and ceased 25 January 2008
	Brookfield Multiplex Limited	– Ceased, appointed 22 October 2003 and ceased 31 October 2007

1. As responsible entity for a) Multiplex Prime Property Fund; b) Multiplex European Property Fund; and c) Multiplex Acumen Property Fund, each a listed Australian registered managed investment scheme.

QUALIFICATIONS AND EXPERIENCE OF EACH PERSON WHO IS A COMPANY SECRETARY OF QANTAS

Cassandra Hamlin – Company Secretary, BCom, CA, FCIS

—Joined Qantas in January 1996

—Appointed as a Secretary of Qantas in February 2006 and as Company Secretary in May 2007

—2001 to 2005 – Head of Qantas Investor Relations

—1996 to 2001 – various Qantas financial reporting roles, including Financial Reporting Manager

—Admitted as a Chartered Accountant with The Institute of Chartered Accountants in Australia in 1997

—Completed Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance in 2007

—Admitted as a Fellow of the Institute of Chartered Secretaries and Administrators (Australian Division) in 2007

Taryn Morton – Assistant Company Secretary, BA, LLB

—Joined Qantas in August 2008 and appointed as Assistant Company Secretary in December 2008

—2007 to 2008 – Company Secretary at Babcock and Brown for Group Real Estate Companies

—2000 to 2007 – various roles at Network Ten with legal and company secretariat responsibilities

—1997 to 2000 – various roles at Blake Dawson Waldron including Assistant Manager of Company Administration Services

—Admitted as a solicitor of the Supreme Court of NSW in 2003 and undertaking Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance

Directors' Report continued

for the year ended 30 June 2010

DIRECTORS' INTERESTS AND BENEFITS

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

Directors	Shares 2010 Number	Shares 2009 Number
Leigh Clifford	51,622	51,622
Alan Joyce	138,255	138,255
Peter Cosgrove[1]	2,314	2,314
Patricia Cross	10,474	5,474
Richard Goodmanson	20,000	20,000
Garry Hounsell	43,449	43,449
Paul Rayner	21,622	21,622
John Schubert	41,375	41,375
James Strong	30,670	30,670
Barbara Ward	17,597	17,597

1. Refer below for details of shares held by General Cosgrove under the Non-Executive Director Share Plan.

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

Peter Cosgrove	2010 Number	2009 Number
Deferred shares held in trust under:		
Non-Executive Director Share Plan[1]	14,799	7,692

1. General Cosgrove acquired these shares by salary sacrificing part of his Director's fee.

Alan Joyce	2010 Number	2009 Number
Deferred shares held in trust under:		
2004 Performance Share Plan	30,000	30,000
Alan Joyce Award (2005)	25,000	25,000
2005 Performance Share Plan	35,000	35,000
2006 Performance Share Plan	34,000	34,000
2006 Retention Plan	350,000	350,000
2007 Performance Share Plan	23,500	23,500
2007 Retention Plan	400,000	400,000
2008 Performance Share Plan	100,000	100,000
2009 Performance Share Plan	173,363	173,363
2010 Short Term Incentive Plan	1,166,000	–
	2,336,863	**1,170,863**
Rights granted under:		
2005 Performance Rights Plan	6,350[1]	13,750
2006 Performance Rights Plan	55,000[2]	55,000
2007 Performance Rights Plan	65,000[3]	65,000
2008 Performance Rights Plan	250,000[4]	250,000
2010-2012 Long Term Incentive Plan	250,000[4]	–
	626,350	**383,750**

1. Mr Joyce can call for these Rights to be converted to Qantas shares. 7,400 Rights expired following the final test on 30 June 2010.
2. Mr Joyce can call for 49,720 of these Rights to be converted to Qantas shares. The remaining balance may be called for over the next year only to the extent performance hurdles are achieved.
3. Mr Joyce can call for nil of these Rights to be converted to Qantas shares. The remaining balance may be called for over the next two years only to the extent performance hurdles are achieved.
4. Shareholders approved an award on 28 November 2008 for a pool of 750,000 Rights to be awarded. Rights have been awarded on 4 May 2009 and 9 September 2009.

Directors' Report continued

for the year ended 30 June 2010

RIGHTS

Performance Rights are awarded to select Qantas Group Executives under the Qantas Deferred Share Plan (DSP). Refer to page 35 for further details.

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

Performance Rights Reconciliation	2010 Number	2009 Number
Rights outstanding as at 1 July	6,916,092	6,121,033
Rights granted	3,925,000	3,117,000
Rights lapsed	(865,690)	(1,301,362)
Rights expired	(242,400)	–
Rights vested	(888,116)	(1,020,579)
Rights outstanding as at 30 June	**8,844,886**	**6,916,092**

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

The following Rights were outstanding at 30 June 2010:

			Number of Rights					
Testing Period	Grant Date	Value at Grant Date	2010 Net Vested	2010 Unvested	2010 Total	2009 Net Vested	2009 Unvested	2009 Total
30 Jun 07 – 30 Jun 09	18 Aug 04	$2.25	–	–	–	–	31,000	31,000
30 Jun 07 – 30 Jun 09	21 Oct 04	$2.28	–	–	–	–	90,000	90,000
30 Jun 07 – 30 Jun 09	13 Jan 05	$2.47	26,271	–	26,271	27,535	120,400	147,935
30 Jun 07 – 30 Jun 09	20 Jun 05	$1.88	–	–	–	–	1,000	1,000
30 Jun 08 – 30 Jun 10[1]	17 Aug 05	$1.98	6,350	13,320	19,670	6,350	26,640	32,990
30 Jun 08 – 30 Jun 10[1]	22 Nov 05	$2.67	89,690	92,130	181,820	137,383	105,820	243,203
30 Jun 08 – 30 Jun 10[1]	28 Mar 06	$2.28	–	2,664	2,664	–	2,664	2,664
30 Jun 09 – 30 Jun 11[2]	22 Aug 06	$2.39	52,415	8,640	61,055	–	190,000	190,000
30 Jun 09 – 30 Jun 11[2]	4 Oct 06	$2.95	321,326	74,719	396,045	–	914,300	914,300
30 Jun 09 – 30 Jun 11[2]	19 Oct 06	$3.17	14,850	26,400	41,250	–	275,000	275,000
30 Jun 10 – 30 Jun 12[3]	12 Dec 07	$4.42	–	390,111	390,111	–	527,000	527,000
30 Jun 10 – 30 Jun 12[3]	31 Mar 08	$2.75	–	1,204,500	1,204,500	–	1,344,000	1,344,000
30 Jun 11[4]	4 May 09	$1.64	–	2,831,500	2,831,500	–	3,117,000	3,117,000
30 Jun 12[5]	9 Sep 09	$2.05	–	3,690,000	3,690,000	–	–	–
			510,902	**8,333,984**	**8,844,886**	**171,268**	**6,744,824**	**6,916,092**

1. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2008.
2. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2009.
3. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2010.
4. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing. Testing will be done as at 30 June 2011.
5. These Rights may convert to Qantas shares to the extent performance hurdles have been achieved upon testing. Testing will be done as at 1 July 2012.

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited)

The Remuneration Report sets out remuneration information for Non-Executive Directors, the Chief Executive Officer (CEO) and Executive Committee. The Key Management Personnel (KMP) and five highest remunerated Executives for the 2009/2010 financial year are members of the Executive Committee (full membership is listed on page 14).

The format and content of the Remuneration Report has changed compared with recent years. This reflects changes that have been made to the Executive Remuneration Framework over the past year, with the introduction of a new Short Term Incentive Plan from 2009/2010 and the completion of a review of the Long Term Incentive Plan.

The information has been presented more concisely, while still providing the detailed disclosure elements required under the law for the Remuneration Report.

1) EXECUTIVE REMUNERATION OBJECTIVES AND APPROACH

In determining Executive remuneration the Board aims to do the following:

—Attract, retain and appropriately reward a capable Executive team

—Motivate the Executive team to meet the unique challenges it faces as a major international airline based in Australia

—Link remuneration to performance

To achieve this, Executive remuneration is set based on the size and nature of the role (with reference to market benchmarks) and the performance of the individual in the role. In addition, remuneration includes "at risk" or performance related elements for which the objectives are to:

—Link Executive reward with Qantas' business objectives and financial performance

—Align the interests of Executives with shareholders

—Support a culture of employee share ownership

—Support the retention of participating Executives

2) ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee (a committee of the Board, whose members are detailed on pages 10 and 11) has the role of reviewing and making recommendations to the Board on Executive remuneration at Qantas and ensuring remuneration decisions are appropriate from the perspectives of business performance, governance, disclosure, reward levels and market conditions.

In fulfilling its role, the Remuneration Committee is specifically concerned with ensuring that its approach will:

—Motivate the CEO, Executive Committee and broader Executive team to pursue the long-term growth and success of Qantas

—Demonstrate a clear relationship between performance and remuneration

—Ensure an appropriate balance between "fixed" and "at risk" remuneration, reflecting the short and long-term performance objectives of Qantas

—Differentiate between higher and lower performers through the use of a performance management framework

The Remuneration Committee considers advice from a range of independent external advisors in performing its role. The principal advisors referred to are PricewaterhouseCoopers, Ernst & Young and the HayGroup.

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

3) CEO AND EXECUTIVE COMMITTEE REMUNERATION FRAMEWORK

The Executive Remuneration Framework as it applies to the CEO and the Executive Committee comprises:

—Fixed Annual Remuneration

—The Short Term Incentive Plan

—The Long Term Incentive Plan

Fixed Annual Remuneration (FAR)

What is FAR?	FAR is a guaranteed salary level, inclusive of superannuation. FAR is reviewed annually under normal circumstances – and the opportunity for an annual review is included in the employment contracts of Executives at Qantas. Cash FAR, as disclosed in the remuneration tables, excludes salary sacrifice components such as superannuation (which is disclosed as Post-Employment Benefits) and includes movements in the value of annual leave balances during the year.
How is FAR set?	FAR is set with reference to external benchmark market data including comparable roles in other listed Australian companies and international airlines. An individual's FAR is not related to Qantas' performance in a specific year.
When is FAR reviewed?	A general Executive FAR freeze has been in place effective from 1 July 2007 and there were no increases in FAR for the CEO or KMPs during the year, other than in the appointment of the new CFO.

Short Term Incentive Plan (STIP)

What is the STIP?	The STIP is the annual "at risk" incentive plan for senior Executives at Qantas. Each year Executives may receive an award that is a combination of cash and shares if the plan's performance conditions are achieved.
How are the STIP performance conditions chosen and how is performance assessed?	At the start of the year the Board sets a "scorecard" of performance conditions for the STIP as follows:

Performance condition	Scorecard weighting
Group Underlying Profit Before Tax (PBT)	65%
Other financial and non-financial measures, tailored for each business segment	35%

Underlying PBT is the key budgetary and financial performance measure for the Qantas Group.

Other performance measures are selected to support the strategic agenda of the Qantas Group, either at a Group or business segment level. These measures vary by business segment, however each Scorecard includes a measure related to cost or revenue performance.

A threshold, target and maximum level of performance is set each year for each scorecard measure. At the conclusion of the year, the Board assesses performance against Group and Segment Scorecard targets.

An example Performance Scorecard and a description of how a STIP award is calculated is included on page 41.

How are STIP awards delivered?	If the performance conditions are achieved and the Qantas Group achieves the Group Underlying PBT threshold (determined by the Board), two thirds of the STIP reward is paid in cash, with the remaining one third deferred into Qantas shares. There is then a two year vesting period before ownership of the shares transfers to the Executive. The Board retains absolute discretion over STIP awards. For example, circumstances may occur where scorecard measures have been achieved or exceeded, but in the view of the Board it is inappropriate to make a cash award under the STIP. The Board may determine that either no award will be made, or that any award will be fully deferred. On the other hand, there may be circumstances where performance is below an agreed target, however the Board determines that it is appropriate to pay some STIP award. The cash portion of a STIP award is disclosed in the remuneration tables as a "Cash Incentive" and the deferred share portion as a "Share-based Payment".

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

Long Term Incentive Plan (LTIP)

What is the LTIP?

The LTIP involves the granting of Rights over Qantas shares. If performance conditions are satisfied the Rights vest and convert to Qantas shares. If performance conditions are not met, the Rights lapse.

What are the LTIP performance conditions and how is performance assessed?

Since 2007/2008, the performance conditions for LTIP awards have been:

—An Earnings Per Share target (EPS)

—The relative Total Shareholder Return (TSR) of Qantas compared to the S&P/ASX100 Index

The Board has approved a change to the LTIP target for the 2011-2013 LTIP. The new performance conditions are outlined below.

What is the vesting scale for the EPS performance hurdle?

Up to one-half of the total number of LTIP Rights awarded on 9 September 2009 under the 2010-2012 LTIP may vest subject to the follow scale:

EPS Performance (for the year ended 30 June 2012)	Vesting Scale
EPS result below threshold of $0.367	Nil vesting
EPS result between threshold of $0.367 and stretch target of $0.404	Linear scale: 50% to 99% vesting
EPS result at or above or above stretch target of $0.404	100% vesting

The EPS target does not represent an earnings forecast nor is it a disclosure of targets under Qantas' long-term budget. The target was set at a level that returns Qantas earnings to the levels achieved from 2005/2006 to 2007/2008.

For the 2007/2008 and 2008/2009 LTIP awards the EPS thresholds and stretch targets were expressed as compound annual growth rates. The EPS threshold for the 2007/2008 award was 9.5 per cent and for the 2008/2009 award was 6.0 per cent. The stretch targets for both years were a compound annual growth rate of 12.5 per cent.

What is the vesting scale for the relative TSR hurdle?

Up to one-half of the total number of LTIP Rights awarded on 9 September 2009 under the 2010-2012 LTIP may vest subject to Qantas' relative TSR ranking in the S&P/ASX100 Index over the three year performance period, as follows:

Qantas TSR Rank in the S&P/ASX100 Index	Vesting Scale
Below 50th percentile	Nil vesting
Between 50th to 74th percentile	Linear scale: 50% to 99% vesting
At or above 75th percentile	100% vesting

Since 2008, LTIP awards have been subject to a single test (with no retesting) at the conclusion of the three year performance period. Any Rights that do not meet the performance conditions at the test will lapse.

For the 2007/2008 Rights award, relative TSR versus the S&P/ASX100 Index was tested as at 30 June 2010 and further tests will occur each six months until 30 June 2012.

What changes have been made to the performance conditions for the 2011-2013 LTIP awards?

During 2009/2010, the Remuneration Committee reviewed the design of the Qantas LTIP. Based on the results of this review, at its June 2010 Meeting, the Board approved the following changes to the hurdles for the 2011-2013 LTIP award:

—Retain the relative TSR hurdle against the S&P/ASX100 Index

—Introduce a relative TSR hurdle against a global airline peer group

—Discontinue the EPS hurdle

Measuring relative TSR index against a global airline peer group is consistent with the Group's goal of being the "world's leading premium and low cost airlines".

In a cyclical industry, the setting of EPS targets each year for multi-year periods has presented considerable practical difficulties. As a result, the Board has decided to replace the EPS hurdle and instead measure the performance against its Airline Peer Group.

The Airline Peer Group will comprise the following basket of global listed airlines: Air France-KLM, Air New Zealand, AMR Corporation (American Airlines), British Airways, Cathay Pacific, Delta Northwest Airlines, Lufthansa, Ryanair, Singapore Airlines, Southwest Airlines, Tiger Airways and Virgin Blue.

How are Rights treated on termination?

Any Rights which have not vested will lapse if the relevant Executive ceases employment with the Qantas Group, except in limited special "good leaver" circumstances provided under the DSP Terms and Conditions (for example, retirement, death or total and permanent disablement). Rights will also lapse if the Executive is guilty of gross misconduct.

Other benefits such as superannuation and travel are detailed on page 42.

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

Summary of Key Contract Terms

Contract Details

		Alan Joyce	Bruce Buchanan	Gareth Evans	Rob Gurney	Simon Hickey	Lyell Strambi
Contract Length		Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration		$2,000,000	$800,000	$880,000	$700,000	$750,000	$850,000
Notice by Qantas		12 months	12 months	12 months[1]	12 months	12 months	12 months
Notice by Executive		12 months	6 months	6 months	6 months	6 months	6 months
Travel Entitlements		An annual benefit of trips for these Executives and eligible beneficiaries during employment, at no cost to the individual, as follows:					
		4 International	2 International	2 International	2 International	2 International	2 International
		12 Domestic	6 Domestic	6 Domestic	6 Domestic	6 Domestic	6 Domestic
		Post employment, the benefit is two international and six domestic trips, based on the period of service in a senior Executive role within the Qantas Group.					
STIP "at target" opportunity		120% of FAR	80% of FAR	80% of FAR	80% of FAR	80% of FAR	80% of FAR
LTIP "at target" opportunity		250,000 Rights[2]	25% of FAR	25% of FAR	25% of FAR	25% of FAR	25% of FAR
Target reward mix (as a % of total pay)	FAR	38%	49%				
	STIP	45%	39%				
	LTIP	17%	12%				

1. For Mr Evans, notice by Qantas of 12 months is made up of 6 month's written notice plus 6 month's severance pay.
2. Of the pool of 750,000 Rights approved by shareholders at the 2008 AGM, 250,000 Rights were awarded to the CEO in 2009/2010.

4) EXECUTIVE REMUNERATION OUTCOMES FOR THE YEAR ENDED 30 JUNE 2010

Qantas Performance – STIP Outcomes in 2009/2010

Qantas continued to maintain profitability through difficult trading conditions in 2009/2010, and performed strongly relative to many other global airlines in the period of recovery from the global financial crisis. The 2009/2010 Underlying PBT result of $377 million is more than triple the Underlying PBT result for the previous year.

Management contribution to this result was by way of:

- Effective management of capacity across the network, matching the general reduction in demand and then areas of recovery as economic conditions improved
- Significant unit cost reductions in both domestic and international operations, despite implementing the capacity reductions
- Maintenance of cash balances and investment grade credit ratings
- Maintenance of market share of business travellers
- Managing the delivery schedule of aircraft, both deferring aircraft delivery and recently renegotiating the B787 delivery schedule
- Jetstar's expansion in Asia
- Initiation of aircraft reconfiguration projects in the A380 and B747 fleets
- Refinancing of over $700 million of key standby and term loan facilities
- Establishing a strategic loyalty partnership with Woolworths
- Effective revenue management to drive recovery in yields across the operating networks of the Qantas Group

These contributions were reflected in a high level of achievement against the performance scorecard measures set by the Board for 2009/2010 STIP.

While the Board considers that management demonstrated strong performance in achieving these outcomes it is also mindful that no dividend was paid during 2009/2010 and that earnings for the Qantas Group remain lower than in some recent years.

Given this, cash bonuses were not paid for the 2009/2010 year, however the Board considered that it was appropriate to make an award of restricted shares based on the STIP Performance Scorecard outcomes.

The result achieved against the CEO's and Executive Committee's Performance Scorecards would produce a greater than 100 per cent STIP award under the normal operation of the plan. The Board determined, however, that a greater than "at target" scorecard result was not appropriate and instead awarded an "at target" outcome.

This award of shares may not be sold or otherwise dealt with by the Executive until August 2011 for 50 per cent of the shares and August 2012 for the remaining 50 per cent. The shares will be forfeited if the Executive resigns during this restriction period.

As share awards are expensed over the two year restriction period, the value of these share awards do not appear in the remuneration tables for the current year, but rather will be disclosed as a "Share-based Payment" in the remuneration tables in future periods.

Qantas Performance – LTIP Outcomes in 2009/2010

LTIP awards under the 2007/2008 Rights Plan award were first tested as at 30 June 2010. As detailed on page 35, the performance hurdles were:

- Qantas TSR performance relative to the S&P/ASX100 Index, for half of the award
- An EPS growth hurdle, for the other half of the award

The performance hurdles were not achieved and therefore no awards have vested under this plan.

Directors' Report continued

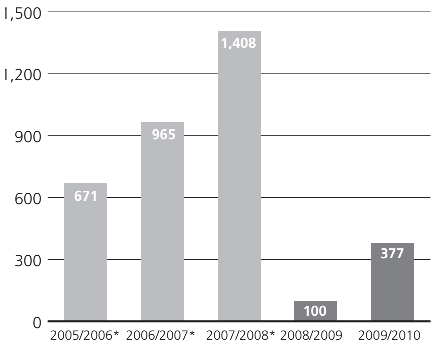
for the year ended 30 June 2010

Remuneration Report (Audited) continued

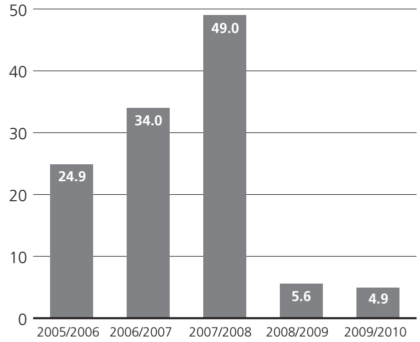
Qantas Financial Performance History

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

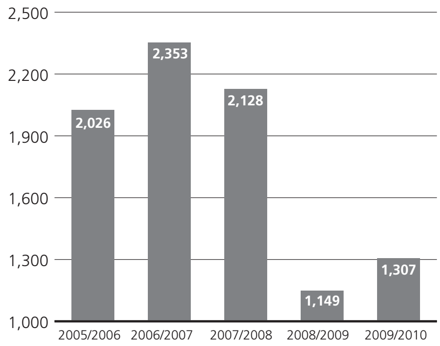
UNDERLYING PROFIT BEFORE TAX ($M)



EARNINGS PER SHARE (¢)



OPERATING CASH FLOW ($M)



* Figures for 2005/2006 to 2007/2008 are based on Statutory PBT.

QANTAS TSR PERFORMANCE v PEER GROUPS (%)

Management Changes During 2009/2010

Gareth Evans was appointed to the role of CFO on 15 June 2010 and his key contract terms are outlined on page 36.

Mr Evans' appointment followed Colin Storrie's departure from the Qantas Group for personal reasons. By mutual agreement he ceased employment and resigned as a Director of Qantas in March 2010. In accordance with his contract, Mr Storrie was paid 9.5 months FAR in lieu of notice. As a "good leaver" he was entitled to pro-rata participation in the 2009/2010 STIP and an "at target" payment was awarded based on eight out of the 12 months being worked for the year. Despite no cash bonuses being paid to continuing executives under the 2009/2010 STIP, in the circumstances of Mr Storrie's termination as a "good leaver", a cash payment was made. The payment of $697 thousand is disclosed in the remuneration tables as a Cash Incentive.

All Mr Storrie's unvested deferred shares lapsed on termination of employment. Mr Storrie's LTIP awards were pro-rated for time served. This involved lapsing a total of 114,889 Rights under the 2007 Performance Rights Plan, 2008 Performance Rights Plan and 2010-2012 LTIP, with 109,111 Rights remaining on-foot. All remaining 109,111 Rights were subsequently forfeited (with nil compensation). These forfeited Rights were fully expensed and disclosed as a Share-based payment in the remuneration table for Mr Storrie.

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

Remuneration for the year ended 30 June 2010 – Executives

	$'000		Short-Term Employee Benefits				Post-Employment Benefits			Other Long-Term Benefits	Share-based Payment[2]	Termination Benefits	Total[3,4]
			Cash FAR[1]	Cash Incentives	Non-Cash Benefits	Total	Superannuation	Travel	Total				
Executive Director	**Alan Joyce** Chief Executive Officer	2010	1,737	–	105	**1,842**	44	25	**69**	**49**	**964**	**–**	**2,924**
		2009	1,715	–	110	**1,825**	36	21	**57**	**529**	**1,253**	**–**	**3,664**
Key Management Personnel	**Bruce Buchanan[5]** CEO Jetstar	2010	776	–	51	**827**	14	25	**39**	**20**	**225**	**–**	**1,111**
		2009	590	–	16	**606**	10	21	**31**	**66**	**70**	**–**	**773**
	Gareth Evans Chief Financial Officer (15 Jun 10 to 30 Jun 10)	2010	43	–	1	**44**	1	25	**26**	**32**	**7**	**–**	**109**
		2009	n/a	n/a	n/a	**n/a**	n/a	n/a	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	Rob Gurney[5,6] Group Executive Qantas Commercial	2010	509	–	195	**704**	86	25	**111**	**16**	**184**	**–**	**1,015**
		2009	75	–	21	**96**	9	21	**30**	**2**	**22**	**–**	**150**
	Simon Hickey[5] CEO Qantas Frequent Flyer	2010	663	–	105	**768**	50	25	**75**	**18**	**400**	**–**	**1,261**
		2009	506	–	76	**582**	38	21	**59**	**30**	**448**	**–**	**1,119**
	Lyell Strambi[5] Group Executive Qantas Operations	2010	775	–	167	**942**	14	25	**39**	**21**	**232**	**–**	**1,234**
		2009	470	–	96	**566**	8	21	**29**	**12**	**25**	**–**	**632**
Other Disclosed Executives	**Brett Johnson** Qantas General Counsel	2010	535	–	145	**680**	100	25	**125**	**18**	**431**	**–**	**1,254**
		2009	n/a	n/a	n/a	**n/a**	n/a	n/a	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	Rob Kella Qantas Chief Risk Officer	2010	618	–	209	**827**	14	25	**39**	**17**	**375**	**–**	**1,258**
		2009	n/a	n/a	n/a	**n/a**	n/a	n/a	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Terminated Executive Director	**Colin Storrie[5]** Chief Financial Officer (1 Jul 09 to 5 Mar 10)	2010	675	697	97	**1,469**	31	25	**56**	**19**	**48**	**871**	**2,463**
		2009	742	–	110	**852**	35	21	**56**	**125**	**576**	**–**	**1,609**
	Total – Executives	**2010**	**6,331**	**697**	**1,075**	**8,103**	**354**	**225**	**579**	**210**	**2,866**	**871**	**12,629**
		2009	**4,098**	**–**	**429**	**4,527**	**136**	**126**	**262**	**764**	**2,394**	**–**	**7,947**

1. For the year ended 30 June 2010, annual leave entitlements are shown on an accruals basis as part of "Cash FAR". For previous reporting periods, annual leave benefit not taken was shown on termination. The movement in annual leave accruals from the date of becoming a KMP to 30 June 2009 is as follows: Mr Joyce ($444,000), Mr Buchanan ($86,000), Mr Evans (n/a), Mr Gurney ($56,000), Mr Hickey ($63,000), Mr Strambi ($28,000) and Mr Storrie ($45,000).
2. A breakdown of Share-based Payment is provided on page 43.
3. Further details on other transactions with Key Management Personnel are set out in Note 31 to the Financial Statements.
4. Directors' and Officers' liability insurance has not been included in the remuneration since it is not possible to determine an appropriate allocation basis.
5. 2009 remuneration reflects the period of time in a key management role – Mr Buchanan (1 Oct 2008 to 30 Jun 2009), Mr Gurney (5 May 2009 to 30 Jun 2009), Mr Hickey (1 Oct 2008 to 30 Jun 2009), Mr Strambi (1 Dec 2008 to 30 Jun 2009) and Mr Storrie (30 Sep 2008 to 30 Jun 2009).
6. Superannuation benefits are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 Employee Benefits.

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

Remuneration Mix

The target remuneration mix (refer page 36) will not match the actual remuneration mix for 2009/2010, as:

— No cash incentives were paid in 2009/2010, except to Mr Storrie

— Actual reward mix is calculated on an accrual basis in accordance with Accounting Standards, so includes the value of share-based payments awarded in previous years

		Performance Related Remuneration		
		Cash-based	Equity-based	
Actual Reward Mix	FAR & other	Cash Incentives	Share-based Awards	Rights Awards
Alan Joyce	67%	0%	24%	9%
Bruce Buchanan	80%	0%	11%	9%
Gareth Evans	94%	0%	4%	2%
Rob Gurney	82%	0%	9%	9%
Simon Hickey	68%	0%	23%	9%
Lyell Strambi	81%	0%	11%	8%
Brett Johnson	66%	0%	25%	9%
Rob Kella	70%	0%	21%	9%
Colin Storrie	70%	28%	(2%)	4%

5) NON-EXECUTIVE DIRECTOR FEES

Non-Executive Director fees are determined within an aggregate Non-Executive Directors' fee pool limit. An annual total fee pool of $2.5 million (excluding industry standard travel entitlements received) was approved by shareholders at the 2004 AGM. Non-Executive Directors' remuneration reflects the responsibilities of Non-Executive Directors and is determined based on the advice of independent remuneration consultants.

	Board		Committees[1]	
	Chairman[2]	Member	Chairman	Member
Board fees	$544,000	$136,000	$54,400	$27,200

1. Committees include the Audit Committee, Remuneration Committee, Nominations Committee, and Safety, Health, Environment & Security Committee.
2. The Chairman does not receive any additional fees for serving on, or chairing, any Board Committee.

Non-Executive Directors do not receive any performance related remuneration.

Non-Executive Directors are paid a travel allowance when travelling on international flights of greater than six hours to attend Board and Committee Meetings.

All Non-Executive Directors and eligible beneficiaries receive travel entitlements. The Chairman is entitled to four international trips and 12 domestic trips each calendar year and all other Non-Executive Directors are entitled to two international trips and six domestic trips each calendar year. These flights are not cumulative and will lapse if they are not used during the calendar year in which the entitlement relates. Post employment, the Chairman is entitled to two international trips and six domestic trips for each year of service and all other Non-Executive Directors are entitled to one international trip and three domestic trips for each year of service. The accounting value of the travel benefit is captured in the remuneration table on the following page (as a non-cash benefit for travel during the year and as a post-employment benefit).

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

Remuneration for the year ended 30 June 2010 – Non-Executive Directors

		Short-Term Employee Benefits			Post-Employment Benefits			
$'000		Cash FAR	Non-Cash Benefits	Total	Superannuation	Travel	Total	Total[1]
Leigh Clifford	2010	494	42	**536**	50	25	**75**	**611**
Chairman	2009	444	48	**492**	100	21	**121**	**613**
Peter Cosgrove[2,3]	2010	157	69	**226**	14	12	**26**	**252**
Non-Executive Director	2009	167	37	**204**	14	10	**24**	**228**
Patricia Cross	2010	176	107	**283**	14	12	**26**	**309**
Non-Executive Director	2009	160	66	**226**	30	10	**40**	**266**
Richard Goodmanson	2010	250	18	**268**	–	12	**12**	**280**
Non-Executive Director	2009	213	1	**214**	–	10	**10**	**224**
Garry Hounsell[4]	2010	203	74	**277**	14	12	**26**	**303**
Non-Executive Director	2009	258	35	**293**	14	10	**24**	**317**
Paul Rayner[5]	2010	155	75	**230**	35	12	**47**	**277**
Non-Executive Director	2009	160	47	**207**	13	10	**23**	**230**
John Schubert	2010	203	25	**228**	14	12	**26**	**254**
Non-Executive Director	2009	196	15	**211**	14	10	**24**	**235**
James Strong	2010	193	12	**205**	14	12	**26**	**231**
Non-Executive Director	2009	177	17	**194**	14	10	**24**	**218**
Barbara Ward[6]	2010	166	43	**209**	14	12	**26**	**235**
Non-Executive Director	2009	182	16	**198**	14	10	**24**	**222**
Total – Non-Executive Directors	**2010**	**1,997**	**465**	**2,462**	**169**	**121**	**290**	**2,752**
	2009	**1,957**	**282**	**2,239**	**213**	**101**	**314**	**2,553**

1. Directors' and Officers' liability insurance has not been included in the remuneration since it is not possible to determine an appropriate allocation basis.
2. The Employee Share Ownership Plan allows Non-Executive Directors to purchase shares at no discount to market price on a salary sacrifice basis, and operates under the DSP Terms and Conditions. General Cosgrove participated in this plan from July 2008 to June 2010. The value of shares is included above as a non-cash benefit.
3. General Cosgrove received payments for services rendered as a Director of Qantas Superannuation Limited.
4. In 2009, Mr Hounsell received a payment for services rendered as Chairman of the Qantas Frequent Flyer Due Diligence Committee.
5. 2009 remuneration reflects the period served by Mr Rayner as a Non-Executive Director (16 Jul 2008 to 30 Jun 2009).
6. Ms Ward received payments for services as a Director on a number of Qantas subsidiary leasing companies for the period 1 July 2008 to 26 February 2009.

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

6) ADDITIONAL INFORMATION

This section provides additional information on the remuneration framework, as it applies to members of the Executive Committee and their remuneration in 2009/2010.

STIP – Additional Information

Example Performance Scorecard	**PBT Target**	The PBT target is set based on the annual financial budget, however for reasons of commercial sensitivity the annual target is not disclosed. The target is adjusted for restructuring charges, the impact of approved accounting policy changes and adjustments for volatility from the mark-to-market of open hedge instruments under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement.
	Customer Service	Qantas performance in Skytrax World Airline Awards. Skytrax is a global, independent passenger survey of airline standards. In the 2010 survey, Qantas ranked seventh overall out of over 200 airlines rated by Skytrax.
	Operational / Punctuality	Punctuality is measured against on-time departures and arrivals targets. For Qantas Airlines and Jetstar Executives, the measure relevant to their business unit is used. For corporate Executives a combined figure is used.
	People / Safety	The objective of the People/Safety target is to reduce Lost Time Injury and Serious Injury rates of our employees. The targets at a Group level involve reducing the Lost Time Injury Frequency Rate by 24 per cent on the 2008/2009 result and reducing the Serious Injury Frequency Rate by 19 per cent.
	Unit Cost Reduction	Unit cost remains an area of focus across the business and, as a result, scorecards include a unit cost reduction performance measure. The unit cost target is set based on the annual financial budget. For example, for Qantas Airlines unit cost performance is calculated as Net Expenditure divided by Group Available Seat Kilometres (ASKs). To ensure the measure focuses on the underlying operating activities and efficiencies, the measure excludes the impact of fuel price changes and restructuring charges.

Calculating a STIP award	FAR	x	"at target" opportunity	x	Scorecard Result	x	Individual Performance Factor (IPF)
	The individual Executive's FAR.		An individual's target reward under the STIP, expressed as a percentage of FAR.		Performance against the scorecard (expressed as a percentage).		At the end of the year, performance against KPIs is assessed and each Executive is assigned an IPF based on their performance. Across all STIP participants, IPFs average to 1.0.

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

Other Benefits

Non-cash Benefits	Non-cash benefits, as disclosed in the remuneration tables, include salary sacrifice components such as motor vehicles and travel entitlements while employed.
Travel	Travel concessions are provided to permanent Qantas employees, consistent with practice in the airline industry. Travel at concessionary prices is on a sub-load basis, i.e. subject to considerable restrictions and limits on availability. It includes specified direct family members or parties. In addition to this and consistent with practice in the airline industry, Directors and Key Management Personnel and their specified direct family members or parties are entitled to a number of trips for personal purposes at no cost to the individual. Post-employment travel concessions are also available to all permanent Qantas employees who qualify through retirement or redundancy. The CEO and Key Management Personnel and their specified direct family members or parties are entitled to a number of free trips for personal purposes. An estimated present value of these entitlements is accrued over the service period of the individual and is disclosed as a post employment benefit.
Superannuation	Superannuation includes statutory and salary sacrifice superannuation contributions and the expense to the company of defined benefit superannuation entitlements.
Termination Payments	Qantas is bound by the contractual and statutory entitlements of its Executives on termination. Additional payments to terminating Executives may be made to a reasonable level where it is appropriate to do so taking into account legal and other considerations. Any termination payments will be subject to the relevant law concerning caps on termination payments to Executives.
Other Long-term Benefits	Other long-term benefits include the accrual of long service leave for Executives and other benefits which are long-term in nature.
Performance Share Plan – Discontinued	The Performance Share Plan (PSP) was discontinued in 2009. It was a medium-term deferred share incentive plan, that operated as follows: —At the start of Year 1, the Qantas Board set performance targets for each Balanced Scorecard measure —At the conclusion of Year 1, the Board assessed performance against each target and awarded deferred shares to Executives if targets were achieved —Any deferred shares awarded were subject to a vesting period which expires at the end of Year 2 in relation to one half of the shares and the end of Year 3 in relation to the other half of the shares —Generally, any unvested deferred shares would be forfeited if the relevant Executive ceases employment with the Qantas Group The grant date and number of deferred shares awarded to Key Management Personnel are outlined on page 87. The accounting expense relating to share grants are disclosed in the remuneration table on page 43.

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

Share-based Payments

Share-based payments are delivered under the Terms and Conditions and various rules of the DSP. The DSP Terms and Conditions were initially approved by shareholders at the 2002 AGM. At the 2006 AGM, shareholders again approved the DSP as the vehicle for the provision of equity benefits by Qantas. There have been no modifications to the DSP Terms and Conditions during the year. The following table provides a more detailed breakdown of the accounting expense of share-based payments to disclosed Executives.

$'000			PSP	RP[1]	LTIP	TOTAL	Supplemental Market Value[2]
Executive Director	Alan Joyce	2010	428	261	275	**964**	742
		2009	284	897	72	**1,253**	658
Key Management Personnel	Bruce Buchanan	2010	122	–	103	**225**	199
		2009	63	–	7	**70**	66
	Gareth Evans	2010	4	–	3	**7**	6
		2009	n/a	n/a	n/a	**n/a**	n/a
	Rob Gurney	2010	95	–	89	**184**	163
		2009	18	–	4	**22**	13
	Simon Hickey	2010	149	136	115	**400**	299
		2009	123	293	32	**448**	251
	Lyell Strambi[3]	2010	134	–	98	**232**	248
		2009	21	–	4	**25**	31
Other Disclosed Executives	Brett Johnson	2010	139	174	118	**431**	297
		2009	n/a	n/a	n/a	**n/a**	n/a
	Rob Kella	2010	131	136	108	**375**	277
		2009	n/a	n/a	n/a	**n/a**	n/a
Terminated Executive Director	Colin Storrie	2010	(41)	(4)	93	**48**	66
		2009	137	406	33	**576**	300
	Total	**2010**	**1,161**	**703**	**1,002**	**2,866**	**2,297**
		2009	**646**	**1,596**	**152**	**2,394**	**1,319**

1. The Retention Plan involved awards of deferred shares to individuals whose roles and contribution were identified as critical to the continued success of the Qantas Group. Awards under the Retention Plan involved awards of deferred shares with a service period of up to three years. Satisfactory performance, which involves achievement of personal KPIs was a further requirement under this plan. The number of shares held by KMPs under the Retention Plan are outlined on page 88. No awards were made under the Retention Plan in 2008/2009 or 2009/2010.
2. Under Accounting Standards, the value of a share-based payment is determined at grant date and recognised over the vesting period. No allowance is made when recognising the value of these awards for any movement in the share price after grant date before vesting conditions are met and the Executive becomes entitled to the shares. For example, the volume weighted share price used to determine the accounting value of grants issued under the Retention Plan to Executives in 2008 was $5.45. The supplemental market value at year end of share-based payments is based on the closing share price at 30 June 2010 of $2.20 (2009: $2.01) as a substitute for the volume weighted share price determined at grant date.
3. A sign-on award of 75,000 shares was made to Mr Strambi on 4 March 2009. The award operates in a similar manner to the PSP awards. Awards are subject to a ten-year holding lock, however Mr Strambi can call for the shares from 1 January 2011.

Performance Related Remuneration

Performance Remuneration affecting Future Periods

The fair value of share-based payments granted is amortised over the vesting period and therefore remuneration in respect of these awards may be reported in future years. The following table summarises the maximum value of these awards in future years. The minimum value of these awards is nil, should performance conditions not be satisfied.

Executives	2011 $'000	2012 $'000	2013 $'000
Alan Joyce	2,677	1,050	62
Bruce Buchanan	721	336	71
Gareth Evans	493	233	71
Rob Gurney	628	302	63
Simon Hickey	686	316	66
Lyell Strambi	834	379	77
Brett Johnson	658	301	64
Rob Kella	643	294	62

Directors' Report continued

for the year ended 30 June 2010

Remuneration Report (Audited) continued

LTIP awards – vesting and forfeiture

Awards of Rights under the LTIP may vest and convert to Qantas shares subject to the achievement of long-term performance hurdles. Any Rights that do not achieve the performance hurdles will be forfeited.

In 2009/2010, there was nil vesting and nil forfeiture under the 2007 Performance Rights Plan (granted on 12 December 2007 and 31 March 2008), 2008 Performance Rights Plan (granted on 4 May 2009) and 2010-2012 LTIP (granted on 9 September 2009).

The award to Colin Storrie under this plan is an exception, with forfeiture of 11 per cent of Rights awarded under the 2007 Performance Rights Plan, forfeiture of 44 per cent of Rights awarded under the 2008 Performance Rights Plan and forfeiture of 78 per cent of Rights awarded under the 2010-12 LTIP. There was nil vesting of Colin Storrie's awards under the above plans. All remaining 109,111 Rights were subsequently forteited (with nil compensation). These forfeited Rights were fully expensed and disclosed as a "Share-based Payment" in the remuneration table for Mr Storrie.

Number of Rights awarded, vested and exercised in 2009/2010

	2010		
	Awarded[1]	Vested[2]	Exercised[3]
Alan Joyce	250,000	49,720	–
Bruce Buchanan	119,000	–	–
Gareth Evans	55,000	18,080	–
Rob Gurney	104,000	18,080	18,191
Simon Hickey	112,000	31,640	–
Lyell Strambi	126,000	–	–
Brett Johnson	106,000	31,640	28,945
Rob Kella	104,000	31,640	28,945
Colin Storrie	90,000	30,765	45,249

1. Rights were awarded on 9 September 2009 with a nil exercise price. The weighted average fair value of the Rights award was $2.05.
2. The number of Rights which have met the performance hurdle during the year 7.7 per cent of the 2006 Performance Rights Plan met the performance hurdle during 2009/2010.
3. The number of Rights exercised represents the number of vested Rights called for by the Executive during the year.

Retention Plan (discontinued) – vesting and forfeiture

Awards to participants under the 2006 Retention Plan, granted on 16 August 2006 and 6 December 2006, fully vested during 2009/2010.

Awards to participants under the 2007/2008 Retention Plan (granted on 15 August 2007) had 68 per cent vesting in 2008/2009 and the remaining 32 per cent vesting during 2009/2010. The award to Colin Storrie under this plan is an exception, with 67 per cent vesting in 2008/2009, 22 per cent vesting during 2009/2010 but prior to his termination date, and the remaining 11 per cent were forfeited on termination.

Performance Share Plan (discontinued) – vesting and forfeiture

PSP awards to participants are subject to a one year minimum holding lock period for 50 per cent of any award and a two year minimum holding lock for the remaining 50 per cent of the award.

Awards to participants under the 2009 Performance Share Plan (granted on 19 August 2009) had nil vesting and nil forfeiture in 2009/2010. The award to Colin Storrie made under the 2009 Performance Share Plan is an exception to this, as the award was 100 per cent forfeited during 2009/2010.

Awards to participants under the 2008 Performance Share Plan (granted on 20 August 2008) had 50 per cent vesting during 2009/2010 and nil forfeiture. Awards to participants under the 2008/2009 Performance Share Plan (granted on 4 March 2009) had nil vesting and nil forfeiture during 2009/2010.

Qantas Code of Conduct & Ethics – Employee Share Trading Policy, Margin Loans and Hedging

The Qantas Code of Conduct & Ethics prohibits certain Nominated Qantas Employees from entering into any hedging or margin lending arrangement or otherwise granting a charge over the securities of any Qantas Group Listed Entity, where control of any sale process relating to those securities may be lost.

Once equity entitlements vest and convert to unrestricted shareholdings in the name of each participant under the relevant equity plan, participants are free to deal with their shareholdings subject to the Qantas Code of Conduct & Ethics and Employee Share Trading Policy.

Directors' Report continued

for the year ended 30 June 2010

ENVIRONMENTAL OBLIGATIONS

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

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

The Directors are not aware of any breaches of any environmental legislation or of any significant environmental incidents during the year which are material in nature.

INDEMNITIES AND INSURANCE

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

The Directors listed on pages 10 and 11, the Company Secretary and Assistant Company Secretary listed on page 30 and certain individuals who formerly held any one of these positions, have the benefit of the indemnity in the Qantas Constitution. Members of the Qantas Executive Committee listed on page 14 and certain former members of the Executive Committee have the benefit of an indemnity to the fullest extent permitted by law and as approved by the Board. In respect to non-audit services, KPMG, Qantas' auditor, has the benefit of an indemnity to the extent KPMG reasonably relies on information provided by Qantas which is false, misleading or incomplete. No amount has been paid under any of these indemnities during 2009/2010 or to the date of this Report.

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

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

NON-AUDIT SERVICES

During the year, KPMG, Qantas' auditor, has performed certain other services in addition to its statutory duties.

The Directors are satisfied that:

a. The non-audit services provided during the 2009/2010 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001
b. Any non-audit services provided during the 2009/2010 financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:
   - KPMG services have not involved partners or staff acting in a managerial or decision-making capacity within the Qantas Group or being involved in the processing or originating of transactions
   - KPMG non-audit services have only been provided where Qantas is satisfied that the related function or process will not have a material bearing on the audit procedures
   - KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes
   - A description of all non-audit services undertaken by KPMG and the related fees have been reported to the Board to ensure complete transparency in relation to the services provided
   - The declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from KPMG

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

Details of the amounts paid to the auditor of Qantas, KPMG, for audit and non-audit services provided during the year are set out in Note 7 to the Financial Statements.

Directors' Report continued

for the year ended 30 June 2010

KPMG

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

To: the Directors of Qantas Airways Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010, there have been:

i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

KPMG
Sydney, 30 August 2010

Martin Sheppard
Partner

Rounding

Qantas is a company of a kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100 dated 10 July 1998. In accordance with the Class Order, amounts in this Directors' Report and the Financial Report have been rounded to the nearest million dollars unless otherwise stated.

Signed pursuant to a Resolution of the Directors:

Leigh Clifford
Chairman
30 August 2010

Alan Joyce
Chief Executive Officer

Consolidated Income Statement

for the year ended 30 June 2010

	Notes	Qantas Group 2010 $M	2009 $M
REVENUE AND OTHER INCOME			
Net passenger revenue		10,938	11,604
Net freight revenue		821	764
Other	3	2,013	2,184
Revenue and other income		**13,772**	**14,552**
EXPENDITURE			
Manpower and staff related		3,405	3,684
Fuel		3,283	3,602
Aircraft operating variable		2,675	2,834
Depreciation and amortisation		1,199	1,390
Non-cancellable aircraft operating lease rentals		525	450
Ineffective and non-designated derivatives	25	173	(105)
Share of net loss of associates and jointly controlled entities	15	4	15
Other	3	2,255	2,479
Expenditure		**13,519**	**14,349**
Statutory profit before income tax expense and net finance costs		**253**	**203**
Finance income	5	181	207
Finance costs	5	(256)	(229)
Net finance costs	5	**(75)**	**(22)**
Statutory profit before income tax expense		**178**	**181**
Income tax expense	6	62	58
Statutory profit for the year		**116**	**123**
Attributable to:			
Members of Qantas		112	117
Non-controlling interests		4	6
Statutory profit for the year		**116**	**123**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic/diluted earnings per share (cents)	8	4.9	5.6

UNDERLYING PBT (NON-STATUTORY MEASURE)			
Statutory profit before income tax expense and net finance costs		**253**	**203**
Adjusted for:			
—Ineffective and non-designated derivatives relating to other reporting periods	2(A)	156	(173)
—Non-recurring items	2(A)	59	106
Underlying profit before income tax expense and net finance costs (Underlying EBIT)	2	**468**	**136**
Adjusted for:			
—Statutory net finance costs	5	(75)	(22)
—Ineffective and non-designated derivatives relating to other reporting periods affecting net finance costs	2(A)	(16)	(14)
Underlying profit before income tax expense (Underlying PBT)	2	**377**	**100**

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

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2010

	Qantas Group	
	2010 $M	**2009 $M**
Statutory profit for the year	**116**	**123**
Transfer of hedge reserve to the Income Statement, net of tax[1]	122	(81)
Recognition of effective cash flow hedges on capitalised assets, net of tax	120	(61)
Effective portion of changes in fair value of cash flow hedges, net of tax	(135)	(300)
Foreign currency translation of controlled entities	(3)	8
Foreign currency translation of associates	(10)	–
Hedge reserve movement of associates, net of tax	7	(8)
Other comprehensive income for the year	**101**	**(442)**
Total comprehensive income for the year	**217**	**(319)**
Total comprehensive income attributable to:		
Members of Qantas	213	(325)
Non-controlling interests	4	6
Total comprehensive income for the year	**217**	**(319)**

1. Amounts transferred from the hedge reserve to the Income Statements totalled $122 million (2009: ($81 million)). These amounts were allocated to revenue of $83 million (2009: $430 million), fuel expenditure of $251 million (2009: $314 million), finance costs of $6 million (2009: nil) and income tax benefit of $52 million (2009: income tax expense of $35 million) in the Consolidated Income Statement.

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

Consolidated Balance Sheet

as at 30 June 2010

	Notes	Qantas Group 2010 $M	2009 $M
CURRENT ASSETS			
Cash and cash equivalents	10	3,704	3,617
Receivables	11	1,088	1,054
Other financial assets	25	233	561
Inventories	12	319	250
Current tax receivable		–	128
Assets classified as held for sale	13	91	26
Other	14	397	330
Total current assets		**5,832**	**5,966**
NON-CURRENT ASSETS			
Receivables	11	407	522
Other financial assets	25	102	344
Investments accounted for using the equity method	15	378	387
Other investments		3	3
Property, plant and equipment	16	12,516	12,155
Intangible assets	17	668	664
Other		4	8
Total non-current assets		**14,078**	**14,083**
Total assets		**19,910**	**20,049**
CURRENT LIABILITIES			
Payables	19	1,750	1,833
Revenue received in advance	20	3,167	3,109
Interest-bearing liabilities	21	619	608
Other financial liabilities	25	242	641
Provisions	22	448	507
Deferred lease benefits		11	16
Liabilities classified as held for sale	13	4	–
Total current liabilities		**6,241**	**6,714**
NON-CURRENT LIABILITIES			
Revenue received in advance	20	1,067	1,232
Interest-bearing liabilities	21	5,099	4,895
Other financial liabilities	25	231	268
Provisions	22	560	533
Deferred tax liabilities	18	715	607
Deferred lease benefits		16	35
Total non-current liabilities		**7,688**	**7,570**
Total liabilities		**13,929**	**14,284**
Net assets		**5,981**	**5,765**
EQUITY			
Issued capital	23	4,729	4,729
Treasury shares		(54)	(58)
Reserves	23	109	7
Retained earnings		1,155	1,043
Equity attributable to members of Qantas		5,939	5,721
Non-controlling interests		42	44
Total equity		**5,981**	**5,765**

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2010

Qantas Group $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interest	Total Equity
Balance as at 1 July 2008	**3,976**	**(61)**	**53**	**421**	**(24)**	**1,366**	**4**	**5,735**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
Statutory profit for the year	–	–	–	–	–	117	6	123
Other comprehensive income								
Transfer of hedge reserve to the Income Statement, net of tax	–	–	–	(81)	–	–	–	(81)
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	(61)	–	–	–	(61)
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(300)	–	–	–	(300)
Foreign currency translation of controlled entities	–	–	–	–	8	–	–	8
Hedge reserve movement of associates, net of tax	–	–	–	(8)	–	–	–	(8)
Total other comprehensive income	**–**	**–**	**–**	**(450)**	**8**	**–**	**–**	**(442)**
Total comprehensive income for the year	**–**	**–**	**–**	**(450)**	**8**	**117**	**6**	**(319)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY								
Contributions by and distributions to owners								
Shares issued	517	–	–	–	–	–	–	517
Own shares acquired	–	(58)	–	–	–	–	–	(58)
Share-based payments	–	–	59	–	–	–	–	59
Shares vested to employees	–	61	(60)	–	–	(1)	–	–
Dividends declared	236	–	–	–	–	(439)	(5)	(208)
Total contributions by and distributions to owners	**753**	**3**	**(1)**	**–**	**–**	**(440)**	**(5)**	**310**
Change in ownership interests in subsidiaries								
Non-controlling interest in controlled entities acquired	–	–	–	–	–	–	39	39
Total change in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**39**	**39**
Total transactions with owners	**753**	**3**	**(1)**	**–**	**–**	**(440)**	**34**	**349**
Balance as at 30 June 2009	**4,729**	**(58)**	**52**	**(29)**	**(16)**	**1,043**	**44**	**5,765**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
Statutory profit for the year	–	–	–	–	–	112	4	116
Other comprehensive income								
Transfer of hedge reserve to the Income Statement, net of tax	–	–	–	122	–	–	–	122
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	120	–	–	–	120
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(135)	–	–	–	(135)
Foreign currency translation of controlled entities	–	–	–	–	(3)	–	–	(3)
Foreign currency translation of associates	–	–	–	–	(10)	–	–	(10)
Hedge reserve movement of associates, net of tax	–	–	–	7	–	–	–	7
Total other comprehensive income	**–**	**–**	**–**	**114**	**(13)**	**–**	**–**	**101**
Total comprehensive income for the year	**–**	**–**	**–**	**114**	**(13)**	**112**	**4**	**217**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY								
Contributions by and distributions to owners								
Own shares acquired	–	(16)	–	–	–	–	–	(16)
Share-based payments	–	–	21	–	–	–	–	21
Shares vested to employees	–	20	(20)	–	–	–	–	–
Dividends declared	–	–	–	–	–	–	(4)	(4)
Total contributions by and distributions to owners	**–**	**4**	**1**	**–**	**–**	**–**	**(4)**	**1**
Change in ownership interest in subsidiaries								
Return of capital to non-controlling interest by controlled entity	–	–	–	–	–	–	(2)	(2)
Total change in ownership interest in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Total transactions with owners	**–**	**4**	**1**	**–**	**–**	**–**	**(6)**	**(1)**
Balance as at 30 June 2010	**4,729**	**(54)**	**53**	**85**	**(29)**	**1,155**	**42**	**5,981**

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

Consolidated Cash Flow Statement

for the year ended 30 June 2010

	Notes	Qantas Group 2010 $M	Qantas Group 2009 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		14,376	15,462
Cash payments in the course of operations		(13,125)	(13,918)
Interest received		149	191
Interest paid		(238)	(334)
Dividends received		16	22
Income taxes refunded/(paid)		129	(274)
Net cash from operating activities	26	**1,307**	**1,149**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		(1,688)	(1,530)
Proceeds from disposal of property, plant and equipment		27	52
Proceeds from sale and leaseback of non-current assets		74	323
Proceeds from disposal of controlled entity		–	5
Payments for investments		(14)	(23)
Payments for controlled entities acquired, net of cash acquired	27	–	10
Net cash used in investing activities		**(1,601)**	**(1,163)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	514
Payments for treasury shares		(16)	(58)
Proceeds from borrowings		1,352	1,448
Repayments of borrowings		(974)	(653)
Proceeds/(payments) from swaps		1	(24)
Net receipts from aircraft security deposits		22	23
Dividends paid to members of Qantas[1]		–	(203)
Dividends paid to non-controlling interests		(4)	(15)
Net cash from financing activities		**381**	**1,032**
Net increase in cash and cash equivalents held		**87**	**1,018**
Cash and cash equivalents held at the beginning of the year		3,617	2,599
Cash and cash equivalents at the end of the year	10	**3,704**	**3,617**

1. During the year nil (2009: 83 million) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year totalled nil (2009: $236 million).

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

Notes to the Financial Statements

for the year ended 30 June 2010

1. Statement of Significant Accounting Policies

Qantas Airways Limited (Qantas) is a company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and which is subject to the operation of the Qantas Sale Act as described in the Corporate Governance Statement.

The consolidated Financial Report for the year ended 30 June 2010 comprises Qantas and its controlled entities (together referred to as the Qantas Group) and the Qantas Group's interest in associates and jointly controlled entities.

The Financial Report of Qantas for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 30 August 2010.

(A) STATEMENT OF COMPLIANCE

The Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Report also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

(B) BASIS OF PREPARATION

The Financial Report is presented in Australian dollars and has been prepared on the basis of historical costs except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values. Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Qantas is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006). In accordance with that Class Order, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

The accounting policies set out below have been consistently applied to all periods presented in the consolidated Financial Report.

The Qantas Group has adopted revised AASB 3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no impact in the current financial year.

The Qantas Group has elected to apply AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project to the annual reporting period beginning 1 July 2009. There are no changes resulting from the adoption of this standard except for excluding disclosure of segment assets and liabilities.

The following standards, amendments to standards and interpretations have been identified as those which may impact Qantas in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this Financial Report.

- AASB 9 Financial Instruments and consequential amendments in AASB 2009-11 Amendments to Australian Accounting Standards, includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Qantas Group has not yet determined the effect of the amendments to AASB 9, which will become mandatory for the Qantas Group's 30 June 2014 Financial Statements
- AASB 124 Related Party Disclosures (revised December 2009) and amendments in AASB 2009-12 Amendments to Australian Accounting Standards, simplifies and clarifies the definition of a related party. The Qantas Group has not yet determined the effect of the amendments, which will become mandatory for the Qantas Group's 30 June 2012 financial statements with retrospective application required
- AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB 14, make amendments to Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments, which will become mandatory for the Qantas Group's 30 June 2012 financial statements with retrospective application required, are not expected to have any impact on the Financial Statements

(C) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of a Financial Report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of AASBs that have a significant effect on the Financial Report and estimates with a significant risk of material adjustment in future periods are highlighted below.

Change in Accounting Estimates – Passenger Aircraft Residual Value

Effective 1 January 2010, the estimated residual values of passenger aircraft were revised to between nil and 10 per cent of acquisition cost. The estimated residual values had been between nil and 20 per cent.

These changes resulted in an increase in depreciation expense of the Qantas Group for the period from 1 January 2010 to 30 June 2010 of $50 million. The annual impact of these changes will progressively decrease until the end of the estimated useful lives of the affected assets.

Change in Accounting Estimates – Software

The Qantas Group revised the estimated useful lives of core system software from five to 10 years effective 1 January 2009. The net effect of the change in the current financial year was a decrease in amortisation expense of the Qantas Group by $26 million (2009: $17 million).

Change in Accounting Estimates – Qantas Frequent Flyer

Qantas Frequent Flyer changed the accounting estimates of the fair value of points and breakage expectation effective 1 January 2009. The launch of the Qantas Frequent Flyer enhanced program in July 2008 has improved the reliability of Management's estimate of the fair value of the award for which points are expected to be redeemed. The effect of this change is being applied prospectively from 1 January 2009 for new points issued. Unredeemed points as at 1 January 2009 remain deferred at the previous estimate and will be redeemed at this value until these points are extinguished.

If the accounting estimates had not been changed, the reported revenue of the Qantas Group would be lower by $153 million (2009: $164 million of which $84 million relates to a non-recurring benefit arising from the direct earn conversion implemented in 2009).

Notes to the Financial Statements continued

for the year ended 30 June 2010

1. Statement of Significant Accounting Policies continued

(D) PRINCIPLES OF CONSOLIDATION

Controlled Entities

Controlled entities are entities controlled by Qantas. Control exists when Qantas has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The Financial Statements of controlled entities are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Consolidated Financial Statements.

Non-controlling interests in the results and equity of controlled entities are shown separately in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Balance Sheet.

Associates and Jointly Controlled Entities

Associates are those entities in which the Qantas Group has significant influence, but not control or joint control, over the financial and operating policies.

Jointly controlled entities are those entities over whose activities the Qantas Group has joint control, established by contractual agreement.

Investments in associates and jointly controlled entities are accounted for using the equity accounting method. The investments are carried at the lower of the equity accounted amount and the recoverable amount.

The Qantas Group's share of the associates' and jointly controlled entity's post-acquisition profit or loss is recognised in the Consolidated Income Statement from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The Qantas Group's share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying value of the investment. Dividends reduce the carrying amount of the equity accounted investment.

When the Qantas Group's share of losses exceeds its equity accounted carrying value of an associate or jointly controlled entity, the Qantas Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Qantas Group has incurred legal or constructive obligations or made payments on behalf of an associate or jointly controlled entity.

(E) FOREIGN CURRENCY

Transactions

Transactions in foreign currencies are translated to functional currency at the rates of exchange prevailing at the date of each transaction except where hedge accounting is applied. At balance date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rates of exchange prevailing at that date. Resulting exchange differences are brought to account as exchange gains or losses in the Income Statement in the year in which the exchange rates change. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates prevailing at the dates the fair value was determined.

Translation of Foreign Operations

Assets and liabilities of foreign operations, including controlled entities and investments in associates and jointly controlled entities, are translated at the rates of exchange prevailing at balance date. The Income Statements of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Exchange differences arising on translation are recognised in other comprehensive income and are presented within equity in the foreign currency translation reserve. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognised in the Income Statement in the year of disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognised in other comprehensive income and are presented within equity in the foreign currency translation reserve.

(F) DERIVATIVE FINANCIAL INSTRUMENTS

The Qantas Group is subject to foreign currency, interest rate, fuel price and credit risks. Derivative and non-derivative financial instruments are used to hedge these risks. It is Qantas policy not to enter into, issue or hold derivative financial instruments for speculative trading purposes.

Derivative financial instruments are recognised at fair value both initially and on an ongoing basis. Transaction costs attributable to the derivative are recognised in the Consolidated Income Statement when incurred. The method of recognising gains and losses resulting from movements in market prices depends on whether the derivative is a designated hedging instrument, and if so, the nature of the risk being hedged. The Qantas Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or hedges of highly probable forecast transactions (cash flow hedges). Gains and losses on derivative financial instruments qualifying for hedge accounting are recognised in the same category in the Consolidated Income Statement as the underlying hedged item. Changes in underlying market conditions or hedging strategies could result in recognition in the Consolidated Income Statement of changes in fair value of derivative financial instruments designated as hedges.

Qantas documents at the inception of the transaction the relationship between hedging instruments and hedged items, including the risk management objective and strategy for undertaking each transaction. Qantas also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedge transactions have been and will continue to be highly effective.

Fair Value Hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash Flow Hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income and are presented within equity in the hedge reserve. The cumulative gain or loss in the hedge reserve is recognised in the Consolidated Income Statement in the periods when the hedged item will affect profit or loss (i.e. when the underlying income or expense is recognised). Where the hedged item is of a capital nature, the cumulative gain or loss recognised in the hedge reserve is transferred to the carrying amount of the asset or liability when the asset or liability is recognised.

Notes to the Financial Statements continued

for the year ended 30 June 2010

1. Statement of Significant Accounting Policies continued

(F) DERIVATIVE FINANCIAL INSTRUMENTS continued

When a hedging instrument expires or is sold, terminated or exercised, or Qantas revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in the hedge reserve and is recognised in accordance with the above policy when the transaction occurs. If the underlying hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in the hedge reserve with respect to the hedging instrument is recognised immediately in the Consolidated Income Statement.

Ineffective and Non-designated Derivatives

From time to time, certain derivative financial instruments do not qualify for hedge accounting notwithstanding that the derivatives are held to hedge identified exposures. Any changes in the fair value of a derivative instrument, or part of a derivative instrument, that does not qualify for hedge accounting are classified as 'ineffective' and recognised immediately in the Consolidated Income Statement.

Fair Value Calculations

The fair value of financial instruments traded in active markets is based on quoted market prices at balance date. The fair value of financial instruments that are not traded in an active market are estimated using valuation techniques consistent with accepted market practice. The Qantas Group uses a variety of methods and input assumptions that are based on market conditions existing at balance date.

Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or payables of associates and jointly controlled entities are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(G) REVENUE RECOGNITION

Passenger, Freight and Tours and Travel Revenue

Passenger and freight revenue is measured at the fair value of the consideration received, net of sales discount, passenger and freight interline/IATA commission and Goods and Services Tax (GST). Other sales commissions paid by Qantas are included in expenditure. Tours and travel revenue is measured at the net amount of commission retained by Qantas.

Passenger, freight and tours and travel revenue is recognised when passengers or freight are uplifted or when tours and travel air tickets and land content are utilised. Unused tickets are recognised as revenue using estimates based on the terms and conditions of the ticket.

Passenger recoveries (including fuel surcharge on passenger tickets) are included in the net passenger revenue. Freight fuel surcharge is included in the net freight revenue.

Frequent Flyer Revenue

Redemption Revenue

Revenue received for the issuance of points is deferred as a liability (revenue received in advance) until the points are redeemed or the passenger is uplifted in the case of Qantas Group flight redemptions.

Redemption revenue is measured based on management's estimate of the fair value of the expected awards for which the points will be redeemed. The fair value of the awards are reduced to take into account the proportion of points that are expected to expire (breakage).

Marketing Revenue

Marketing revenue associated with the issuance of points is recognised when the service is performed (typically on the issuance of the point).

Marketing revenue is measured as the difference between the cash received on issuance of a point and the redemption revenue.

Membership Fee Revenue

Membership fee revenue results from an initial joining fee charged to members. Revenue is recognised on expiry of any refund period.

Contract Work Revenue

Contract work revenue results from the rendering of services associated with contracts.

Where services performed are in accordance with contractually agreed terms over a short period and are task specific, revenue is recognised when the services have been performed or when the resulting ownership of the goods passes to the customer.

Revenue on long-term contracts to provide goods or services is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably measured or otherwise on completion of the contract.

Other Income

Income resulting from claims for liquidated damages is recognised as other income when all performance obligations are met, including when a contractual entitlement exists, it can be reliably measured (including the impact of the receipt, if any, on the underlying assets' carrying value) and it is probable that the economic benefits will accrue to the Qantas Group.

Revenue from aircraft charter and leases, property income, Qantas Club membership fees, freight terminal and service fees, commission revenue and other miscellaneous income is recognised as other income at the time service is provided.

Asset Disposals

Gains or losses on the disposal of assets are recognised at the date the significant risks and rewards of ownership of the asset passes to the buyer, usually when the purchaser takes delivery of the asset. The gain or loss is determined by comparing the proceeds on disposal with the carrying amount of the asset.

Aircraft Financing Fees

Fees relating to linked transactions involving the legal form of a lease are recognised as revenue only when there are no significant obligations to perform or refrain from performing, significant activities and Management determines there are no significant limitations on use of the underlying asset and the possibility of reimbursement is considered remote. Where these criteria are not met, fees are brought to account as revenue or expenditure over the period of the respective lease or on a basis which is representative of the pattern of benefits derived from the leasing transactions, with the unamortised balance being held as a deferred lease benefit.

Dividend Revenue

Dividends are recognised as revenue when the right to receive payment is established. Dividend revenue is recognised net of any franking credits or withholding tax.

Notes to the Financial Statements continued

for the year ended 30 June 2010

1. Statement of Significant Accounting Policies continued

(H) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Consolidated Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(I) MAINTENANCE AND OVERHAUL COSTS

Accounting for the cost of providing major airframe and certain engine maintenance checks for owned aircraft is described in the accounting policy for property, plant and equipment in Note 1(P). With respect to operating lease agreements, where the Qantas Group is required to return the aircraft with adherence to certain maintenance conditions, provision is made during the lease term. This provision is based on the present value of the expected future cost of meeting the maintenance return condition having regard to the current fleet plan and long-term maintenance schedules. The present value of non-maintenance return conditions is provided for at the inception of the lease.

All other maintenance costs are expensed as incurred, except overhaul costs covered by third party maintenance agreements where there is a transfer of risk and legal obligation, which are expensed on the basis of hours flown. Modifications that enhance the operating performance or extend the useful lives of airframes or engines are capitalised and depreciated over the remaining estimated useful life of the asset.

(J) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax liability is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date and any adjustment to tax payable with respect to previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in controlled entities and associates and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Qantas provides for income tax in both Australia and overseas jurisdictions where a liability exists.

(K) TAX CONSOLIDATION

Qantas and its Australian wholly-owned controlled entities and partnerships are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity.

(L) RECEIVABLES

Current receivables are recognised and carried at original invoice amount less impairment losses. Bad debts are written off as incurred. Non-current receivables are carried at the present value of future net cash inflows expected to be received.

(M) CONTRACT WORK IN PROGRESS

Contract work in progress is stated at cost plus profit recognised to date, in accordance with Note 1(G), less an allowance for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Qantas Group's contract activities based on normal operating capacity.

Contract work in progress is presented as part of trade and other receivables in the Consolidated Balance Sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the Consolidated Balance Sheet.

(N) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The costs of engineering expendables, consumable stores and work in progress are assigned to the individual items of inventories on the basis of weighted average costs.

(O) IMPAIRMENT

Non-financial Assets

The carrying amounts of non-financial assets (other than inventories and deferred tax assets) are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill and intangible assets with indefinite lives, the recoverable amount is estimated each year.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. Assets which primarily generate cash flows as a group, such as aircraft, are assessed on a cash generating unit (CGU) basis inclusive of related infrastructure and intangible assets and compared to net cash flows for the CGU. Estimated net cash flows used in determining recoverable amounts are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An appropriate impairment charge is made if the carrying amount of an asset or CGU exceeds its recoverable amount. The impairment is expensed in the year in which it occurs. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss with respect to goodwill is not reversed.

Financial Assets

The carrying value of financial assets is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Notes to the Financial Statements continued

for the year ended 30 June 2010

1. Statement of Significant Accounting Policies continued

(P) PROPERTY, PLANT AND EQUIPMENT

Owned Assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Items of property, plant and equipment are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. The cost of acquired assets includes the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate. The unwinding of the discount is treated as a finance charge.

An element of the cost of an acquired aircraft is attributed to its service potential reflecting the maintenance condition of its engines and airframe. This cost is depreciated over the shorter of the period to the next major inspection event or the remaining life of the asset.

The standard cost of subsequent major airframe and engine maintenance checks is capitalised and depreciated over the shorter of the scheduled usage period to the next major inspection event or the remaining life of the aircraft. Manpower costs in relation to employees who are dedicated to major modifications to aircraft are capitalised as part of the cost of the modification to which they relate.

Borrowing costs associated with the acquisition of qualifying assets, such as aircraft and the acquisition, construction or production of significant items of other property, plant and equipment, are capitalised as part of the cost of the asset to which they relate.

Depreciation

Depreciation is provided on a straight-line basis on all items of property, plant and equipment except for freehold land which is not depreciated. The depreciation rates of owned assets are calculated so as to allocate the cost or valuation of an asset, less any estimated residual value, over the asset's estimated useful life to the Qantas Group. Assets are depreciated from the date of acquisition or, with respect to internally constructed assets, from the time an asset is completed and available for use. The costs of improvements to assets are depreciated over the remaining useful life of the asset or the estimated useful life of the improvement, whichever is the shorter. Assets under finance lease are depreciated over the term of the relevant lease or, where it is likely the Qantas Group will obtain ownership of the asset, the life of the asset.

The principal asset depreciation periods and estimated residual value percentages are:

	Years	Residual Value (%)
Buildings and leasehold improvements	10 – 40	0
Plant and equipment	3 – 20	0
Passenger aircraft and engines	2.5 – 20	0 – 10
Freighter aircraft and engines	2.5 – 20	0 – 20
Aircraft spare parts	15 – 20	0 – 20

Depreciation rates and residual values are reviewed annually and reassessed having regard to commercial and technological developments, the estimated useful life of assets to the Qantas Group and the long-term fleet plan.

Leased and Hire Purchase Assets

Leased assets under which the Qantas Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Linked transactions involving the legal form of a lease are accounted for as one transaction when a series of transactions are negotiated as one or take place concurrently or in sequence and cannot be understood economically alone.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments and guaranteed residual value are recorded at the inception of the lease. Any gains and losses arising under sale and leaseback arrangements are deferred and depreciated over the lease term where the sale is not at fair value. Capitalised leased assets are depreciated on a straight-line basis over the period in which benefits are expected to arise from the use of those assets. Lease payments are allocated between the reduction in the principal component of the lease liability and the interest element. The interest element is charged to the Consolidated Income Statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Fully prepaid leases are classified in the Consolidated Balance Sheet as hire purchase assets, to recognise that the financing structures impose certain obligations, commitments and/or restrictions on the Qantas Group, which differentiate these aircraft from owned assets.

Leases are deemed to be non-cancellable if significant financial penalties associated with termination are anticipated.

Operating Leases

Rental payments under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the term of the lease.

With respect to any premises rented under long-term operating leases, which are subject to sub-tenancy agreements, provision is made for any shortfall between primary payments to the head lessor less any recoveries from sub-tenants. These provisions are determined on a discounted cash flow basis, using a rate reflecting the cost of funds.

Manufacturers' Credits

The Qantas Group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction to the cost of the related aircraft and engines. Where the aircraft are held under operating leases, the credits are deferred and reduced from the operating lease rentals on a straight-line basis over the period of the related lease as deferred credits.

Capital Projects

Capital projects are disclosed within the categories to which they relate and are stated at cost. When the asset is ready for its intended use, it is capitalised and depreciated.

Notes to the Financial Statements continued

for the year ended 30 June 2010

1. Statement of Significant Accounting Policies continued

(Q) INTANGIBLE ASSETS

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill acquired before transition to IFRS is carried at deemed cost.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs and is tested annually for impairment. With respect to associates and jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the investment in the associate or the jointly controlled entity.

Negative goodwill arising on an acquisition is recognised directly in the Consolidated Income Statement.

Airport Landing Slots

Airport landing slots are stated at cost less any accumulated impairment losses. Airport landing slots are allocated to the relevant CGU and are not amortised as they are considered to have an indefinite useful life and are tested annually for impairment.

Software

Software is stated at cost less accumulated amortisation and impairment losses. Software development expenditure, including the cost of materials, direct labour and other direct costs, is only recognised as an asset when the Qantas Group controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate and the costs can be measured reliably. Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful life of three to 10 years.

Brand Names and Trademarks

Brand names and trademarks are carried at cost less any accumulated impairment losses. Brand names and trademarks are allocated to the relevant CGU and are not amortised as they are considered to have an indefinite useful life and are tested annually for impairment.

Customer Contracts/Relationships

Customer contracts/relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the estimated timing of benefits expected to be received from those assets, which ranges from 10 to 15 years.

(R) PAYABLES

Liabilities for trade creditors and other amounts payable are carried at cost.

(S) EMPLOYEE BENEFITS

Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries, annual leave (including leave loading) and sick leave vesting to employees are recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled including related on-costs, such as workers compensation insurance, superannuation and payroll tax.

Employee Share Plans

The fair value of equity-based entitlements granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is estimated at grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument. The amount recognised as an expense is adjusted to reflect the actual number of entitlements that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Long Service Leave

The liability for long service leave is recognised as a provision for employee benefits and measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on staff turnover history and is discounted using the Australian Government bonds rate at balance date which most closely matches the terms to maturity of the related liabilities. The unwinding of the discount is treated as a finance charge.

Defined Contribution Superannuation Plans

The Qantas Group contributes to employee defined contribution superannuation plans. Contributions to these plans are recognised as an expense in the Consolidated Income Statement as incurred.

Defined Benefit Superannuation Plans

The Qantas Group's net obligation with respect to defined benefit superannuation plans is calculated separately for each plan. The Qantas Superannuation Plan has been split based on the divisions which relate to accumulation members and defined benefit members. Only defined benefit members are included in the Qantas Group's net obligation calculations. The calculation estimates the amount of future benefit that employees have earned in return for their service in the current and prior periods, which is discounted to determine its present value and the fair value of any plan assets is deducted.

The discount rate used is the yield at balance date on government bonds that have maturity dates approximating to the terms of the Qantas Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefits relating to past service by employees is recognised as an expense in the Consolidated Income Statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Consolidated Income Statement.

In calculating the Qantas Group's obligation with respect to a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the Consolidated Income Statement over the expected average remaining working lives of the active employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in plan assets exceeding plan liabilities, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Various actuarial assumptions underpin the determination of the Qantas Group's defined benefit obligation and are discussed in Note 30.

Notes to the Financial Statements continued

for the year ended 30 June 2010

1. Statement of Significant Accounting Policies continued

Employee Termination Benefits

Provisions for termination benefits are only recognised when there is a detailed formal plan for the termination and where there is no realistic possibility of withdrawal.

(T) PROVISIONS

A provision is recognised if, as a result of a past event, there is a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as a finance charge.

Dividends

A provision for dividends is recognised in the financial year in which the dividends are declared, for the entire amount, regardless of the extent to which the dividend will be paid in cash.

Workers Compensation Insurance

The Qantas Group is a licensed self-insurer under the New South Wales Workers Compensation Act, the Victorian Accident Compensation Act and the Queensland Workers Compensation and Rehabilitation Act. Qantas has made provision for all notified assessed workers compensation liabilities, together with an estimate of liabilities incurred but not reported, based on an independent actuarial assessment discounted using Australian Government bond rates that have maturity dates approximating the terms of Qantas' obligations. Workers' compensation for all remaining employees is commercially insured.

(U) EARNINGS PER SHARE

Basic earnings per share is determined by dividing the Qantas Group's net profit attributable to members of the Qantas Group by the weighted average number of shares on issue during the current year.

Diluted earnings per share is calculated after taking into account the number of ordinary shares to be issued for no consideration in relation to dilutive potential ordinary shares.

(V) CASH AND CASH EQUIVALENTS

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

(W) NET FINANCE COSTS

Net finance costs comprise interest payable on borrowings calculated using the effective interest method, unwinding of the discount on provisions and receivables, interest receivable on funds invested, gains and losses on mark-to-market movement in fair value hedges. Finance income is recognised in the Consolidated Income Statement as it accrues, using the effective interest method. Where interest costs relate to qualifying assets, they are capitalised to the cost of the assets. Qualifying assets are assets that necessarily take a substantial period of time to be made ready for intended use. Where funds are borrowed generally, borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's debt facilities.

(X) INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost, with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis. Interest-bearing liabilities that are designated as hedged items are subject to measurement under the hedge accounting requirements.

(Y) ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continued use are classified as held for sale. Immediately before classification as held for sale, the measurement of the assets or components of a disposal group is brought up-to-date in accordance with applicable Accounting Standards. Thereafter, the assets, or disposal group, are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the Consolidated Income Statement, even when there is a revaluation.

(Z) SHARE CAPITAL

Ordinary Shares

Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any related income tax benefit.

Repurchase of Share Capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

Treasury Shares

Shares held by the Qantas sponsored employee share plan trust are recognised as treasury shares and deducted from equity.

(AA) COMPARATIVES

Various comparative balances have been reclassified to align with current year presentation. These amendments have no material impact on the Financial Statements.

Notes to the Financial Statements continued

for the year ended 30 June 2010

2. Underlying PBT and Operating Segments

(A) UNDERLYING PBT

Underlying PBT is the primary reporting measure used by the Qantas Group's chief operating decision making bodies, being the Executive Committee and the Board of Directors, for the purpose of assessing the performance of the Group.

Underlying PBT is a non-statutory measure, which excludes certain impacts of AASB 139: Financial Instruments: Recognition and Measurement (AASB 139) and items that management consider to be non-recurring in nature. Qantas removes these items to provide more useful information that more accurately reflects the underlying performance of the Group.

All derivative transactions undertaken by the Qantas Group represent economic hedges of underlying risk and exposures. The Qantas Group does not enter into speculative derivative transactions. Notwithstanding this, AASB 139 requires certain mark-to-market movements in derivatives which are classified as 'ineffective' to be recognised immediately in the Consolidated Income Statement. The recognition of derivative valuation movements in reporting periods which differ from the designated transaction causes volatility in statutory profit that does not reflect the hedging nature of these derivatives.

Underlying PBT reports all hedge derivative gains and losses in the same reporting period as the underlying transaction by adjusting the current reporting period's statutory profit for derivative mark-to-market movements that relate to underlying exposures in other reporting periods.

Non-recurring items are those items which by their nature are considered necessary to separately disclose in the Qantas Group's results.

Underlying PBT is calculated as follows:

- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with current year exposures remain included in Underlying PBT
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with underlying exposures which will occur in future reporting period are excluded from Underlying PBT
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with capital expenditure are excluded from Underlying PBT and subsequently included in Underlying PBT as an implied adjustment to depreciation expense for the related assets commencing when the assets are available for use
- Derivative mark-to-market movements recognised in previous reporting period's statutory profit that are associated with underlying exposures which occurred in the current year are included in Underlying PBT
- Underlying PBT excludes the impact of items identified as non-recurring

All derivative mark-to-market movements which have been excluded from Underlying PBT will be recognised through Underlying PBT in future periods when the underlying transaction occurs.

The primary reporting measure of the Qantas Group's operating segments is Underlying EBIT. Underlying EBIT excludes net finance costs from Underlying PBT as these costs are managed centrally and are not allocated to operating segments.

Underlying EBIT is calculated by adjusting Underlying PBT for statutory net finance costs and the impact on net finance costs of ineffective and non-designated derivatives relating to other reporting periods using a consistent methodology as outlined above.

The calculation of Underlying EBIT and Underlying PBT is detailed in the table below.

		Qantas Group	
	Notes	2010 $M	2009 $M
Statutory profit before income tax expense and net finance costs (Statutory EBIT)		**253**	**203**
Ineffectiveness and non-designated derivatives relating to other reporting periods			
Exclude current year derivative mark-to-market movements relating to underlying exposures in future years		51	(61)
Exclude current year derivative mark-to-market movements relating to capital expenditure		77	(110)
Include prior years' derivative mark-to-market movements relating to underlying exposures in the current year		29	(2)
Include adjustment to depreciation expense relating to excluded capital expenditure mark-to-market movements		(1)	–
		156	(173)
Non-recurring items			
Gain on sale of Qantas Holidays and Qantas Business Travel		–	(86)
Revenue from direct earn conversion		–	(84)
Accelerated depreciation and impairment losses, net of impairment reversals			
—Property, plant and equipment and related provisions for costs to sell		48	152
—Investments		–	(4)
—Goodwill and other intangible assets		–	22
Redundancies, restructuring and other provisions		11	106
		59	106
Underlying EBIT	2(C)	**468**	**136**
Underlying net finance costs			
Statutory net finance costs	5	(75)	(22)
Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs		(16)	(14)
	2(C)	(91)	(36)
Underlying PBT	2(C)	**377**	**100**

Notes to the Financial Statements continued

for the year ended 30 June 2010

2. Underlying PBT and Operating Segments continued

(B) DESCRIPTION OF OPERATING SEGMENTS

The Qantas Group comprises the following operating segments:

1. Qantas – representing the Qantas passenger flying businesses and related businesses
2. Jetstar – representing the Jetstar passenger flying businesses, including Jetstar Asia and the investment in Jetstar Pacific
3. Qantas Freight – representing the air cargo and express freight businesses
4. Qantas Frequent Flyer – representing the Qantas Frequent Flyer customer loyalty program
5. Jetset Travelworld Group – representing the Group's investment in the Jetset Travelworld Group

Costs associated with the centralised management and governance of the Qantas Group, together with certain items which are not allocated to business segments, are reported as Corporate/Unallocated.

Fuel and foreign exchange hedge gains/losses are allocated to Segments based on the timing of underlying transactions.

Intersegment revenue has been determined on an arm's length basis or a cost plus margin basis depending on the nature of the revenue. Ancillary and support services are allocated to segments on a cost only basis.

(C) ANALYSIS BY OPERATING SEGMENT

2010 $M	Qantas	Jetstar	Qantas Freight	Qantas Frequent Flyer	Jetset Travelworld Group	Corporate/ Unallocated	Eliminations	Consolidated Underlying
REVENUE AND OTHER INCOME								
External segment revenue	9,588	2,012	1,003	1,038	104	17	10	13,772
Intersegment revenue	1,021	185	4	70	31	14	(1,325)	–
Total segment revenue and other income	**10,609**	**2,197**	**1,007**	**1,108**	**135**	**31**	**(1,315)**	**13,772**
Share of net (loss)/profit of associates and jointly controlled entities	(13)	(3)	12	–	–	–	–	(4)
EBITDAR[1]	**1,415**	**463**	**61**	**330**	**20**	**(103)**	**9**	**2,195**
Non-cancellable operating lease rentals	(279)	(315)	(6)	–	–	–	73	(527)
Depreciation and amortisation[2]	(1,069)	(17)	(13)	(2)	(6)	(20)	(73)	(1,200)
Underlying EBIT	**67**	**131**	**42**	**328**	**14**	**(123)**	**9**	**468**
Underlying net finance costs								(91)
Underlying PBT								**377**

1. Profit before income tax expense, depreciation, amortisation, non-cancellable operating lease rentals and net finance costs (EBITDAR) includes $153 million (Qantas Frequent Flyer $152 million and Eliminations $1 million) representing the full year impact of the change in accounting estimate described in Note 1(C).
2. Depreciation and amortisation includes $50 million (Qantas $48 million and Corporate/Unallocated $2 million) representing the six month impact of the change in residual value estimate for passenger aircraft described in Note 1(C).

2009 $M	Qantas	Jetstar	Qantas Freight	Qantas Frequent Flyer	Jetset Travelworld Group	Corporate/ Unallocated	Eliminations	Consolidated Underlying
REVENUE AND OTHER INCOME								
External segment revenue	10,532	1,653	1,077	1,019	117	(23)	7	14,382
Intersegment revenue	1,092	198	3	30	28	16	(1,367)	–
Total segment revenue and other income[1]	**11,624**	**1,851**	**1,080**	**1,049**	**145**	**(7)**	**(1,360)**	**14,382**
Share of net (loss)/profit of associates and jointly controlled entities	(13)	(15)	13	–	–	–	–	(15)
EBITDAR[2]	**1,363**	**373**	**25**	**226**	**22**	**(205)**	**33**	**1,837**
Non-cancellable operating lease rentals	(253)	(251)	(6)	–	–	–	60	(450)
Depreciation and amortisation	(1,106)	(15)	(12)	–	(6)	(52)	(60)	(1,251)
Underlying EBIT	**4**	**107**	**7**	**226**	**16**	**(257)**	**33**	**136**
Underlying net finance costs								(36)
Underlying PBT								**100**

1. Consolidated underlying revenue of $14,382 million differs from Consolidated sales and other income of $14,552 million as a result of the gain on sale of Qantas Holidays ($86 million) and the revenue from direct earn conversion ($84 million). Both of these items are reported in the Consolidated Income Statement as other revenue.
2. Of the net change in accounting estimates of $164 million in relation to frequent flyer accounting as described in Note 1(C), EBITDAR includes $80 million (Qantas Frequent Flyer $63 million and Eliminations $17 million) representing the six month impact of the change in accounting estimate.

Notes to the Financial Statements continued

for the year ended 30 June 2010

3. Other Revenue and Expenditure

	Qantas Group	
	2010 $M	2009 $M
OTHER REVENUE		
Tours and travel revenue	172	223
Contract work revenue	402	426
Ancillary passenger revenue	334	238
Passenger service fees	295	246
Lease revenue	165	189
Other	645	862
Total other revenue	**2,013**	**2,184**
OTHER EXPENDITURE		
Selling and marketing	572	632
Property	396	402
Computer and communication	405	406
Capacity hire	249	274
Other	633	765
Total other expenditure	**2,255**	**2,479**

4. Statutory Profit before Income Tax Expense and Net Finance Costs

The following are included in statutory profit before income tax expense and net finance costs:

(A) SIGNIFICANT ITEMS		
Change in frequent flyer estimates[1]	153	164
Change in passenger aircraft residual value estimates[2]	(50)	–
Change in software useful life estimates[3]	26	17
Gain on sale of Qantas Holidays and Qantas Business Travel[4]	–	86
Accelerated depreciation and impairment losses, net of impairment reversals		
—Property, plant and equipment and related provisions for costs to sell[5]	(48)	(152)
—Investments[6]	–	4
—Goodwill and other intangible assets[6]	–	(22)
Redundancies, restructuring and other provisions[7]	(11)	(106)

1. During the year ended 30 June 2009, the Qantas Group changed its estimate of the fair value of a frequent flyer point and breakage which resulted in $153 million (2009: $164 million) of additional revenue. For the year ended 30 June 2009, $84 million of this additional revenue related to a non-recurring benefit arising from the direct earn conversion implemented during the year. Refer to Note 1(C) for further details.
2. During the year ended 30 June 2010, the Qantas Group changed the estimated residual value for passenger aircraft resulting in an increase in depreciation expense by $50 million (2009: nil). Refer to Note 1(C) for further details.
3. During the year ended 30 June 2009, the Qantas Group changed the estimated useful lives of core system software resulting in a decrease in amortisation expense by $26 million (2009: $17 million). Refer to Note 1(C) for further details.
4. In July 2008, the Qantas Group sold Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Ltd in exchange for a 58 per cent ownership interest in the combined group resulting in a gain on sale of $86 million after transaction costs. Refer to Note 27 for further details.
5. During the year ended 30 June 2009, the Qantas Group announced its intention to reduce capacity and ground or retire certain aircraft. In addition to these plans to ground certain aircraft, the Qantas Group has disposed of a number of other aircraft during the years ending 30 June 2009 and 30 June 2010. This resulted in a net impairment charge/accelerated depreciation of $48 million and $152 million in the years ended 30 June 2010 and 2009 respectively, to reduce the carrying value of these aircraft to their fair value less costs to sell.
6. During the year ended 30 June 2009, the Qantas Group recorded impairment losses on certain investments of $15 million and goodwill and other intangible assets of $22 million following a review of the carrying value of these assets. In addition, immediately prior to the acquisition of Orangestar Investment Holdings Pte Limited ("Orangestar"), the Qantas Group reversed $19 million of prior year impairment losses recorded against the carrying value of the investment in Orangestar. Refer to Note 27 for further details.
7. During the year ended 30 June 2009, as part of the plans to reduce capacity, the Qantas Group announced plans to restructure the business. These plans resulted in restructuring expenses of $106 million. During the year ended 30 June 2010, the Qantas Group incurred transaction costs relating to the Jetset Travelworld Group merger transaction anticipated to occur in the year ended 30 June 2011, and the Qantas Group changed the estimates and assumptions in respect of other non-recurring provisions.

(B) OTHER ITEMS REQUIRING DISCLOSURE		
Share-based payments[1]	(21)	(59)
Net (loss)/gain on disposal of other property, plant and equipment and intangible assets	(15)	17
Government grants	2	10
Net foreign currency (losses)/gains	(11)	542
Restructuring and redundancies (excluding significant items)	(23)	(49)
Non-aircraft operating lease rentals	(188)	(224)

1. Refer to Note 24 for further details.

Notes to the Financial Statements continued

for the year ended 30 June 2010

5. Net Finance Costs

	Qantas Group	
	2010 $M	2009 $M
FINANCE INCOME		
Related parties		
—Associates and jointly controlled entities	10	10
Unwinding of discount on receivables	19	33
Interest income on financial assets measured at amortised cost	152	164
Total finance income	**181**	**207**
FINANCE COSTS		
Finance leases	11	25
Interest expense on financial liabilities measured at amortised cost	272	287
Fair value hedges		
—Fair value adjustments on hedged items	(71)	379
—Fair value adjustments on derivatives designated in a fair value hedge	48	(403)
Less: capitalised interest[1]	(44)	(83)
Total finance costs on financial liabilities	216	205
Unwinding of discount on provisions and other liabilities	40	24
Total finance costs	**256**	**229**
Net finance costs	**(75)**	**(22)**

1. The borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's debt facilities being 6.1 per cent (2009: 8.1 per cent).

6. Income Tax

	Qantas Group	
	2010 $M	2009 $M
RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		
Current income tax expense		
Current year	–	49
Adjustments for prior years	–	8
	–	57
Deferred income tax expense		
Origination and reversal of temporary differences	317	15
Adjustments for prior years	–	(15)
Benefit of tax losses recognised	(255)	–
Utilisation of recognised tax losses	–	1
	62	1
Total income tax expense in the Consolidated Income Statement	**62**	**58**
RECONCILIATION BETWEEN INCOME TAX EXPENSE AND STATUTORY PROFIT BEFORE INCOME TAX EXPENSE		
Statutory profit before income tax expense	**178**	**181**
Income tax using the domestic corporate tax rate of 30 per cent	53	54
Add/(less) adjustments for (non-assessable income)/non-deductible expenditure:		
—Non-assessable gain on sale of Qantas Holidays and Qantas Business Travel	–	(26)
—Non-deductible share of net loss of associates and jointly controlled entities	1	5
—Utilisation of previously unrecognised losses	(4)	(11)
—Non-deductible writedown of investments and goodwill	–	6
—Non-deductible infrastructure bond interest	9	9
—Other items	3	13
Under provision in prior years	–	8
Income tax expense	**62**	**58**
RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Cash flow hedges	46	(189)
Income tax expense/(benefit) recognised directly in the Consolidated Statement of Comprehensive Income	**46**	**(189)**

Notes to the Financial Statements continued

for the year ended 30 June 2010

7. Auditor's Remuneration

	Qantas Group 2010 $000	Qantas Group 2009 $000
AUDIT SERVICES		
Auditors of Qantas – KPMG Australia		
—Audit and review of Financial Report – Qantas Group (excluding Jetset Travelworld Group)	2,777	2,756
—Audit and review of Financial Report – Jetset Travelworld Group	584	594
—Other regulatory audit services – Qantas Group (excluding Jetset Travelworld Group)	53	147
—Other regulatory audit services – Jetset Travelworld Group	12	6
Overseas KPMG firms		
—audit and review of Financial Report	308	332
Total audit services	**3,734**	**3,835**
OTHER SERVICES		
Audit related services		
Auditors of Qantas – KPMG Australia		
—Due diligence services – Qantas Group (excluding Jetset Travelworld Group)	70	4,086
—Due diligence services – Jetset Travelworld Group	1,733	–
—Other audit related services – Qantas Group (excluding Jetset Travelworld Group)	526	490
Overseas KPMG firms		
—Due diligence services	–	1,363
Total audit related services	**2,329**	**5,939**
Taxation services		
Auditors of Qantas – KPMG Australia		
—Taxation services – Qantas Group (excluding Jetset Travelworld Group)	360	270
—Taxation services – Jetset Travelworld Group	44	56
Overseas KPMG firms		
—Taxation services	226	257
Total taxation services	**630**	**583**
Other non-audit services		
Auditors of Qantas – KPMG Australia		
—Other non-audit services – Qantas Group (excluding Jetset Travelworld Group)	323	365
Overseas KPMG firms		
—Other non-audit services	24	–
Total other non-audit services	**347**	**365**
Total other services	**3,306**	**6,887**
Total auditor's remuneration	**7,040**	**10,722**

8. Earnings per Share

	Qantas Group 2010	Qantas Group 2009
	Cents	**Cents**
Basic/diluted earnings per share	**4.9**	**5.6**
	$M	**$M**
Statutory profit attributable to members of Qantas	**112**	**117**
	Number M	**Number M**
WEIGHTED AVERAGE NUMBER OF SHARES		
Issued shares as at 1 July	2,265	1,894
Effect of shares issued 1 October 2008	–	41
Effect of shares issued 11 February 2009	–	104
Effect of shares issued 17 March 2009	–	5
Effect of shares issued 8 April 2009	–	7
Weighted average number of shares	**2,265**	**2,051**
Effect of shares issued at a discount to the market price[1]	–	29
Weighted average number of shares (basic and diluted) as at 30 June	**2,265**	**2,080**

1. In accordance with AASB133 Earnings per Share, the weighted average number of shares is adjusted when shares are offered to existing shareholders at a discount to the market price.

Notes to the Financial Statements continued

for the year ended 30 June 2010

9. Dividends

(A) DIVIDENDS DECLARED AND PAID

Dividends declared and paid in the current and prior year by Qantas are:

2010	Cents per Share	Total Amount $M	Date of Payment	Franked Tax Rate for Franking Credit %	Percentage Franked %
2010 interim	–	–	–	–	–
2009 final	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**
2009					
2009 interim	6.0	117	8 April 2009	30	100
2008 final	17.0	322	1 October 2008	30	100
Total	**23.0**	**439**			

No final dividend will be paid in relation to the year ended 30 June 2010.

Additionally, $4 million (2009: $15 million including a payment of a $10 million provision acquired on consolidation of the Jetset Travelworld Group) of dividends were declared to non-controlling interest shareholders.

(B) FRANKING ACCOUNT

	Qantas Group 2010 $M	Qantas Group 2009 $M
Total franking account balance at 30 per cent	**18**	**(17)**

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

—Franking credits that will arise from the payment of income tax payable for the current year

—Franking credits that will arise from the receipt of dividends recognised as receivables at the year end

—Franking credits that may be prevented from being distributed in subsequent years

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

10. Cash and Cash Equivalents

	Qantas Group 2010 $M	Qantas Group 2009 $M
Cash balances	366	336
Cash at call	151	279
Short-term money market securities and term deposits	3,187	3,002
Total cash and cash equivalents	**3,704**	**3,617**

Short-term money market securities of $141 million (2009: $197 million) held by the Qantas Group are pledged as collateral under the terms of certain operational financing facilities when underlying unsecured limits are exceeded. The collateral cannot be sold or repledged in the absence of default by the Qantas Group.

Notes to the Financial Statements continued

for the year ended 30 June 2010

11. Receivables

	Qantas Group	
	2010 $M	2009 $M
CURRENT		
Trade debtors		
Associates and jointly controlled entities	33	41
Other parties	790	810
Less: provision for impairment losses	6	27
	817	824
Other loans		
Aircraft security deposits	5	24
Sundry debtors	266	206
Total current receivables	**1,088**	**1,054**
NON-CURRENT		
Other loans from jointly controlled entities – interest-bearing	128	128
Aircraft security deposits	8	18
Sundry debtors	271	376
Total non-current receivables	**407**	**522**

The ageing of trade debtors, net of provision for impairment losses, at 30 June was:

Not past due	702	677
Past due 1-30 days	38	60
Past due 31-120 days	28	36
Past due 121 days or more	49	51
Total trade debtors	**817**	**824**

There are no significant other receivables that have been recognised that would otherwise, without renegotiation, have been past due or impaired.

The movement in the provision for impairment losses in respect of trade debtors was as follows:

Balance as at 1 July	27	4
Impairment loss recognised	4	24
Bad debts written off	(5)	(1)
Reversal of provision	(20)	–
Provision for impairment losses as at 30 June	**6**	**27**

Current aircraft security deposits are provided as security to providers of aircraft finance.

Sundry debtors of the Qantas Group includes $361 million (2009: $442 million) representing the present value of liquidated damages resulting from the delay in delivery of aircraft.

12. Inventories

Engineering expendables	270	195
Consumable stores	42	46
Work in progress	7	9
Total inventories	**319**	**250**

Notes to the Financial Statements continued

for the year ended 30 June 2010

13. Assets and Liabilities Classified as Held for Sale

	Qantas Group	
	2010 $M	2009 $M
Assets		
Property, plant and equipment	69	26
Assets of DPEX disposal group	22	–
Total assets classified as held for sale	**91**	**26**
Liabilities		
Liabilities of DPEX disposal group	4	–
Total liabilities classified as held for sale	**4**	–

On 8 June 2010, the Qantas Group announced an agreement to sell the DPEX Group, which is part of the Qantas Freight operating segment. The sale transaction completed in August 2010. The assets of the DPEX disposal group represent goodwill of $16 million and receivables and other assets of $6 million. The liabilities of DPEX disposal group represent payables of $4 million.

14. Other Current Assets

Superannuation prepayment (refer Note 30)	248	226
Prepayments	138	95
Other	11	9
Total other current assets	**397**	**330**

15. Investments Accounted for using the Equity Method

Share of net (loss)/profit of associates and jointly controlled entities		
Associates	(14)	(25)
Jointly controlled entities	10	10
Total share of net (loss)/profit of associates and jointly controlled entities	**(4)**	**(15)**
Investments accounted for using the equity method		
Associates	65	76
Jointly controlled entities		
—Star Track Express Holdings Pty Limited	266	270
—Other	47	41
Total investments accounted for using the equity method	**378**	**387**

(A) INVESTMENTS IN ASSOCIATES

Details of interests in associates are as follows:

				Qantas Group Ownership Interest	
	Principal Activity	Country of Incorporation	Balance Date	2010 %	2009 %
Air Pacific Limited	Air transport	Fiji	31 Mar	46	46
Fiji Resorts Limited	Resort accommodation	Fiji	31 Dec	21	21
Hallmark Aviation Services L.P.	Passenger handling services	United States of America	31 Dec	49	49
HT & T Travel Philippines, Inc.	Tours and travel	Philippines	30 Jun	28	28
Holiday Tours and Travel (Thailand) Ltd	Tours and travel	Thailand	31 Dec	37	37
Holiday Tours & Travel Vietnam Co. Ltd	Tours and travel	Vietnam	30 Jun	37	37
Jetstar Pacific Airlines Aviation Joint Stock Company	Air transport	Vietnam	31 Dec	27	27
PT Holidays Tours & Travel	Tours and travel	Indonesia	31 Dec	37	37
Tour East (T.E.T) Ltd	Tours and travel	Thailand	31 Dec	37	37

Notes to the Financial Statements continued

for the year ended 30 June 2010

15. Investments Accounted for using the Equity Method continued

	Qantas Group 2010 $M	Qantas Group 2009 $M
RESULTS OF ASSOCIATES		
Revenues	489	688
Expenses	538	770
Loss before income tax expense	(49)	(82)
Income tax benefit	12	6
Net loss of associates	**(37)**	**(76)**
Qantas Group's share of net loss of associates	**(14)**	**(25)**
MOVEMENTS IN CARRYING AMOUNT OF INVESTMENTS IN ASSOCIATES		
Carrying amount of investments in associates as at 1 July	76	109
Additional investment in associates	10	23
Share of net loss of associates	(14)	(25)
Dividends received from associates	(3)	(5)
Share of foreign currency translation reserve movements	(10)	–
Share of hedge reserve movements	6	(8)
Impairment of investment	–	(15)
Reclassification to controlled entity	–	(3)
Carrying amount of investments in associates as at 30 June	**65**	**76**
SUMMARY FINANCIAL POSITION OF ASSOCIATES		
The aggregate assets and liabilities of associates is as follows:		
Current assets	135	175
Non-current assets	184	222
Total assets	**319**	**397**
Current liabilities	187	234
Non-current liabilities	23	55
Total liabilities	**210**	**289**
Net assets	109	108
Qantas Group's share of net assets of associates	37	41
Adjustment arising from equity accounting		
—Goodwill	40	47
—Accumulated impairment	(12)	(12)
Investments in associates accounted for using the equity method	**65**	**76**
COMMITMENTS		
Share of associates' contracted capital expenditure commitments	1,070	995
Share of associates' contracted non-capital expenditure commitments	54	46
Qantas Group's share of associates' commitments	**1,124**	**1,041**
CONTINGENT LIABILITIES		
Qantas Group's share of associates' contingent liabilities	**8**	**5**

(B) INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Details of interests in jointly controlled entities are as follows:

	Principal Activity	Country of Incorporation	Balance Date	Qantas Group Ownership Interest 2010 %	Qantas Group Ownership Interest 2009 %
Australian air Express Pty Ltd	Air cargo	Australia	30 Jun	50	50
Harvey Holidays Pty Ltd	Tours and travel	Australia	30 Jun	50	50
LTQ Engineering Pty Limited (formerly known as Jet Turbine Services Pty Limited)	Maintenance services	Australia	30 Jun	50	50
Star Track Express Holdings Pty Limited	Express road freight	Australia	30 Jun	50	50

Notes to the Financial Statements continued

for the year ended 30 June 2010

15. Investments Accounted for using the Equity Method continued

	Qantas Group	
	2010 $M	2009 $M
RESULTS OF JOINTLY CONTROLLED ENTITIES		
Revenues	1,245	1,318
Expenses	1,212	1,297
Profit before income tax expense	33	21
Income tax expense	(13)	(1)
Net profit of jointly controlled entities	**20**	**20**
Qantas Group's share of net profit of jointly controlled entities	**10**	**10**
MOVEMENTS IN CARRYING AMOUNT OF INVESTMENTS IN JOINTLY CONTROLLED ENTITIES		
Carrying amount of investments in jointly controlled entities as at 1 July	311	295
Additional investment in jointly controlled entities	4	–
Reclassification from controlled entity	–	21
Share of net profit of jointly controlled entities	10	10
Dividends received from jointly controlled entities	(13)	(15)
Share of hedge reserve movement	1	–
Reversal of impairment losses	–	19
Reclassification to controlled entity	–	(19)
Carrying amount of investments in jointly controlled entities as at 30 June	**313**	**311**
SUMMARY FINANCIAL POSITION OF JOINTLY CONTROLLED ENTITIES		
The aggregate assets and liabilities of jointly controlled entities is as follows:		
Current assets	208	177
Non-current assets	887	881
Total assets	**1,095**	**1,058**
Current liabilities	170	133
Non-current liabilities	300	304
Total liabilities	**470**	**438**
Net assets	625	620
Qantas Group's share of net assets of jointly controlled entities	312	310
Adjustment arising from equity accounting		
—Goodwill	1	1
Investments in jointly controlled entities accounted for using the equity method	**313**	**311**
COMMITMENTS		
Share of jointly controlled entities' contracted capital expenditure commitments	4	12
Share of jointly controlled entities' contracted non-capital expenditure commitments	388	357
Qantas Group's share of jointly controlled entities' commitments	**392**	**369**
CONTINGENT LIABILITIES		
Qantas Group's share of jointly controlled entities' contingent liabilities	**31**	**33**

Notes to the Financial Statements continued

for the year ended 30 June 2010

16. Property, Plant and Equipment

	Qantas Group	
	2010 $M	2009 $M
Freehold land – owned		
At cost	66	66
Total freehold land	**66**	**66**
Buildings – owned		
At cost	284	283
Less: accumulated depreciation	132	118
	152	165
Buildings – leased		
At cost	51	51
Less: accumulated depreciation	45	43
	6	8
Total buildings		
At cost	335	334
Less: accumulated depreciation	177	161
Total buildings at net book value	**158**	**173**
Leasehold improvements		
At cost	1,531	1,479
Less: accumulated depreciation	966	900
Total leasehold improvements at net book value	**565**	**579**
Plant and equipment		
At cost	1,295	1,264
Less: accumulated depreciation	806	721
Total plant and equipment at net book value	**489**	**543**
Aircraft and engines – owned		
At cost	12,200	11,297
Less: accumulated depreciation	5,089	4,974
	7,111	6,323
Aircraft and engines – hire purchased/leased		
At cost	3,048	3,814
Less: accumulated depreciation	1,146	1,567
	1,902	2,247
Aircraft and engines – maintenance		
At cost	1,065	1,087
Less: accumulated depreciation	698	720
	367	367
Total aircraft and engines		
At cost	16,313	16,198
Less: accumulated depreciation	6,933	7,261
Total aircraft and engines at net book value	**9,380**	**8,937**

Notes to the Financial Statements continued

for the year ended 30 June 2010

16. Property, Plant and Equipment continued

	Qantas Group 2010 $M	Qantas Group 2009 $M
Aircraft spare parts – owned		
At cost	862	899
Less: accumulated depreciation	380	417
	482	482
Aircraft spare parts – leased		
At cost	23	24
Less: accumulated depreciation	15	13
	8	11
Total aircraft spare parts		
At cost	885	923
Less: accumulated depreciation	395	430
Total aircraft spare parts at net book value	**490**	**493**
Aircraft deposits		
At cost	1,368	1,364
Total aircraft deposits	**1,368**	**1,364**
Total property, plant and equipment		
At cost	21,793	21,628
Less: accumulated depreciation	9,277	9,473
Total property, plant and equipment at net book value	**12,516**	**12,155**

Qantas Group 2010 $M	Opening Net Book Value	Additions	Disposals	Disposal of Controlled Entities	Transfers	Transferred to Assets Classified as Held for Sale	Depreciation	Other[1]	Closing Net Book Value
Reconciliations									
Freehold land	66	–	–	–	–	–	–	–	**66**
Buildings	173	–	–	–	1	–	(16)	–	**158**
Leasehold improvements	579	64	–	–	(20)	–	(79)	21	**565**
Plant and equipment	543	45	(10)	–	9	–	(103)	5	**489**
Aircraft and engines	8,937	305	(18)	–	1,099	(54)	(904)	15	**9,380**
Aircraft spare parts	493	65	(10)	–	(4)	–	(50)	(4)	**490**
Aircraft deposits	1,364	1,149	(62)	–	(1,099)	–	–	16	**1,368**
Total property, plant and equipment	**12,155**	**1,628**	**(100)**	**–**	**(14)**	**(54)**	**(1,152)**	**53**	**12,516**

2009 $M	Opening Net Book Value	Additions	Disposals	Disposal of Controlled Entities	Transfers	Transferred to Assets Classified as Held for Sale	Depreciation	Other[1]	Closing Net Book Value
Reconciliations									
Freehold land	72	–	–	(6)	–	–	–	–	**66**
Buildings	193	–	–	(3)	–	–	(16)	(1)	**173**
Leasehold improvements	541	118	–	–	(6)	–	(77)	3	**579**
Plant and equipment	551	111	(23)	(21)	(2)	–	(98)	25	**543**
Aircraft and engines	8,608	443	(205)	–	1,149	(26)	(1,077)	45	**8,937**
Aircraft spare parts	431	156	(3)	–	(17)	–	(60)	(14)	**493**
Aircraft deposits	1,945	618	(127)	–	(1,124)	–	–	52	**1,364**
Total property, plant and equipment	**12,341**	**1,446**	**(358)**	**(30)**	**–**	**(26)**	**(1,328)**	**110**	**12,155**

1. Other includes capitalised interest, foreign exchange movements and non-cash additions.

SECURED ASSETS

Certain aircraft and engines act as security against related financings. Under the terms of certain financing facilities entered into by the Qantas Group, the underwriters to these agreements have a fixed charge over certain aircraft and engines to the extent that debt has been issued directly to those underwriters. The total carrying amount of assets under pledge is $5,693 million (2009: $5,572 million).

Notes to the Financial Statements continued

for the year ended 30 June 2010

17. Intangible Assets

	Qantas Group 2010 $M	Qantas Group 2009 $M
Goodwill		
At cost	219	259
Less: accumulated impairment	–	22
Total goodwill at net book value	**219**	**237**
Airport landing slots		
At cost	35	35
Total airport landing slots	**35**	**35**
Software		
At cost	678	606
Less: accumulated amortisation	350	306
Total software at net book value	**328**	**300**
Brand names and trademarks		
At cost	30	31
Total brand names and trademarks	**30**	**31**
Customer contracts/relationships		
At cost	66	66
Less: accumulated amortisation	10	5
Total customer contracts/relationships at net book value	**56**	**61**
Total intangible assets	**668**	**664**

Qantas Group 2010 $M	Opening Net Book Value	Additions	Acquisitions of Controlled Entities	Transfers	Transferred to Assets Classified as Held for Sale	Amortisation	Other[1]	Closing Net Book Value
Reconciliations								
Goodwill	237	–	–	–	(16)	–	(2)	**219**
Airport landing slots	35	–	–	–	–	–	–	**35**
Software	300	60	–	14	–	(42)	(4)	**328**
Brand names and trademarks	31	–	–	–	–	–	(1)	**30**
Customer contracts/relationships	61	–	–	–	–	(5)	–	**56**
Total intangible assets	**664**	**60**	**–**	**14**	**(16)**	**(47)**	**(7)**	**668**

2009 $M	Opening Net Book Value	Additions	Acquisitions of Controlled Entities	Transfers	Transferred to Assets Classified as Held for Sale	Amortisation	Other[1]	Closing Net Book Value
Reconciliations								
Goodwill	147	–	112	–	–	–	(22)	**237**
Airport landing slots	35	–	–	–	–	–	–	**35**
Software	266	84	1	–	–	(57)	6	**300**
Brand names and trademarks	–	–	31	–	–	–	–	**31**
Customer contracts/relationships	–	–	66	–	–	(5)	–	**61**
Total intangible assets	**448**	**84**	**210**	**–**	**–**	**(62)**	**(16)**	**664**

1. Other includes foreign exchange movements and impairments.

Notes to the Financial Statements continued

for the year ended 30 June 2010

17. Intangible Assets continued

IMPAIRMENT TESTS FOR CASH GENERATING UNITS (CGUS) CONTAINING GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

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

	Qantas Group	
	2010 $M	2009 $M
Goodwill		
Qantas[1]	23	39
Jetstar	130	132
Jetset Travelworld Group	66	66
	219	**237**
Airport landing slots		
Qantas	35	35
	35	**35**
Brand names and trademarks		
Jetstar	21	22
Jetset Travelworld Group	9	9
	30	**31**

1. The Qantas CGU includes Qantas, Qantas Freight and Qantas Frequent Flyer. As all of these businesses are largely dependent on the Qantas Fleet to generate their revenue, the Qantas Fleet assets are tested at the Qantas CGU level including the cash flows and assets of these segments.

The recoverable amounts of CGUs were based on their value in use calculations. Those calculations were determined by discounting the future cash flows generated from the continuing use of the units and were based on the following assumptions:

Assumption	How determined
Cash flows	Cash flows were projected based on the Financial Plan approved by management and endorsed by the Board covering a three-year period. Cash flows after the third year or terminal year were extrapolated using a constant growth rate of 2.5 per cent per annum, which does not exceed the long-term average growth rate for the industry. Cash outflows include capital expenditure for the purchase of aircraft and other property, plant and equipment. These do not include capital expenditure that enhances the current performance of assets and related cash flows have been treated consistently.
Discount rate	Pre-tax discount rates of 10.5 per cent per annum for Qantas and Jetstar and 16.0 per cent per annum for Jetset Travelworld Group have been used in discounting the projected cash flows of these CGUs, reflecting a market estimate of the weighted average cost of capital of the Qantas Group (2009: 11.23 per cent per annum for Qantas and Jetstar and 13.05 per cent per annum for Jetset Travelworld Group). The discount rates are based on the risk-free rate for the ten-year Australian Government bonds adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU.
Market share	Qantas Group's domestic market share is expected to remain between 64 and 65 per cent (2009: 65 and 66 per cent) and international market share between 27 and 28 per cent (2009: 26 and 28 per cent). These ranges were estimated having regard to the Qantas Group's committed fleet plans and those of its existing competitors.
Fuel	The fuel into-plane price is assumed to be between US$103 and US$112 per barrel (2009: between US$82 and US$99) and was set with regard to the forward fuel curve as at March 2010.
Currency	The US$:A$ exchange rate is assumed to be between 92 and 93 cents (2009: 75.8 cents).
Fleet age	The average fleet age is forecast to be between 8.3 and 8.6 years (2009: between 8.5 and 8.9 years) and is estimated having regard to the existing contractually committed long-term fleet plan for the Qantas Group.

Notes to the Financial Statements continued

for the year ended 30 June 2010

18. Deferred Tax Assets and Liabilities

	Qantas Group 2010 $M	Qantas Group 2009 $M
Deferred tax liabilities	715	607
Total deferred tax liabilities	**715**	**607**

Qantas Group 2010 $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Acquisitions of Controlled Entities	Closing Balance
Reconciliations					
Inventories	(35)	23	–	–	**(12)**
Property, plant and equipment and intangible assets	(1,366)	(166)	–	–	**(1,532)**
Payables	82	(35)	–	–	**47**
Revenue received in advance	676	(55)	–	–	**621**
Interest-bearing liabilities	(228)	209	–	–	**(19)**
Other financial assets/liabilities	59	(163)	(46)	–	**(150)**
Provisions	265	(14)	–	–	**251**
Other items	(62)	(116)	–	–	**(178)**
Tax value of recognised tax losses	2	255	–	–	**257**
Total deferred tax liabilities	**(607)**	**(62)**	**(46)**	**–**	**(715)**

2009 $M					
Reconciliations					
Inventories	(52)	17	–	–	**(35)**
Property, plant and equipment and intangible assets	(1,387)	44	–	(23)	**(1,366)**
Payables	99	(17)	–	–	**82**
Revenue received in advance	642	34	–	–	**676**
Interest-bearing liabilities	(145)	(83)	–	–	**(228)**
Other financial assets/liabilities	(11)	(119)	189	–	**59**
Provisions	229	36	–	–	**265**
Other items	(135)	73	–	–	**(62)**
Tax value of recognised tax losses	3	(1)	–	–	**2**
Total deferred tax liabilities	**(757)**	**(16)**	**189**	**(23)**	**(607)**

At 30 June 2010, there is no recognised or unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Qantas Group's controlled entities, associates and jointly controlled entities (2009: nil).

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised with respect to the following items because it is not probable that future taxable profit will be available against which the Qantas Group can utilise these benefits:

	Qantas Group 2010 $M	Qantas Group 2009 $M
Tax losses – New Zealand operations	15	16
Tax losses – Singapore operations	25	–
Total unrecognised deferred tax assets – tax losses	**40**	**16**

Notes to the Financial Statements continued

for the year ended 30 June 2010

19. Payables

	Qantas Group	
	2010 $M	2009 $M
Trade creditors		
Associates and jointly controlled entities	6	38
Other parties	594	559
	600	597
Other creditors and accruals	1,150	1,236
Total payables	**1,750**	**1,833**

20. Revenue Received in Advance

CURRENT		
Unavailed passenger revenue	2,271	2,227
Unredeemed frequent flyer revenue	896	882
Total current revenue received in advance	**3,167**	**3,109**
NON-CURRENT		
Unredeemed frequent flyer revenue	1,067	1,232
Total non-current revenue received in advance	**1,067**	**1,232**

21. Interest-bearing Liabilities

CURRENT		
Bank loans – secured	502	372
Other loans – unsecured	74	72
Lease and hire purchase liabilities – secured (refer Note 28)	43	164
Total current interest-bearing liabilities	**619**	**608**
NON-CURRENT		
Bank loans – secured	2,717	2,562
Bank loans – unsecured	740	629
Other loans – unsecured	1,203	1,235
Lease and hire purchase liabilities – secured (refer Note 28)	439	469
Total non-current interest-bearing liabilities	**5,099**	**4,895**

Certain current and non-current interest bearing liabilities relate to specific financings of aircraft and engines and are secured by the aircraft to which they relate (refer Note 16).

Notes to the Financial Statements continued

for the year ended 30 June 2010

22. Provisions

	Qantas Group 2010 $M	Qantas Group 2009 $M
CURRENT		
Dividends	5	5
Employee benefits		
—Annual leave	317	338
—Long service leave	40	40
—Redundancies and restructuring	5	40
Onerous contracts	3	4
Make good on leased assets	18	–
Insurance, legal and other	60	80
Total current provisions	**448**	**507**
NON-CURRENT		
Employee benefits		
—Long service leave	311	323
Onerous contracts	6	9
Make good on leased assets	100	96
Insurance, legal and other	143	105
Total non-current provisions	**560**	**533**

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:

Qantas Group 2010 $M	Opening Balance	Provisions Made	Acquisition of Controlled Entities	Provisions Utilised	Unwind of Discount	Other[1]	Closing Balance	Current	Non-Current	Total
Reconciliations										
Dividends	5	4	–	(4)	–	–	**5**	5	–	**5**
Onerous contracts	13	–	–	(5)	1	–	**9**	3	6	**9**
Make good on leased assets	96	41	–	(21)	4	(2)	**118**	18	100	**118**
Insurance, legal and other	185	45	–	(40)	6	7	**203**	60	143	**203**
Total	**299**	**90**	**–**	**(70)**	**11**	**5**	**335**	**86**	**249**	**335**

2009 $M	Opening Balance	Provisions Made	Acquisition of Controlled Entities	Provisions Utilised	Unwind of Discount	Other[1]	Closing Balance	Current	Non-Current	Total
Reconciliations										
Dividends	5	444	10	(218)	–	(236)	**5**	5	–	**5**
Onerous contracts	7	13	–	(7)	–	–	**13**	4	9	**13**
Make good on leased assets	42	38	14	–	2	–	**96**	–	96	**96**
Insurance, legal and other	166	50	–	(32)	5	(4)	**185**	80	105	**185**
Total	**220**	**545**	**24**	**(257)**	**7**	**(240)**	**299**	**89**	**210**	**299**

1. Other includes dividends settled in shares under the Dividend Reinvestment Plan, foreign exchange movements and transfers from other balance sheet accounts.

NATURE AND PURPOSE OF PROVISIONS

Onerous Contracts

An onerous contract is a contract in which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefit expected to be received. The Qantas Group has raised this provision in respect of operating leases on premises.

Make Good on Leased Assets

The Qantas Group has leases that require the asset to be returned to the lessor in a certain condition. A provision has been raised for the present value of the future expected cost at lease expiry.

Insurance, Legal and Other

The Qantas Group self-insures for risks associated with workers compensation. An outstanding claim is recognised when an incident occurs that may give rise to a claim and is measured at the present value of the cost that the entity expects to incur in settling the claim. Legal provisions include estimates of the likely penalties to be incurred in relation to investigations into alleged price fixing in the air cargo market.

Notes to the Financial Statements continued

for the year ended 30 June 2010

23. Capital and Reserves

	Qantas Group 2010 $M	2009 $M
ISSUED CAPITAL		
Issued and paid-up capital: 2,265,123,620 (2009: 2,265,123,620) ordinary shares, fully paid	4,729	4,729

Movements in the share capital of Qantas during the current and prior year were as follows:

Date	Details	Number of Shares M	$M
1 July 2008	Balance	1,894	3,976
1 October 2008	Dividend reinvestment plan	55	192
11 February 2009	Institutional share placement	270	491
17 March 2009	Share purchase plan	18	26
8 April 2009	Dividend reinvestment plan	28	44
30 June 2009	Balance	2,265	4,729
30 June 2010	**Balance**	**2,265**	**4,729**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of wind-up, Qantas ordinary shareholders rank after all creditors and are fully entitled to any residual proceeds on liquidation.

Treasury shares consist of shares held in trust for Qantas employees in relation to equity compensation plans. As at 30 June 2010, 15,640,025 (2009: 14,677,697) shares were held in trust and classified as treasury shares.

	Qantas Group 2010 $M	2009 $M
RESERVES		
Employee compensation reserve	53	52
Hedge reserve (refer Note 25(B))	85	(29)
Foreign currency translation reserve	(29)	(16)
	109	**7**

NATURE AND PURPOSE OF RESERVES

Employee Compensation Reserve

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against treasury shares when the underlying shares vest and transfer to the employee. No gain or loss is recognised in the Consolidated Income Statement on the purchase, sale, issue or cancellation of Qantas' own equity instruments.

Hedge Reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to future forecast transactions.

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign controlled entities and associates, as well as from the translation of liabilities that form part of the Qantas Group's net investment in a foreign controlled entity.

Notes to the Financial Statements continued

for the year ended 30 June 2010

24. Share-based Payments

The Deferred Share Plan (DSP) Terms and Conditions were approved by shareholders at the 2002 AGM. The DSP governed equity benefits to Executives within the Qantas Group. There have been no modifications to the DSP Terms and Conditions during the year.

Eligible employees may be awarded equity benefits under the Qantas Profitshare Scheme.

Further details regarding the operation of equity plans for Executives are outlined in the Directors' Report.

The total equity settled share-based payment expense for the year was $21 million (2009: $59 million).

(A) LONG TERM INCENTIVE PLAN (LTIP)

The LTIP is specifically targeted to Senior Executives in key roles or other participants who have been identified as high potential Executives. All Rights are redeemable on a one-for-one basis for Qantas shares, subject to the achievement of the performance hurdle. Dividends are not payable on the Rights.

	Number of Rights	
Performance Rights Reconciliation	**2010**	**2009**
Rights outstanding as at 1 July	6,916,092	6,121,033
Rights granted	3,925,000	3,117,000
Rights lapsed	(865,690)	(1,301,362)
Rights expired	(242,400)	–
Rights vested	(888,116)	(1,020,579)
Rights outstanding as at 30 June	**8,844,886**	**6,916,092**
Rights exercisable as at 30 June	**510,902**	**1,311,949**

All Rights were granted with a nil exercise price. No amount has been paid, or is payable by the Executive in relation to these Rights.

Based on the performance hurdle tested as at 30 June 2010, 108,114 Rights will expire from the 2005/2006 award (2009: 242,400 Rights from the 2004/2005 award).

During the year, 888,116 Rights were exercised (2009: 1,020,579).

At 30 June 2010, 26,271 Rights are available to be exercised at the request of the Executive under the 2004/2005 award, 96,040 Rights under the 2005/2006 award and a further 388,591 Rights under the 2006/2007 award (2009: 27,535 Rights under the 2004/2005 award and 143,733 Rights under the 2005/2006 award). For more information on the operation of the LTIP, see page 35.

FAIR VALUE CALCULATION

The estimated value of Rights granted with the TSR performance hurdle component was determined at grant date using a Monte Carlo model. A Black Scholes model was used to value the Rights with the EPS performance hurdle. The weighted average fair value of Rights granted during the year was $2.05 (2009: $1.64).

Inputs into the Models	**2010**	**2009**
Weighted average share value	$2.54	$2.13
Expected volatility	45%	50%
Dividend yield	2.8%	3.5%
Risk-free interest rate	4.7%	3.6%

The expected volatility for the 2009/2010 award was determined having regard to the historical one year volatility of Qantas shares and the implied volatility on exchange traded options. The risk-free rate was the yield on an Australian Government bond at the grant date matching the remaining life of the plan. The yield is converted into a continuously compounded rate in the model. The expected life assumes immediate exercise after vesting.

Notes to the Financial Statements continued

for the year ended 30 June 2010

24. Share-based Payments continued

(B) PERFORMANCE SHARE PLAN (PSP)

The following awards were made under the PSP during the year ended 30 June 2010.

	2010		2009	
Shares Granted	Number of Shares	Weighted Average Fair Value $	Number of Shares	Weighted Average Fair Value $
Performance shares granted – 19 August 2009	6,108,538	2.65	–	–
Performance shares granted – 6 April 2009	–	–	147,977	1.82
Performance shares granted – 4 March 2009	–	–	75,000	1.52
Performance shares granted – 1 October 2008	–	–	2,826	3.22
Performance shares granted – 17 September 2008	–	–	3,566	3.49
Performance shares granted – 20 August 2008	–	–	7,661,838	3.45

Shares are valued based on the volume weighted average price of Qantas shares as traded on the ASX for the seven calendar days up to and including the date of allocation. Expected dividends are not specifically taken into account when calculating the fair value but are implicit in the weighted average price of Qantas shares. Shares are issued or purchased on-market and are held subject to a holding lock. For further detail on the operation of the PSP, see page 42.

(C) RETENTION PLAN (RP)

There were no awards made under the RP during the year (2009: nil awards).

Shares are valued based on the volume weighted average price of Qantas shares as traded on the ASX for the seven calendar days up to and including the date of allocation. Expected dividends are not specifically taken into account when calculating the fair value but are implicit in the weighted average price of Qantas shares. Shares are issued or purchased on market and are held subject to a holding lock.

(D) QANTAS PROFITSHARE SCHEME (QPS)

There were no awards made under the QPS during the year (2009: 8,041,136 shares were granted on 20 August 2008 at a fair value of $3.45).

Shares are valued based on the volume weighted average price of Qantas shares as traded on the ASX for the seven calendar days up to and including the date of allocation. Expected dividends are not specifically taken into account when calculating the fair value but are implicit in the weighted average price of Qantas shares. Shares are transferred into the name of the employee and are subject to a three year trading restriction. Under the Terms and Conditions of the QPS, this trading restriction will be lifted earlier in certain limited circumstances.

Notes to the Financial Statements continued

for the year ended 30 June 2010

25. Derivatives and Hedging Instruments

The following section summarises derivative financial instruments in the Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Comprehensive Income and Consolidated Income Statement.

(A) OTHER FINANCIAL ASSETS AND LIABILITIES

	Qantas Group 2010 $M	Qantas Group 2009 $M
NET OTHER FINANCIAL LIABILITIES		
Derivatives		
Designated as cash flow hedges	(54)	(43)
Designated as fair value hedges	(153)	(101)
De-designated derivatives	(23)	(134)
Not qualifying for hedge accounting	92	194
Net derivative liabilities	**(138)**	**(84)**
Other financial assets	–	80
Net other financial liabilities	**(138)**	**(4)**

Other financial assets are measured at amortised cost. These amounts are shown net of impairment losses of nil (2009: $181 million).

	2010 $M	2009 $M
Recognised on the Consolidated Balance Sheet		
Other financial assets – current	233	561
Other financial assets – non-current	102	344
Other financial liabilities – current	(242)	(641)
Other financial liabilities – non-current	(231)	(268)
Net other financial liabilities	**(138)**	**(4)**

(B) HEDGE RESERVE

At 30 June 2010, the Qantas Group held various types of derivative financial instruments that were designated as cash flow hedges of future forecast transactions. These were hedging of:

- Future foreign currency revenue receipts and operational payments by future debt repayments in foreign currency and exchange derivative contracts (forwards, swaps or options)
- Future aviation fuel purchases by crude, gasoil and jet kerosene derivative contracts (forwards, swaps or options)
- Future interest payments by interest rate derivative contracts (forwards, swaps or options)
- Future capital expenditure payments by foreign exchange derivative contracts (forwards or options)

To the extent that the hedges were assessed as highly effective, the effective portion of changes in fair value are included in the hedge reserve. For further information on accounting for derivative financial instruments as cash flow hedges, refer to Note 1(F). The periods in which the related cash flows are expected to occur are summarised below:

Qantas Group 2010 $M	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Contracts to hedge				
Future foreign currency receipts and payments	44	181	5	**230**
Future aviation fuel payments	(3)	1	–	**(2)**
Future interest payments	(3)	(31)	(15)	**(49)**
Future capital expenditure payments	(60)	3	–	**(57)**
	(22)	**154**	**(10)**	**122**
Tax effect				**(37)**
Total net gain included within hedge reserve				**85**

2009 $M	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Contracts to hedge				
Future foreign currency receipts and payments	117	111	37	**265**
Future aviation fuel payments	(286)	12	–	**(274)**
Future interest payments	(5)	(28)	(1)	**(34)**
Future capital expenditure payments	(8)	10	–	**2**
	(182)	**105**	**36**	**(41)**
Tax effect				**12**
Total net loss included within hedge reserve				**(29)**

Notes to the Financial Statements continued

for the year ended 30 June 2010

25. Derivatives and Hedging Instruments continued

(C) DERIVATIVE INEFFECTIVENESS AND NON-DESIGNATED DERIVATIVES IN THE CONSOLIDATED INCOME STATEMENT

Amounts shown below reflect ineffectiveness on changes in the fair value of any derivative instrument in a cash flow hedge, or part of a derivative instrument that does not qualify for hedge accounting. AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) permits reporting entities to separate the intrinsic value and time value of an option. AASB 139 allows for the intrinsic value of an option to be designated as part of any hedging relationship. As a result, the time value component is not hedge accounted and changes in fair values are recognised immediately in the Income Statement for the financial period as it does not form part of a hedging relationship.

	Qantas Group	
	2010 $M	2009 $M
INEFFECTIVE AND NON-DESIGNATED DERIVATIVES		
Ineffective portion of cash flow hedges	15	72
Components of derivatives not hedge accounted (including time value of options)	(188)	33
Ineffective and non-designated derivatives	**(173)**	**105**

26. Notes to the Cash Flow Statement

(A) RECONCILIATION OF STATUTORY PROFIT FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

Statutory profit for the year	116	123
Add: depreciation and amortisation	1,199	1,390
Add: share of net loss of associates and jointly controlled entities	4	15
Add: dividends received from associates and jointly controlled entities	16	20
Add: impairment of goodwill and other intangibles	–	22
Add: share-based payments	21	59
Add: amortisation of deferred financing fees	15	20
Add: impairment of property, plant and equipment	52	–
Less: net gain on disposal of impaired assets	(4)	–
Less: capitalised interest	(44)	(83)
Less: impairment of investments	–	(4)
Less: net gain on sale of Qantas Holidays	–	(86)
Less: interest payments on liabilities held at fair value	(94)	(120)
Add/(less): net loss/(gain) on disposal of property, plant and equipment	15	(17)
(Less)/add: realised hedging (loss)/gains on operating cash flows	(292)	110
Add/(less): changes in fair value of financial instruments	478	(86)
(Less)/add: other items	(51)	5
Movements in operating assets and liabilities:		
—Decrease in receivables	58	338
—Increase in inventories	(69)	(44)
—Increase in other assets	(64)	(55)
—Decrease in payables	(83)	(401)
—(Decrease)/increase in revenue received in advance	(107)	44
—(Decrease)/increase in provisions	(32)	133
—Decrease in current tax receivables/liabilities	128	(113)
—Decrease in deferred lease benefits	(17)	(18)
—Increase/(decrease) in deferred tax liabilities	62	(103)
Net cash from operating activities	**1,307**	**1,149**

Notes to the Financial Statements continued

for the year ended 30 June 2010

26. Notes to the Cash Flow Statement continued

(B) FINANCING FACILITIES

The total amount of financing facilities available to the Qantas Group as at balance date is detailed below:

	Qantas Group 2010 $M	2009 $M
FINANCING FACILITIES		
Committed bank overdraft		
Facility available	7	7
Amount of facility used	–	–
Amount of facility unused	**7**	**7**
Committed syndicated standby facility[1]		
Facility available	500	500
Amount of facility used	–	–
Amount of facility unused	**500**	**500**
Committed secured funding and sale and operating lease		
Facility available	–	1,100
Amount of facility used	–	–
Amount of facility unused	**–**	**1,100**
Commercial paper and medium-term notes		
Facility available[2]	1,000	1,000
Amount of facility used	–	–
Amount of facility unused	**1,000**	**1,000**

1. The syndicated standby facility has $200 million maturing on 8 August 2011 and $300 million maturing on 26 May 2013.
2. Subject to Dealer Panel participation.

The bank overdraft facility held with Commonwealth Bank of Australia covers the combined balances of Qantas and its wholly-owned controlled entities. Subject to the continuance of satisfactory credit ratings, the bank overdraft facility may be utilised at any time. Commonwealth Bank of Australia may terminate this facility without notice.

27. Acquisitions and Disposals of Controlled Entities

(A) ACQUISITIONS

(i) Jetset Travelworld Group

During the year ended 30 June 2009, the Qantas Group completed the acquisition of a 58 per cent controlling interest in Jetset Travelworld Limited in exchange for the disposal of Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Limited. On completion of the transaction, the Qantas Group recognised a net gain on disposal of 42 per cent of Qantas Holidays Limited and Qantas Business Travel Pty Limited of $86 million before tax.

(ii) Jetstar Asia (Orangestar Investment Holdings Pte Limited and its controlled entities)

During the year ended 30 June 2009, the Qantas Group increased its ownership in Orangestar Investment Holdings Pte Limited and its controlled entities (the Jetstar Asia Group) to 49 per cent from 45 per cent. The transaction was completed via a newly incorporated entity, Newstar Investment Holding Pte. Ltd. (Newstar), in which the Qantas Group owns 49 per cent. Through funding provided by the Qantas Group, Newstar acquired 100 per cent of the Jetstar Asia Group. The substance of this transaction is such that the Qantas Group can control (as defined by AASB 127 Consolidated and Separate Financial Statements) 100 per cent of the economic interest in the Jetstar Asia Group. Consequently, Jetstar Asia Group is consolidated in the Qantas Group Financial Statements. Prior to the completion of the transaction, the Qantas Group reviewed the carrying value of its equity investment in the Jetstar Asia Group, resulting in the reversal of approximately $19 million (before tax) of prior period impairment losses. During the year ended 30 June 2010, the preliminary acquisition accounting was finalised, resulting in an increase in the fair value of receivables by $2 million with a corresponding decrease in Goodwill.

(iii) Travel Software Solutions

On 30 June 2010, the Qantas Group acquired the remaining 33 per cent interest in Travel Software Solutions Pty Limited and its controlled entities. There were no material effects of this transaction on the Qantas Group's financial position.

Notes to the Financial Statements continued

for the year ended 30 June 2010

27. Acquisitions and Disposals of Controlled Entities continued

(iv) Financial Summary

The table below summarises the impact of material acquisitions on the Qantas Group's financial statements at the respective date of acquisition.

	Jetset Travelworld Group			Jetstar Asia Group			Qantas Group
2009 $M	**Carrying Values**	**Fair Value Adjust**	**Fair Value**	**Carrying Values**	**Fair Value Adjust**	**Fair Value**	**Fair Value**
Consideration paid, including transaction costs	–	–	7	–	–	61	68
Less: cash acquired	(29)	–	(29)	(49)	–	(49)	(78)
Payments for controlled entities, net of cash acquired			**(22)**			**12**	**(10)**
Net assets acquired							
Receivables	21	–	21	16	2	18	39
Investments accounted for using the equity method	–	–	–	(19)	–	(19)	(19)
Goodwill	–	66	66	–	44	44	110
Intangible assets	–	74	74	–	24	24	98
Other current and non-current assets	3	–	3	17	–	17	20
Payables	(27)	–	(27)	(32)	–	(32)	(59)
Provisions	(11)	–	(11)	(14)	–	(14)	(25)
Revenue received in advance	–	–	–	(26)	–	(26)	(26)
Deferred tax liabilities	(1)	(22)	(23)	–	–	–	(23)
Non-controlling interest	–	(39)	(39)	–	–	–	(39)
Net assets acquired	**(15)**	**79**	**64**	**(58)**	**70**	**12**	**76**
Gain on disposal of 42 per cent of Qantas Holidays			(86)			–	(86)
			(22)			**12**	**(10)**

(B) DISPOSAL – LTQ ENGINEERING PTY LIMITED

During the year ended 30 June 2009, the Qantas Group disposed of 50 per cent of its interest in LTQ Engineering Pty Limited (formerly Jet Turbine Services Pty Limited) which ceased to be a controlled entity on that date and became a jointly controlled entity. There were no material effects of this transaction on the Qantas Group's financial position.

Notes to the Financial Statements continued

for the year ended 30 June 2010

28. Commitments

(A) FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

	Qantas Group 2010 $M	Qantas Group 2009 $M
AS LESSEE		
Finance lease and hire purchase liabilities included in the Financial Statements at the present value of future rentals		
Aircraft and engines – payable:		
Not later than one year	44	171
Later than one year but not later than five years	482	346
Later than five years	–	180
	526	697
Less: future lease and hire purchase finance charges	44	64
Total finance lease and hire purchase liabilities	**482**	**633**
Finance lease and hire purchase liabilities included in the Financial Statements		
Current liability (refer Note 21)	43	164
Non-current liability (refer Note 21)	439	469
Total finance lease and hire purchase liabilities	**482**	**633**

The Qantas Group leases aircraft under finance leases with expiry dates between one and 12 years. Most finance leases contain purchase options exercisable at the end of the lease term. The Qantas Group has the right to negotiate extensions on most leases.

(B) OPERATING LEASE COMMITMENTS

	2010 $M	2009 $M
AS LESSEE		
Non-cancellable operating lease commitments not provided for in the Financial Statements		
Aircraft – payable:		
Not later than one year	698	622
Later than one year but not later than five years	2,212	2,260
Later than five years	705	782
	3,615	**3,664**
Non-aircraft – payable:		
Not later than one year	152	176
Later than one year but not later than five years	433	440
Later than five years	344	404
	929	1,020
Less: provision for potential under-recovery of rentals on unused premises available for sub-lease (included in onerous contract provision)	9	9
	920	**1,011**
Total operating lease commitments not provided for in the Financial Statements	**4,535**	**4,675**

The Qantas Group leases aircraft, buildings and plant and equipment under operating leases with expiry dates between one and 32 years.

The Qantas Group has the right to negotiate extensions on most leases.

	2010 $M	2009 $M
AS LESSOR		
Operating lease receivables not recognised in the Financial Statements		
Receivable:		
Not later than one year	12	11
Later than one year but not later than five years	47	47
Later than five years	44	56
Total operating lease receivables not recognised in the Financial Statements	**103**	**114**

Qantas leases out freighter aircraft under long-term operating leases with rentals received monthly.

Notes to the Financial Statements continued

for the year ended 30 June 2010

28. Commitments continued

(C) CAPITAL EXPENDITURE COMMITMENTS

	Qantas Group	
	2010 $M	2009 $M
Capital expenditure commitments contracted but not provided for in the Financial Statements		
Aircraft	14,505	16,591
Building works	95	103
Other	228	96
	14,828	**16,790**
Payable:		
Not later than one year	2,553	1,560
Later than one year but not later than five years	9,854	10,135
Later than five years	2,421	5,095
Total capital expenditure commitments contracted but not provided for in the Financial Statements	**14,828**	**16,790**

The above amounts exclude uncommitted aircraft purchase payments that may be made if cancellable aircraft options are exercised. The Qantas Group has a number of slide rights available on committed aircraft capital expenditure that are generally exercisable 24 months prior to contracted delivery.

29. Contingent Liabilities

Details of contingent liabilities are set out below. The Directors are of the opinion that provisions are not required with respect to these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Qantas Group	
	2010 $M	2009 $M
Performance guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties	5	6
General guarantees in the normal course of business	172	161
Contingent liabilities relating to current and threatened litigation	3	3
	180	**170**

AIRCRAFT FINANCING

As part of the financing arrangements for the acquisition of aircraft, the Qantas Group has provided certain guarantees and indemnities to various lenders and equity participants in leveraged lease transactions. In certain circumstances, including the insolvency of major international banks and other AAA rated counterparties, the Qantas Group may be required to make payments under these guarantees.

FREIGHT INVESTIGATIONS AND THIRD PARTY ACTIONS

Qantas continues to co-operate with regulators in their investigations into alleged price fixing in the air cargo market. These investigations revealed that the practice adopted by Qantas Freight and the cargo industry generally to fix and impose fuel surcharges breached certain competition laws.

In addition to investigations by regulators for breaches of relevant competition laws, third party class actions have commenced against Qantas (as well as other airlines) in Australia and the United States. Qantas has also been threatened with third party actions in other jurisdictions. Qantas has a number of defences to these actions.

As at 30 June 2010, Qantas has provided $31 million (2009: $30 million). This provision reflects Management's best estimate of potential penalties, settlements and costs in Europe, New Zealand and other jurisdictions. However, Management's current view may change as a result of future developments. Qantas expects the outcome of these outstanding regulatory investigations and third party actions will be known over the course of the next few years.

TRAVEL AGENT LITIGATION

A class action claim was made against Qantas and other airlines by a number of travel agents as a result of travel agents not being paid commission on fuel surcharges. Qantas was successful in the initial action heard in the Federal Court, but was unsuccessful on appeal to the full Federal Court. Qantas continues to dispute this claim and has sought leave to appeal to the High Court of Australia which will be heard on 3 September 2010.

Notes to the Financial Statements continued

for the year ended 30 June 2010

30. Superannuation

The Qantas Superannuation Plan (QSP) is a hybrid defined benefit/defined contribution fund with 14 separate divisions which commenced operation in June 1939. In addition to the QSP, there are a number of small offshore defined benefit plans.

The Qantas Group makes contributions to defined benefit superannuation plans that provide defined benefit amounts for employees upon retirement. Under the plans, employees are entitled to retirement benefits determined, at least in part, by reference to a formula based on years of membership and salary levels. The total plan assets include shares in Qantas with a fair value of $8 million (2009: $6 million). Plan assets also include an investment in a trust which owns a 50 per cent interest in property occupied by the Qantas Group. The value of this investment is $16 million (2009: $28 million).

	Qantas Group	
	2010 $M	**2009 $M**
CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION		
Opening defined benefit obligation	2,098	1,846
Current service cost	158	149
Interest cost	106	105
Actuarial losses	174	176
Exchange differences on foreign plans	(23)	8
Benefits paid	(303)	(186)
Closing defined benefit obligation	**2,210**	**2,098**
CHANGES IN THE FAIR VALUE OF PLAN ASSETS		
Opening fair value of plan assets	1,944	2,142
Expected return	147	170
Actuarial gains/(losses)	36	(343)
Exchange differences on foreign plans	(16)	6
Contributions by employer	133	130
Contributions by plan participants	23	25
Benefits paid	(303)	(186)
Closing fair value of plan assets	**1,964**	**1,944**
EXPENSE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		
Service cost	140	135
Interest cost	106	105
Contributions by plan participants	(23)	(25)
Expected return on plan assets	(147)	(170)
Actuarial losses	15	–
Increase in allowance for contributions tax on net liability	13	7
Expenses	5	7
Total included in manpower and staff related expenditure	**109**	**59**
ACTUAL RETURN GAIN/(LOSS) ON PLAN ASSETS		
Actual return gain/(loss) on plan assets	**183**	**(173)**
	%	**%**
MAJOR CATEGORIES OF PLAN ASSETS AS A PERCENTAGE OF TOTAL PLAN ASSETS		
Equity instruments (Australian and overseas)	55	55
Fixed interest, cash and indexed bonds (Australian and overseas)	20	20
Property	9	10
Alternative assets	16	15
	$M	**$M**
RECONCILIATION TO THE CONSOLIDATED BALANCE SHEET		
Fair value of plan assets	1,964	1,944
Present value of defined benefit obligation	2,210	2,098
Deficit	**(246)**	**(154)**
Less: unrecognised actuarial losses	(494)	(380)
Recognised prepayments in the Consolidated Balance Sheet (refer Note 14)	**248**	**226**

Notes to the Financial Statements continued

for the year ended 30 June 2010

30. Superannuation continued

	Qantas Group				
	2010 $M	2009 $M	2008 $M	2007 $M	2006 $M
HISTORICAL AMOUNTS					
Fair value of plan assets	1,964	1,944	2,142	2,353	2,411
Present value of defined benefit obligation	2,210	2,098	1,846	1,691	2,042
(Deficit)/surplus	**(246)**	**(154)**	**296**	**662**	**369**
Experience adjustments on plan assets	36	(343)	(271)	27	180
Experience adjustments on plan liabilities	(81)	(37)	(138)	112	4

	Qantas Group	
	2010 %	2009 %
PRINCIPAL ACTUARIAL ASSUMPTIONS (EXPRESSED AS WEIGHTED AVERAGES PER ANNUM)		
Discount rate	5.3	5.7
Expected return on plan assets	7.4	7.6
Future salary increases	3.0	3.0

The expected long-term rate of return is based on the weighted average of expected returns on each individual asset class where the weightings reflect the proportion of defined benefit assets invested in each asset class. Each asset class' expected return is based on expectations of average returns over the next 10 years.

Employer contributions to the defined benefit superannuation plans are based on recommendations by the plans' actuaries. It is estimated that $108 million will be paid by Qantas for employees accruing defined benefits in the year ended 30 June 2011 (2010: $121 million).

In April 2009, Qantas and the Trustee of the QSP agreed to additional funding of up to $66 million over three years following the adverse performance of investment markets as a result of the Global Financial Crisis. As at 30 June 2010, Qantas has contributed $35 million of the additional funding.

Defined contribution fund

The Qantas Group's results include $142 million (2009: $131 million) of expenses in relation to defined contribution funds.

31. Related Parties

(A) KEY MANAGEMENT PERSONNEL

The Key Management Personnel (KMP) of the Qantas Group during the year were:

Directors

Leigh Clifford, AO, Chairman

Alan Joyce, Chief Executive Officer

Colin Storrie, Chief Financial Officer (ceased as a Director and KMP effective 5 March 2010)

Peter Cosgrove, AC, MC, Non-Executive Director

Patricia Cross, Non-Executive Director

Richard Goodmanson, Non-Executive Director

Garry Hounsell, Non-Executive Director

Paul Rayner, Non-Executive Director

John Schubert, Non-Executive Director

James Strong, AO, Non-Executive Director

Barbara Ward, Non-Executive Director

Key Management Executives

Bruce Buchanan, Chief Executive Officer Jetstar

Gareth Evans, Chief Financial Officer (appointed as KMP effective 15 June 2010)

Rob Gurney, Group Executive Qantas Commercial

Simon Hickey, Chief Executive Officer Qantas Frequent Flyer

Lyell Strambi, Group Executive Qantas Operations

Notes to the Financial Statements continued

for the year ended 30 June 2010

31. Related Parties continued

(B) REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	Qantas Group	
	2010 $000	2009 $000
Short-term employee benefits	9,058	13,092
Post-employment benefits	705	1,148
Other long-term benefits	175	4,021
Statutory annual leave[1]	–	2,926
Termination benefits	871	6,304
Share-based payments	2,060	11,547
	12,869	**39,038**

1. For the year ended 30 June 2010, annual leave entitlements are presented on an accruals basis as part of short-term employee benefits. For the year ended 30 June 2009, annual leave not taken and paid out was presented on termination.

Further details in relation to the remuneration of KMPs is included in the Directors' Report.

(C) EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

Set out in the following tables are the holdings of equity instruments granted as remuneration to the KMP by Qantas. Non-Executive Directors do not receive any remuneration in the form of share-based payments, although they may salary sacrifice a portion of their Director's fees to purchase shares.

(i) Performance Share Plan (PSP)

Key Management Personnel		Opening Balance	Number Granted	Number Forfeited	Number Vested and Transferred	Closing Balance	Not Available to Call	Available to Call
Alan Joyce	2010 Total	247,500	173,363	–	–	**420,863**	223,363	197,500
	2009 Total	147,500	100,000	–	–	**247,500**	111,750	135,750
Bruce Buchanan	2010 Total	31,720	51,000	–	–	**82,720**	63,533	19,187
	2009 Total	6,654	25,066	–	–	**31,720**	28,393	3,327
Gareth Evans	2010 Total	36,621	27,522	–	–	**64,143**	27,522	36,621
	2009 Total	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a
Rob Gurney	2010 Total	41,042	34,000	–	(25,379)	**49,663**	41,832	7,831
	2009 Total	34,115	31,326	–	(24,399)	**41,042**	36,184	4,858
Simon Hickey	2010 Total	90,213	53,000	–	–	**143,213**	77,500	65,713
	2009 Total	41,213	49,000	–	–	**90,213**	54,750	35,463
Lyell Strambi	2010 Total	75,000	37,000	–	–	**112,000**	112,000	–
	2009 Total	–	75,000	–	–	**75,000**	75,000	–
Colin Storrie[1]	2010 Total	84,768	54,270	(80,270)	(58,768)	**–**	–	–
	2009 Total	32,768	52,000	–	–	**84,768**	61,250	23,518
Geoff Dixon[2]	2009 Total	700,500	287,000	–	(987,500)	**–**	–	–
Peter Gregg[2]	2009 Total	306,500	96,000	–	(402,500)	**–**	–	–
John Borghetti[2]	2009 Total	201,500	96,000	–	(297,500)	**–**	–	–
Kevin Brown[2]	2009 Total	55,500	63,000	–	(118,500)	**–**	–	–
David Cox[2]	2009 Total	107,500	42,000	–	–	**149,500**	49,750	99,750
Grant Fenn[2]	2009 Total	74,500	60,000	–	–	**134,500**	69,500	65,000

1. Ceased to be KMP during 2009/2010.
2. Ceased to be KMP during 2008/2009.

The shares were granted on 19 August 2009 (2009: 20 August 2008) at a fair value of $2.65 (2009: $3.45). The 2009 award to Mr Strambi was granted on 4 March 2009 at a fair value of $1.52. No amount has been paid, or is payable, by the Executive in relation to these deferred shares.

Notes to the Financial Statements continued

for the year ended 30 June 2010

31. Related Parties continued

(ii) Retention Plan (RP)

Key Management Personnel		Opening Balance	Number Granted	Number Forfeited	Number Vested and Transferred	Closing Balance	Not Available to Call	Available to Call
Alan Joyce	2010 Total	750,000	–	–	–	**750,000**	–	750,000
	2009 Total	750,000	–	–	–	**750,000**	480,000	270,000
Simon Hickey	2010 Total	400,000	–	–	–	**400,000**	–	400,000
	2009 Total	400,000	–	–	–	**400,000**	265,000	135,000
Colin Storrie[1]	2010 Total	550,000	–	(38,333)	(511,667)	**–**	–	–
	2009 Total	550,000	–	–	–	**550,000**	315,000	235,000
Geoff Dixon[2]	2009 Total	1,000,000	–	–	(1,000,000)	**–**	–	–
Peter Gregg[2]	2009 Total	800,000	–	–	(800,000)	**–**	–	–
John Borghetti[2]	2009 Total	800,000	–	–	(800,000)	**–**	–	–
Kevin Brown[2]	2009 Total	700,000	–	–	(700,000)	**–**	–	–
David Cox[2]	2009 Total	700,000	–	–	–	**700,000**	465,000	235,000
Grant Fenn[2]	2009 Total	700,000	–	–	–	**700,000**	465,000	235,000

1. Ceased to be KMP during 2009/2010.
2. Ceased to be KMP during 2008/2009.

No amount has been paid, or is payable, by the Executive in relation to these deferred shares.

(iii) Long Term Incentive Plan (LTIP)

Key Management Personnel		Opening Balance	Number Granted	Number Forfeited	Number Vested and Transferred	Closing Balance
Alan Joyce	2010 Total	390,750	250,000	(7,000)	–	**633,750**
	2009 Total	177,000	250,000	–	(36,250)	**390,750**
Bruce Buchanan	2010 Total	92,100	119,000	(1,600)	–	**209,500**
	2009 Total	21,600	70,500	–	–	**92,100**
Gareth Evans	2010 Total	101,075	55,000	(2,500)	–	**153,575**
	2009 Total	n/a	n/a	n/a	n/a	**n/a**
Rob Gurney	2010 Total	101,075	104,000	(2,500)	(18,191)	**184,384**
	2009 Total	60,500	50,000	–	(9,425)	**101,075**
Simon Hickey	2010 Total	146,225	112,000	(1,600)	–	**256,625**
	2009 Total	86,600	70,500	–	(10,875)	**146,225**
Lyell Strambi	2010 Total	75,000	126,000	–	–	**201,000**
	2009 Total	–	75,000	–	–	**75,000**
Colin Storrie[1]	2010 Total	189,000	90,000	(124,640)	(45,249)	**109,111**
	2009 Total	99,000	90,000	–	–	**189,000**
Geoff Dixon[2]	2009 Total	690,000	–	(150,000)	–	**540,000**
Peter Gregg[2]	2009 Total	308,000	–	(231,320)	(76,680)	**–**
John Borghetti[2]	2009 Total	287,000	–	(223,100)	(63,900)	**–**
Kevin Brown[2]	2009 Total	166,000	–	(123,400)	(42,600)	**–**
David Cox[2]	2009 Total	138,000	–	–	(34,080)	**103,920**
Grant Fenn[2]	2009 Total	167,000	85,500	–	(42,600)	**209,900**

1. Ceased to be KMP during 2009/2010.
2. Ceased to be KMP during 2008/2009.

The Rights were granted with a nil exercise price on 9 September 2009 (2009: 4 May 2009). The fair value of Rights granted is calculated at the date of grant using a Monte Carlo model to value the Rights with the TSR performance condition and a Black Scholes model to value the Rights with the EPS performance condition. The weighted average fair value of Rights granted was $2.05 (2009: $1.64). No amount has been paid, or is payable, by the Executive in relation to these Rights.

Notes to the Financial Statements continued

for the year ended 30 June 2010

31. Related Parties continued

(iv) Equity Holdings and Transactions

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

Key Management Personnel	Interest in Shares as at 30 June 2008	Awarded as Remuneration[1]	Rights Converted to Shares	Other Change[2]	Interest in Shares as at 30 June 2009[3]	Awarded as Remuneration[1]	Rights Converted to Shares	Other Change[2]	Interest in Shares as at 30 June 2010[3]
Leigh Clifford	45,000	–	–	6,622	51,622	–	–	–	51,622
Alan Joyce	992,883	100,000	36,250	6,622	1,135,755	173,363	–	–	1,309,118
Colin Storrie	584,013	52,000	–	–	636,013	54,270	45,249	(118,603)	616,929
Peter Cosgrove	4,599	–	–	5,407	10,006	–	–	5,245	15,251
Patricia Cross	2,163	–	–	3,311	5,474	–	–	–	5,474
Richard Goodmanson	–	–	–	20,000	20,000	–	–	–	20,000
Garry Hounsell	33,811	–	–	9,638	43,449	–	–	–	43,449
Paul Rayner	n/a	–	–	21,622	21,622	–	–	–	21,622
John Schubert	34,753	–	–	6,622	41,375	–	–	–	41,375
James Strong	41,056	–	–	3,661	44,717	–	–	–	44,717
Barbara Ward	10,975	–	–	6,622	17,597	–	–	–	17,597
Bruce Buchanan	13,054	25,066	–	246	38,366	51,000	–	–	89,366
Gareth Evans	n/a	n/a	n/a	n/a	37,342	27,522	–	–	64,864
Rob Gurney	44,115	31,326	9,425	(43,824)	41,042	34,000	18,191	(43,570)	49,663
Simon Hickey	447,613	49,000	10,875	–	507,488	53,000	–	–	560,488
Lyell Strambi	n/a	75,000	–	–	75,000	37,000	–	–	112,000
Geoff Dixon	3,422,550	287,000	–	–	3,709,550	n/a	n/a	n/a	n/a
Peter Gregg	1,473,496	96,000	76,680	(838,028)	808,148	n/a	n/a	n/a	n/a
Mike Codd	13,408	–	–	655	14,063	n/a	n/a	n/a	n/a
John Borghetti	1,061,902	96,000	63,900	(202,435)	1,019,367	n/a	n/a	n/a	n/a
Kevin Brown	794,000	63,000	42,600	(68,500)	831,100	n/a	n/a	n/a	n/a
David Cox	913,708	42,000	34,080	–	989,788	n/a	n/a	n/a	n/a
Grant Fenn	810,500	60,000	42,600	3,530	916,630	n/a	n/a	n/a	n/a

1. Refer to details of the PSP on page 42.
2. Other change includes shares acquired through the DRP, salary sacrifice, purchased, sold or lapsed.
3. Where appropriate, the number shown is at the date the person ceased to be KMP.

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

Loans and other transactions with Key Management Personnel

No KMP or their related parties held any loans from the Qantas Group during or at the end of the year ended 30 June 2010 or prior year.

A number of KMPs and their related parties have transactions with the Qantas Group. All transactions, including air travel, are conducted on normal commercial arm's length terms. The nature of transactions, other than air travel, is set out below:

— Toolangi Vineyards is a related entity to Mr Hounsell. Throughout the year, the Qantas Group purchases wine from Toolangi Vineyards for use on Qantas Business Class services

— Woolworths Limited and its subsidiaries (Woolworths Group) are related entities to Mr Strong, who is Chairman of Woolworths Limited. The Qantas Frequent Flyer (QFF) loyalty partnership with the Woolworths Group commenced in June 2009. Mr Strong has not participated in any Qantas Board discussions relating to the QFF-Woolworths Group loyalty partnership

Notes to the Financial Statements continued

for the year ended 30 June 2010

31. Related Parties continued

(D) OTHER RELATED PARTY TRANSACTIONS – ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Details of interests in associates and jointly controlled entities are provided in Note 15. Transactions with associates and jointly controlled entities are conducted on normal terms and conditions.

Transactions between the Qantas Group and associates and jointly controlled entities include:

—The Qantas Group provides catering and ground handling services and performs maintenance and contract work for Air Pacific Limited (Air Pacific)
—The Qantas Group provides ramp handling services to Australian air Express Pty Ltd (Australian air Express)
—The Qantas Group leases aircraft and domestic freight capacity and sub-leases certain property to Australian air Express
—The Qantas Group codeshares on certain Air Pacific services for which it pays for seats utilised
—The Qantas Group receives certain domestic freight and document delivery services from Australian air Express and the Star Track Express Group
—The Qantas Group receives interest from the Star Track Express Group on an investment loan
—The Qantas Group receives engine maintenance services from LTQ Engineering Pty Limited (formerly Jet Turbine Services Pty Limited)

Transactions and balances with associates and jointly controlled entities are included in the Financial Statements as follows:

		Qantas Group	
	Notes	2010 $M	2009 $M
Sales and other income		186	152
Finance income	5	10	10
Expenditure		44	65
Current receivables	11	33	41
Non-current receivables	11	128	128
Current payables	19	6	38

Notes to the Financial Statements continued

for the year ended 30 June 2010

32. Controlled Entities

Controlled Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 2010 %	2009 %
738 Leasing 1 Pty Limited		33 099 119 641	Australia	100	100
738 Leasing 2 Pty Limited		71 099 119 801	Australia	100	100
AAL Aviation Limited	1	83 008 642 886	Australia	100	100
AAFE Superannuation Pty Limited		064 186 214	Australia	100	100
TAA Superannuation Pty. Ltd.		065 318 461	Australia	100	100
Australian Regional Airlines Pty. Ltd.	1	25 006 783 633	Australia	100	100
Sunstate Airlines (Qld) Pty. Limited	1	82 009 734 703	Australia	100	100
Southern Australia Airlines Pty Ltd	1	38 006 604 217	Australia	100	100
Airlink Pty Limited	1	76 010 812 316	Australia	100	100
Eastern Australia Airlines Pty. Limited	1	77 001 599 024	Australia	100	100
Impulse Airlines Holdings Proprietary Limited	1	67 090 590 024	Australia	100	100
Impulse Airlines Australia Pty Ltd	1	17 090 379 285	Australia	100	100
Jetstar Airways Pty Limited	1	33 069 720 243	Australia	100	100
Jetstar Airways Limited			New Zealand	100	100
Jetstar Holidays Co. Ltd.			Japan	100	100
Team Jetstar Pty Limited	1	64 003 901 353	Australia	100	100
First Brisbane Airport Proprietary Limited	1	60 006 912 116	Australia	100	100
Second Brisbane Airport Proprietary Limited	1	49 006 912 072	Australia	100	100
First Brisbane Airport Unit Trust			n/a	100	100
Second Brisbane Airport Unit Trust			n/a	100	100
TAA Aviation Pty. Ltd.	1	17 008 596 825	Australia	100	100
In Tours Airline Unit Trust No 1			n/a	100	100
Denmell Pty. Limited	1, 2	24 008 636 093	Australia	100	100
Denmint Pty. Limited	1, 2	22 008 636 084	Australia	100	100
Denold Pty. Limited	1, 2	64 008 636 262	Australia	100	100
Denpen Pty. Limited	1, 2	66 008 636 271	Australia	100	100
Denpet Pty. Limited	1, 2	60 008 636 244	Australia	100	100
Denpost Pty. Limited	1, 2	58 008 636 235	Australia	100	100
Denrac Pty. Limited	1, 2	56 008 636 226	Australia	100	100
Denseed Pty. Limited	1, 2	39 008 636 155	Australia	100	100
Australian Airlines Limited	1	85 099 625 304	Australia	100	100
BD No. 1 Limited	3		Cayman Islands	–	100
Express Ground Handling Pty Limited	1	19 107 638 326	Australia	100	100
Jetconnect Limited			New Zealand	100	100
Jetstar Asia Holdings Pty Limited	1	86 108 623 123	Australia	100	100
Newstar Investment Holdings Pte. Ltd.			Singapore	49	49
Orangestar Investment Holdings Pte. Ltd.			Singapore	49	49
Jetstar Asia Airways Pte. Ltd.			Singapore	49	49
Valuair Limited			Singapore	49	49
Jetstar Leasing Pty Limited	4	81 138 783 169	Australia	100	–
Kurrajong Limited	3		Cayman Islands	–	100
Q H Tours Ltd	1	81 001 262 433	Australia	100	100
Holiday Tours & Travel Pte. Ltd.			Singapore	75	75
Hangda Consulting (Shanghai) Co. Ltd			China	75	75
Holiday Tours & Travel Limited			Hong Kong	75	75
Holiday Tours & Travel Ltd			Taiwan	75	75
Holiday Tours & Travel (Korea) Limited			Korea	56	56
Holiday Tours & Travel (Singapore) Pte. Ltd.			Singapore	75	75
PT Pacto Holiday Tours			Indonesia	53	53
PT Biro Perjalanan Wisata Tour East Indonesia			Indonesia	60	60
Tour East (2009) Sdn Bhd			Malaysia	75	75
Tour East Australia Pty Limited		87 106 526 096	Australia	75	75
Tour East (Hong Kong) Limited			Hong Kong	75	75
Tour East Singapore (1996) Pte Ltd			Singapore	75	75

Notes to the Financial Statements continued

for the year ended 30 June 2010

32. Controlled Entities continued

Controlled Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 2010 %	2009 %
Jetset Travelworld Ltd		60 091 214 998	Australia	58	58
A.B.N. 23 124 732 136 Pty Limited		23 124 732 136	Australia	58	58
Business Select Pty Limited	5	115 334 855	Australia	58	58
Jetset Pty Ltd		30 098 029 362	Australia	58	58
JTG Corporate Pty Limited		128 834 588	Australia	58	58
JTG Services Pty Limited	6	85 124 719 508	Australia	58	58
JTG Travel Insurance Pty Limited	7	59 105 702 136	Australia	58	58
National Cruise Centre Pty Limited	8	86 135 179 485	Australia	58	58
National Ticket Centre Pty Ltd		47 108 306 243	Australia	58	58
Orient Pacific Holidays Pty Limited	9	128 812 788	Australia	58	58
Qantas Holidays Limited		24 003 836 459	Australia	58	58
Qantas Business Travel Pty Limited		50 128 382 187	Australia	58	58
Ready Travel Pty Limited	10	72 139 386 520	Australia	58	–
Traveland Pty Limited	11	115 329 112	Australia	58	58
Travelworld Pty Ltd		81 074 285 224	Australia	58	58
QH International Co., Limited			Japan	100	100
Jetabout Japan, Inc.			Japan	100	100
QH Tours (UK) Limited			United Kingdom	100	100
Qantas Viva! Holidays Pty Limited		82 003 857 332	Australia	100	100
Qanfad Pty Limited	1, 2	071 955 578	Australia	100	100
Qantas Asia Investment Company Pty Ltd	1	26 125 048 044	Australia	100	100
Qantas Asia Investment Company (Singapore) Pte. Ltd.			Singapore	100	100
Qantas Cabin Crew (UK) Limited			United Kingdom	100	100
Qantas Catering Group Limited	1	34 003 836 440	Australia	100	100
Q Catering Limited	1	35 003 530 685	Australia	100	100
Q Catering Cairns Pty Limited	1	51 008 646 302	Australia	100	100
Q Catering Riverside Pty Limited	1	37 062 648 140	Australia	100	100
Airport Infrastructure Finance Pty. Limited		14 011 071 248	Australia	100	100
Qantas Defence Services Pty Limited	1	53 090 673 466	Australia	100	100
QDS Richmond Pty Ltd	1	58 092 691 140	Australia	100	100
Aerial Operations Services Pty Limited		52 123 140 152	Australia	100	100
Qantas Domestic Pty Limited	1	21 134 556 255	Australia	100	100
Qantas Freight Enterprises Limited	1	55 128 862 108	Australia	100	100
200100819H Pte. Ltd.	12		Singapore	100	100
Document Parcel Express Korea Ltd	13		Korea	–	83
Express Freighters Australia Pty Limited	1	73 003 613 465	Australia	100	100
Express Freighters Australia (Operations) Pty Limited	1	54 119 093 999	Australia	100	100
Qantas Road Express Pty Limited	1	56 130 392 111	Australia	100	100
Qantas Courier Limited	1,14	32 003 890 328	Australia	100	100
Qantas Freight Holdings Pty Limited	1	68 125 573 113	Australia	100	100
Qantas Freight Asia Holdings Pte. Limited			Singapore	100	100
Asia Express Holdings Pte. Ltd.			Singapore	100	100
DPEX Transport Group Pte. Ltd.			Singapore	100	100
DPEX Worldwide Express Pte. Ltd.			Singapore	100	100
DPEX Worldwide Express Ltd			Hong Kong	100	100
Kilda Express Pte Ltd			Singapore	69	69
DPEX Worldwide Co. Ltd			China	52	52
Qantas Foundation Trustee Limited		130 129 449	Australia	100	100
Qantas Frequent Flyer Limited	1	12 129 456 908	Australia	100	100
Qantas Frequent Flyer Operations Pty Limited	1	22 132 484 210	Australia	100	100
Qantas Ground Services Pty Limited	1	43 137 771 692	Australia	100	100
Qantas Group Flight Training Pty Limited	1	29 128 258 104	Australia	100	100
Qantas Group Flight Training (Australia) Pty Limited	1	45 128 258 677	Australia	100	100
Qantas Information Technology Ltd	1	99 000 005 372	Australia	100	100
Qantas Superannuation Limited		47 003 806 960	Australia	100	100

Notes to the Financial Statements continued

for the year ended 30 June 2010

32. Controlled Entities continued

Controlled Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 2010 %	2009 %
QF 738 Leasing 5 Pty Limited		75 100 511 706	Australia	100	100
QF 738 Leasing 6 Pty Limited		83 100 511 742	Australia	100	100
QF 744 Leasing 3 Pty Limited		18 100 511 466	Australia	100	100
QF 744 Leasing 4 Pty Limited		24 100 511 493	Australia	100	100
QF A332 Leasing 1 Pty Limited		11 100 511 813	Australia	100	100
QF A332 Leasing 2 Pty Limited		13 100 511 886	Australia	100	100
QF A332 Leasing 3 Pty Limited		86 100 510 503	Australia	100	100
QF A332 Leasing 4 Pty Limited		84 100 510 558	Australia	100	100
QF A333 Leasing 3 Pty Limited		50 100 510 352	Australia	100	100
QF A333 Leasing 4 Pty Limited		44 100 510 389	Australia	100	100
QF A388 Leasing 1 Pty Limited		62 100 510 843	Australia	100	100
QF A388 Leasing 2 Pty Limited		66 100 510 861	Australia	100	100
QF BNP 2008-1 Pty Limited		25 132 252 174	Australia	100	100
QF BNP 2008-2 Pty Limited		17 132 252 138	Australia	100	100
QF BOC 2008-1 Pty Limited		22 100 510 674	Australia	100	100
QF BOC 2008-2 Pty Limited		35 100 510 727	Australia	100	100
QF Cabin Crew Australia Pty Limited	1	46 128 382 105	Australia	100	100
QF Calyon 2009-1 Pty Limited		23 135 258 534	Australia	100	100
QF Calyon 2009-2 Pty Limited		12 135 258 490	Australia	100	100
QF Dash 8 Leasing Pty Limited		86 107 164 750	Australia	100	100
QF Dash 8 Leasing No. 2 Pty Limited		44 134 259 957	Australia	100	100
QF Dash 8 Leasing No. 3 Pty Limited		48 134 259 975	Australia	100	100
QF Dash 8 Leasing No. 4 Pty Limited		91 135 258 445	Australia	100	100
QF ECA 2008-1 Pty Limited		71 133 356 475	Australia	100	100
QF ECA 2008-2 Pty Limited		73 133 356 420	Australia	100	100
Snap Fresh Pty Limited	1	55 092 536 475	Australia	100	100
Southern Cross Insurances Pte Limited			Singapore	100	100
Thai Air Cargo Holdings Pty Limited	2	19 112 083 584	Australia	100	100
Travel Software Solutions Pty Limited	15	36 005 407 465	Australia	100	67
CargoNet Pty Limited	15	79 063 504 978	Australia	100	67
SCDS Holdings Pty. Ltd.	15	52 007 368 121	Australia	100	67
Travel Technologies Pty. Limited	15	15 077 822 603	Australia	100	67
Traveltrack Solutions Pty Limited	15	72 075 185 536	Australia	100	67

1. Pursuant to ASIC Class Order 98/1418 (as amended), these controlled entities are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of Financial Reports. Jetstar Asia Holdings Pty Limited, Qantas Frequent Flyer Limited and Qantas Frequent Flyer Operations Pty Limited became parties to Qantas' Deed of Cross Guarantee on 16 June 2010.
2. On 25 June 2010, ASIC gave notice of the voluntary deregistration of these companies in the Gazette pursuant to section 601AA(4) of the Corporations Act 2001.
3. BD No. 1 Limited and Kurrajong Limited were voluntarily dissolved on 5 May 2010.
4. QF BOC 2009-1 Pty Limited was incorporated on 10 August 2009 and changed its name to Jetstar Leasing Pty Limited on 3 November 2009.
5. Traveland Group Pty. Ltd. changed its name to Business Select Pty Limited on 16 September 2009.
6. Orient Pacific Holidays Pty Limited changed its name to JTG Services Pty Limited on 16 September 2009.
7. Jetset Travelworld Insurance Pty Limited changed its name to JTG Travel Insurance Pty Limited on 13 July 2009.
8. JTG Services Pty Limited changed its name to National Cruise Centre Pty Limited on 16 September 2009.
9. JTG Wholesale Pty Limited changed its name to Orient Pacific Holidays Pty Limited on 16 September 2009.
10. Ready Travel Pty Limited was incorporated on 10 September 2009.
11. Traveland Australia Pty. Ltd. changed its name to Traveland Pty Limited on 16 September 2009.
12. On 22 June 2010, Qantas Freight Enterprises Limited acquired 100 per cent interest in DPEX Ventures Pte Ltd from DPEX Transport Group Pte Ltd and on the same date, DPEX Ventures Pte Ltd changed its name to 200100819H Pte Ltd.
13. Document Parcel Express Korea Ltd was voluntarily liquidated on 28 December 2009.
14. On 16 June 2010, Qantas Freight Enterprises Limited acquired 100 per cent interest in Jupiter Air Oceania Limited from Qantas Freight Holdings Pty Limited and on 17 June 2010, Jupiter Air Oceania Limited changed its name to Qantas Courier Limited.
15. The Qantas Group acquired the remaining 33 per cent interest in Travel Software Solutions Pty Limited (TSS) and its controlled entities on 30 June 2010. The Qantas Group's interest in TSS is held through Qantas Airways Limited and AAL Aviation Limited.

Notes to the Financial Statements continued

for the year ended 30 June 2010

33. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended), the wholly-owned controlled entities identified in Note 32 are relieved from the Corporations Act requirements for preparation, audit and lodgement of Financial Reports and Directors' Reports.

It is a condition of the Class Order that Qantas and each of the controlled entities in the Class Order enter into a Deed of Cross Guarantee (Deed). The effect of the Deed is that Qantas guarantees to each creditor payment in full of any debt in the event of wind-up of any of the controlled entities under certain provisions of the Corporations Act 2001 (Act). If a wind-up occurs under other provisions of the Act, Qantas will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that Qantas is wound up.

The Deed was first entered into by Qantas and the controlled entities on 4 June 2001 and subsequently additional controlled entities became party to the Deed by way of Assumption Deeds on 17 June 2002, 26 June 2006, 29 June 2007, 30 June 2008, 29 June 2009 and 16 June 2010.

On 8 August 2008, a Revocation Deed was lodged to remove Qantas Holidays Limited from the Deed. On 29 June 2009, a Revocation Deed was lodged to remove QH Cruises Pty Limited and Qanlease Limited from the Deed.

A Condensed Consolidated Income Statement and Consolidated Balance Sheet, comprising Qantas and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed, are set out on the next page:

Notes to the Financial Statements continued

for the year ended 30 June 2010

33. Deed of Cross Guarantee continued

	Consolidated 2010 $M	Consolidated 2009 $M
CONDENSED INCOME STATEMENT		
Statutory profit before income tax expense	**199**	**322**
Income tax expense	66	48
Statutory profit for the year	**133**	**274**
Retained earnings as at 1 July	1,005	1,191
Shares vested to employees	–	(1)
Impact of entities joining/leaving the Deed	(17)	(20)
Dividends declared	–	(439)
Retained earnings as at 30 June	**1,121**	**1,005**
BALANCE SHEET		
Current assets		
Cash and cash equivalents	3,385	3,309
Receivables	1,467	1,324
Other financial assets	232	561
Inventories	319	250
Current tax receivable	–	128
Assets classified as held for sale	69	26
Investment classified as held for sale	38	–
Other	365	302
Total current assets	**5,875**	**5,900**
Non-current assets		
Receivables	2,074	2,396
Other financial assets	102	344
Investments accounted for using the equity method	298	295
Other investments	389	394
Property, plant and equipment	12,502	11,833
Intangible assets	477	447
Other	4	7
Total non-current assets	**15,846**	**15,716**
Total assets	**21,721**	**21,616**
Current liabilities		
Payables	1,716	1,732
Revenue received in advance	3,057	3,033
Interest-bearing liabilities	1,003	726
Other financial liabilities	242	641
Provisions	422	499
Deferred lease benefits	10	16
Total current liabilities	**6,450**	**6,647**
Non-current liabilities		
Revenue received in advance	1,067	1,232
Interest-bearing liabilities	6,761	6,626
Other financial liabilities	231	268
Provisions	557	516
Deferred tax liabilities	704	572
Deferred lease benefits	16	35
Total non-current liabilities	**9,336**	**9,249**
Total liabilities	**15,786**	**15,896**
Net assets	**5,935**	**5,720**
Equity		
Issued capital	4,729	4,729
Treasury shares	(54)	(58)
Reserves	139	44
Retained earnings	1,121	1,005
Total equity	**5,935**	**5,720**

Notes to the Financial Statements continued

for the year ended 30 June 2010

34. Financial Risk Management

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Qantas Group is subject to liquidity, interest rate, foreign exchange, fuel price and credit risks. These risks are an inherent part of the operations of an international airline. The Qantas Group manages these risk exposures using various financial instruments, using a set of policies approved by the Board. Qantas Group policy is not to enter, issue or hold derivative financial instruments for speculative trading purposes.

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

(A) LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Qantas Group manages liquidity risk by targeting a minimum liquidity level, ensuring long-term commitments are managed with respect to forecast available cash inflow, maintaining access to a variety of additional funding sources including commercial paper and standby facilities and managing maturity profiles.

The following tables summarise the contractual timing of cash flows, including estimated interest payments, of financial liabilities and derivative instruments. Contractual amount assumes current interest rates and foreign exchange rates.

Qantas Group 2010 $M	**Less than 1 Year**	**1 to 5 Years**	**More than 5 Years**	**Total**
FINANCIAL LIABILITIES				
Trade creditors	600	–	–	**600**
Bank loans – secured[1]	520	1,991	1,323	**3,834**
Bank loans – unsecured[1]	45	805	–	**850**
Other loans – unsecured[1]	83	752	589	**1,424**
Lease and hire purchase liabilities[1]	41	471	–	**512**
Derivatives – inflows	(240)	(1,467)	(610)	**(2,317)**
Derivatives – outflows	264	1,748	748	**2,760**
Net other financial assets/liabilities – inflows	(30)	(38)	–	**(68)**
Total financial liabilities	**1,283**	**4,262**	**2,050**	**7,595**

1. Recognised financial liability carrying values are shown pre-hedging.

2009 $M				
FINANCIAL LIABILITIES				
Trade creditors	597	–	–	**597**
Bank loans – secured[1]	424	1,769	1,115	**3,308**
Bank loans – unsecured[1]	23	641	–	**664**
Other loans – unsecured[1]	78	818	685	**1,581**
Lease and hire purchase liabilities[1]	164	344	175	**683**
Derivatives – inflows	(270)	(1,782)	(815)	**(2,867)**
Derivatives – outflows	290	1,973	886	**3,149**
Net other financial assets/liabilities – (inflows)/outflows	100	(174)	–	**(74)**
Total financial liabilities	**1,406**	**3,589**	**2,046**	**7,041**

1. Recognised financial liability carrying values are shown pre-hedging.

Notes to the Financial Statements continued

for the year ended 30 June 2010

34. Financial Risk Management continued

(B) MARKET RISK

The Qantas Group has exposure to market risk in the following areas: interest rate, foreign exchange and fuel price risks. The following section summarises the Qantas Group's approach to managing these risks.

(i) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Qantas Group has exposure to movements in interest rates arising from its portfolio of interest rate sensitive assets and liabilities in a number of currencies, predominantly in AUD, GBP and EUR. These principally include corporate debt, leases and cash. The Qantas Group manages interest rate risk by reference to pricing intervals spread across different time periods with the proportion of floating and fixed rate debt managed separately. The relative mix of fixed and floating interest rate funding is managed by using interest rate swaps, forward rate agreements and options.

For the year ended 30 June 2010, interest-bearing liabilities amounted to $5,718 million (2009: $5,503 million). The fixed/floating split is 30 per cent and 70 per cent respectively (2009: 37 per cent and 63 per cent). Other financial assets and liabilities include financial instruments related to debt totaling $208 million (liability) (2009: $78 million (liability)). These financial instruments are recognised at fair value in accordance with AASB 139. The change in carrying value of financial instruments relating to debt includes impairment losses for the year of $28 million (2009: $58 million).

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arise from operations, capital expenditures and translation risks.

Cross-currency swaps are used to convert long-term foreign currency borrowings to currencies in which the Qantas Group has forecast sufficient surplus net revenue to meet the principal and interest obligations under the swaps. Where long-term borrowings are held in foreign currencies in which the Qantas Group derives surplus net revenue, offsetting forward foreign exchange contracts have been used to match the timing of cash flows arising under the borrowings with the expected revenue surpluses. These foreign currency borrowings have a maturity of between one and 12 years. To the extent a foreign exchange gain or loss is incurred, and the cash flow hedge is deemed effective, this is deferred until the net revenue is realised.

Forward foreign exchange contracts and currency options are used to hedge a portion of remaining net foreign currency revenue or expenditure in accordance with Qantas Group policy. Net foreign currency revenue and expenditure out to two years may be hedged within specific parameters, with any hedging outside these parameters requiring approval by the Board. Purchases and disposals of property, plant and equipment denominated in a foreign currency may be hedged out to two years using a combination of forward foreign exchange contracts and currency options.

As at 30 June 2010, 70 per cent (2009: 55 per cent) of forecast operational and capital expenditure foreign exchange exposures less than one year and 14 per cent of exposures greater than one year but less than three years (2009: 18 per cent of exposures greater than one year but less than five years) have been hedged. As at 30 June 2010, total unrealised exchange gains on hedges of net revenue designated to service long-term debt were $214 million (2009: $121 million gain).

For the year ended 30 June 2010, other financial assets and liabilities include derivative financial instruments used to hedge foreign currency, including hedging of future capital and operating expenditure payments, totalling $29 million (net asset) (2009: $231 million (net asset)). These are recognised at fair value in accordance with AASB 139.

(iii) Fuel price risk

The Qantas Group uses options and swaps on jet kerosene, gasoil and crude oil to hedge the exposure to movements in the price of aviation fuel. Hedging is conducted in accordance with Qantas Group policy. Up to 80 per cent (2009: 100 per cent) of estimated fuel consumption out to 12 months may be hedged and up to 40 per cent (2009: 50 per cent) in the subsequent 12 months, with any hedging outside these parameters requiring approval by the Board. As at 30 June 2010, 48 per cent (2009: 71 per cent) of forecast fuel exposure less than one year and three per cent (2009: two per cent) of forecast fuel exposures greater than one year but less than three years have been hedged.

For the year ended 30 June 2010, other financial assets and liabilities include fuel derivatives totalling $41 million (asset) (2009: $154 million (liability)). These are recognised at fair value in accordance with AASB139.

(iv) Sensitivity on interest rate, foreign exchange and fuel price risk

The table on the following page summarises the gain/(loss) impact of reasonably possible changes in market risk, relating to existing financial instruments, on net profit and equity before tax. For the purpose of this disclosure, the following assumptions were used:

- 100 basis points increase and decrease in all relevant interest rates
- 20 per cent (2009: 20 per cent) USD depreciation and USD appreciation
- 20 per cent (2009: 20 per cent) increase and decrease in all relevant fuel indices
- Sensitivity analysis assumes designations and hedge effectiveness testing results as at 30 June 2010 remain unchanged
- Sensitivity analysis is isolated for each risk. For example, fuel price sensitivity analysis assumes all other variables, including foreign exchange rates, remain constant
- Sensitivity analysis on foreign currency pairs and fuel indices of 20 per cent represent recent volatile market conditions

Notes to the Financial Statements continued

for the year ended 30 June 2010

34. Financial Risk Management continued

	Qantas Group			
	Profit before tax		Equity (Before tax)	
	2010 $M	2009 $M	2010 $M	2009 $M
100bps increase in interest rates				
Variable rate interest bearing instruments (net of cash)	(7)	1	–	–
Derivatives designated in a cash flow hedge relationship	–	–	8	14
Derivatives and fixed rate debt in a fair value hedge relationship	5	4	–	–
100bps decrease in interest rates				
Variable rate interest bearing instruments (net of cash)	7	(1)	–	–
Derivatives designated in a cash flow hedge	–	–	(9)	(14)
Derivatives and fixed rate debt in a fair value hedge relationship	(5)	(5)	–	–
20% movement in foreign currency pairs				
20% (2009: 20%) USD depreciation	1	(76)	(479)	(458)
20% (2009: 20%) USD appreciation	(2)	104	938	625
20% movement in fuel indices				
20% (2009: 20%) increase per barrel in fuel indices	60	39	110	279
20% (2009: 20%) decrease per barrel in fuel indices	(26)	(28)	(89)	(204)

(C) CREDIT RISK

Credit risk is the potential loss from a transaction in the event of default by the counterparty during the term of the transaction or on settlement of the transaction. Credit exposure is measured as the cost to replace existing transactions should a counterparty default.

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

i. Trade debtor counterparties – the credit risk is the recognised amount, net of any impairment losses. As at 30 June 2010, trade debtor amounted to $817 million (2009: $824 million). The Qantas Group has credit risk associated with travel agents, industry settlement organisations and credit provided to direct customers. The Qantas Group minimises this credit risk through the application of stringent credit policies and accreditation of travel agents through industry programs

ii. Some other trade debtor counterparties are required to post cash collateral to support their transactions with the Qantas Group. As at 30 June 2010, $13 million (2009: $32 million) was held as collateral by Qantas Group

iii. Other financial asset counterparties – the Qantas Group restricts its dealings to counterparties that have acceptable credit ratings. Should the rating of a counterparty fall below certain levels, internal policy dictates that approval by the Board is required to maintain the level of the counterparty exposure

The table below sets out the maximum exposure to credit risk as at 30 June 2010:

		Qantas Group	
	Notes	2010 $M	2009 $M
On Balance Sheet			
Cash and cash equivalents	10	3,704	3,617
Trade debtors	11	817	824
Aircraft security deposits	11	13	42
Sundry debtors	11	537	582
Other loans	11	128	128
Other financial assets	25	335	905
Off Balance Sheet			
Operating leases as lessor	28	103	114
Total		**5,637**	**6,212**

The Qantas Group minimises the concentration of credit risk by undertaking transactions with a large number of customers and counterparties in various countries in accordance with Board approved policy. As at 30 June 2010, the credit risk of the Qantas Group to counterparties in relation to other financial assets, cash and cash equivalents, and other financial liabilities where a right of offset exists amounted to $4,114 million (2009: $4,364 million) and was spread over a number of regions, including Australia, Asia, Europe and the United States. Excluding associated entities, Qantas Group's credit exposure is with counterparties that have a minimum credit rating of A-/A3, unless individually approved by the Board.

Notes to the Financial Statements continued

for the year ended 30 June 2010

34. Financial Risk Management continued

(D) FAIR VALUE

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity. The fair value of financial assets and liabilities is determined by valuing them at the present value of future contracted cash flows.

Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows.

The fair value of forward foreign exchange and fuel contracts is determined as the unrealised gain/loss at balance date by reference to market exchange rates and fuel prices. The fair value of interest rate swaps is determined as the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows. The fair value of options is determined using standard valuation techniques.

Other financial assets and liabilities represent the fair value of derivative financial instruments recognised on the Consolidated Balance Sheet in accordance with AASB 139.

		Carrying Amount		Fair Value	
Qantas Group	**Notes**	**2010 $M**	**2009 $M**	**2010 $M**	**2009 $M**
Financial assets					
Cash and cash equivalents	10	3,704	3,617	3,725	3,625
Trade debtors	11	817	824	817	824
Aircraft security deposits	11	13	42	13	42
Sundry debtors	11	537	582	537	582
Other loans	11	128	128	128	128
Other financial assets	25	335	905	335	905
Other investments		3	3	3	3
		5,537	**6,101**	**5,558**	**6,109**
Financial liabilities					
Trade creditors	19	600	597	600	597
Other creditors and accruals	19	1,150	1,236	1,150	1,236
Bank loans – secured	21	3,219	2,934	3,369	3,029
Bank loans – unsecured	21	740	629	793	641
Other loans – unsecured	21	1,277	1,307	1,317	1,358
Other financial liabilities	25	473	909	473	909
Lease and hire purchase liabilities	21	482	633	479	637
		7,941	**8,245**	**8,181**	**8,407**
Net financial liabilities		**2,404**	**2,144**	**2,623**	**2,298**

(E) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The different methods of estimating the fair value of financial instruments have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value of financial instruments, by valuation method, are summarised in the table below:

Qantas Group 2010 $M	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	–	335	–	**335**
Derivative financial liabilities	–	(473)	–	**(473)**
Net financial instruments measured at fair value	**–**	**(138)**	**–**	**(138)**

2009 $M				
Derivative financial assets	–	825	–	**825**
Derivative financial liabilities	–	(909)	–	**(909)**
Net financial instruments measured at fair value	**–**	**(84)**	**–**	**(84)**

Financial instruments that use valuation techniques with only market observable inputs to the overall valuation include interest rate swaps, forward and option commodity contracts and foreign exchange contracts that are not traded on a recognised exchange.

Notes to the Financial Statements continued

for the year ended 30 June 2010

34. Financial Risk Management continued

(F) CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base designed to maximise shareholder value, maintain creditor confidence and sustain future development of the business. Qantas targets a capital structure consistent with an investment grade credit rating while maintaining adequate liquidity.

The Board remains focussed on balancing funding requirements of the business and investing for future growth with providing dividends for shareholders. The Board is committed to the resumption of dividend payments. The quantum and timing of this will depend on trading results, prevailing market conditions, the maintenance of an investment grade credit rating and the level of capital expenditure commitments.

During the year ended 30 June 2010, the Qantas Group invested $1.7 billion in capital expenditure and maintained an investment grade credit rating despite the pressures of the Global Financial Crisis.

In the year ended 30 June 2011, the Qantas Group estimates it will spend $2.6 billion on capital expenditure. The required funding will be met primarily through operating cash flows, although further debt funding is planned within the objective of maintaining an investment grade credit rating. As a consequence, the Board considers it prudent not to pay a dividend for the year ended 30 June 2010.

The Board monitors the level of returns relative to the assets employed in the business. A new performance measure, Return on Invested Capital (ROIC) has been implemented from 1 July 2010. The target is for ROIC to exceed cost of capital over the long term while growing the business.

35. Events Subsequent to Balance Date

There has not arisen in the interval between 30 June 2010 and the date of this report any event that would have had a material effect on the Financial Statements as at 30 June 2010.

Notes to the Financial Statements continued

for the year ended 30 June 2010

36. Parent Entity Disclosures for Qantas Airways Limited (Qantas)

(A) CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Qantas	
	2010 $M	2009 $M
CONDENSED INCOME STATEMENT		
Sales and other income	10,082	11,774
Expenditure	10,071	11,260
Statutory profit before income tax expense and net finance cost	**11**	**514**
Net finance costs	(101)	(55)
Statutory (loss)/profit before income tax expense	**(90)**	**459**
Income tax benefit	(32)	(25)
Statutory (loss)/profit for the year	**(58)**	**484**
CONDENSED STATEMENT OF COMPREHENSIVE INCOME		
Statutory (loss)/profit for the year	**(58)**	**484**
Transfer of hedge reserve to the Income Statement, net of tax	122	(68)
Recognition of effective cash flow hedges on capitalised assets, net of tax	120	(61)
Effective portion of changes in fair value of cash flow hedges, net of tax	(168)	(300)
Other comprehensive income for the year	**74**	**(429)**
Total comprehensive income for the year	**16**	**55**
CONDENSED BALANCE SHEET		
Current assets		
Cash and cash equivalents	3,466	3,404
Receivables	2,776	2,296
Inventories	262	199
Other	664	1,016
Total current assets	**7,168**	**6,915**
Non-current assets		
Receivables	1,934	2,258
Property, plant and equipment	11,172	10,763
Intangible assets	323	317
Other	872	1,116
Total non-current assets	**14,301**	**14,454**
Total assets	**21,469**	**21,369**
Current liabilities		
Payables	2,448	2,156
Revenue received in advance	2,632	2,688
Interest-bearing liabilities	1,003	726
Other	604	1,088
Total current liabilities	**6,687**	**6,658**
Non-current liabilities		
Revenue received in advance	1,070	1,232
Interest-bearing liabilities	6,761	6,626
Other	1,443	1,366
Total non-current liabilities	**9,274**	**9,224**
Total liabilities	**15,961**	**15,882**
Net assets	**5,508**	**5,487**
Equity		
Issued capital	4,729	4,729
Treasury shares	(54)	(58)
Reserves	119	44
Retained earnings	714	772
Total equity	**5,508**	**5,487**

Notes to the Financial Statements continued

for the year ended 30 June 2010

36. Parent Entity Disclosures for Qantas Airways Limited (Qantas) continued

	Qantas 2010 $M	Qantas 2009 $M
CONDENSED CASH FLOW STATEMENT		
Net cash from operating activities	1,187	1,161
Net cash used in investing activities	(1,506)	(1,108)
Net cash from financing activities	381	910
Net increase in cash and cash equivalents held	**62**	**963**
Cash and cash equivalents held at the beginning of the year	3,404	2,441
Cash and cash equivalents at the end of the year	**3,466**	**3,404**
(B) CAPITAL EXPENDITURE COMMITMENTS		
Capital expenditure commitments contracted but not provided for in the Financial Statements		
Aircraft	14,505	16,591
Building works	95	103
Other	227	92
	14,827	**16,786**
Payable		
Not later than one year	2,552	1,556
Later than one year but not later than five years	9,854	10,135
Later than five years	2,421	5,095
	14,827	**16,786**

The above amounts exclude uncommitted aircraft purchase payments that may be made if cancellable aircraft options are exercised. Qantas has a number of slide rights available on committed aircraft capital expenditure that are generally exercisable 24 months prior to contracted delivery.

(C) FINANCING FACILITIES

The total amount of financing facilities available to Qantas as at balance date is detailed below:

	Qantas 2010 $M	Qantas 2009 $M
FINANCING FACILITIES		
Committed bank overdraft		
Facility available	7	7
Amount of facility used	–	–
Amount of facility unused	**7**	**7**
Committed syndicated standby facility[1]		
Facility available	500	500
Amount of facility used	–	–
Amount of facility unused	**500**	**500**
Committed secured funding and sale and operating lease		
Facility available	–	1,100
Amount of facility used	–	–
Amount of facility unused	**–**	**1,100**
Commercial paper and medium-term notes		
Facility available[2]	1,000	1,000
Amount of facility used	–	–
Amount of facility unused	**1,000**	**1,000**

1. The syndicated standby facility has $300 million maturing on 8 August 2010 and $200 million maturing on 8 August 2011.
2. Subject to Dealer Panel participation.

The bank overdraft facility held with Commonwealth Bank of Australia covers the combined balances of Qantas and its wholly-owned controlled entities. Subject to the continuance of satisfactory credit ratings, the bank overdraft facility may be utilised at any time. Commonwealth Bank of Australia may terminate this facility without notice.

Notes to the Financial Statements continued

for the year ended 30 June 2010

36. Parent Entity Disclosures for Qantas Airways Limited (Qantas) continued

(D) CONTINGENT LIABILITIES

Details of contingent liabilities are set out below. The Directors are of the opinion that provisions are not required with respect to these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Qantas	
	2010 $M	2009 $M
Performance guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties by controlled entities	5	6
General guarantees in the normal course of business	172	161
Contingent liabilities relating to current and threatened litigation	3	3
	180	**170**

Aircraft financing

As part of the financing arrangements for the acquisition of aircraft, Qantas has provided certain guarantees and indemnities to various lenders and equity participants in leveraged lease transactions. In certain circumstances, including the insolvency of major international banks and other AAA rated counterparties, Qantas may be required to make payments under these guarantees.

Freight investigations and third party actions

Qantas continues to co-operate with regulators in their investigations into alleged price fixing in the air cargo market. These investigations revealed that the practice adopted by Qantas Freight and the cargo industry generally to fix and impose fuel surcharges breached certain competition laws.

In addition to investigations by regulators for breaches of relevant competition laws, third party class actions have commenced against Qantas (as well as other airlines) in Australia and the United States. Qantas has also been threatened with third party actions in other jurisdictions. Qantas has a number of defences to these actions.

As at 30 June 2010, Qantas has provided $31 million (2009: $30 million). This provision reflects management's best estimate of potential penalties, settlements and costs in Europe, New Zealand and other jurisdictions. However, management's current view may change as a result of future developments. Qantas expects the outcome of these outstanding regulatory investigations and third party actions will be known over the course of the next few years.

Travel agent litigation

A class action claim was made against Qantas and other airlines by a number of travel agents as a result of travel agents not being paid commission on fuel surcharges. Qantas was successful in the initial action heard in the Federal Court, but was unsuccessful on appeal to the full Federal Court. Qantas continues to dispute this claim and has sought leave to appeal to the High Court of Australia which will be heard on 3 September 2010.

(E) PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 33.

(F) INTEREST BEARING LIABILITIES

The parent entity has total interest bearing liabilities of $7,764 million (2009: $7,352 million) of which $3,543 million (2009: $2,951 million) represents lease and hire purchase liabilities payable to controlled entities. Of the $4,221 million (2009: $4,401 million) payable to other parties, $2,204 million (2009: $2,465 million) represents secured bank loans and lease liabilities with the remaining balance representing unsecured loans.

Directors' Declaration

for the year ended 30 June 2010

1. In the opinion of the Directors of Qantas Airways Limited (Qantas):
   (a) The Financial Statements and Notes, and the Remuneration Report set out on pages 33 to 44 in the Directors' Report, are in accordance with the Corporations Act 2001, including:
      (i) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
      (ii) Giving a true and fair view of the financial position of the Qantas Group as at 30 June 2010 and of its performance, for the financial year ended on that date
   (b) The Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(A)
   (c) There are reasonable grounds to believe that Qantas will be able to pay its debts as and when they become due and payable
2. There are reasonable grounds to believe that Qantas and the controlled entities identified in Note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between Qantas and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the year ended 30 June 2010.

Signed in accordance with a Resolution of the Directors:

Leigh Clifford
Chairman
30 August 2010

Alan Joyce
Chief Executive Officer

Independent Auditor's Report

to the Members of Qantas Airways Limited

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying Financial Report of the Qantas Group comprising Qantas Airways Limited (Qantas) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the Consolidated Balance Sheet as at 30 June 2010, and Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 36 and the Directors' Declaration.

Directors' responsibility for the Financial Report

The Directors of Qantas are responsible for the preparation and fair presentation of the Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(A), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the Financial Report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the Financial Report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Report.

We performed the procedures to assess whether in all material respects the Financial Report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Qantas Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) The Financial Report of the Qantas Group is in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the Qantas Group's financial position as at 30 June 2010 and of its performance for the year ended on that date
  - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001

(b) The Financial Report also complies with International Financial Reporting Standards as disclosed in note 1(A)

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Qantas Airways Limited for the year ended 30 June 2010, complies with Section 300A of the Corporations Act 2001.

KPMG
Sydney, 30 August 2010

Martin Sheppard
Partner

Shareholder Information

The shareholder information set out below was applicable as at 20 August 2010.

TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares Held	% of Issued Shares
1. J P Morgan Nominees Australia	534,766,228	23.61
2. HSBC Custody Nominees (Australia) Limited	452,305,144	19.97
3. National Nominees Limited	376,628,160	16.63
4. Citicorp Nominees Pty Limited	225,458,109	9.95
5. ANZ Nominees Limited	65,690,854	2.90
6. Cogent Nominees Pty Limited	64,525,437	2.85
7. AMP Life Limited	33,248,291	1.47
8. Australian Reward Investment Alliance	21,516,040	0.95
9. Bond Street Custodians Limited	15,095,659	0.67
10. Queensland Investment Corporation	12,973,006	0.57
11. Pacific Custodians Pty Limited	12,753,009	0.56
12. RBC Dexia Investor Services Australia Nominees Pty Limited	6,747,815	0.30
13. The Senior Master of the Supreme Court	5,293,488	0.23
14. UBS Wealth Management Australia Nominees Pty Limited	5,044,416	0.22
15. Argo Investments Limited	3,464,661	0.15
16. Suncorp Custodian Services Pty Ltd	2,692,753	0.12
17. Ming Hao Trading Pty Limited	2,400,000	0.11
18. UBS Nominees Pty Limited	2,340,879	0.10
19. Neweconomy Com Au Nominees Pty Ltd	2,170,225	0.10
20. ANZ Executors & Trustee	1,905,740	0.08
	1,847,019,914	**81.54**

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shareholders by size of shareholding:

Number of Shares	Ordinary Shares Held	Number of Shareholders	% of Issued Shares
1–1,000[1]	23,978,988	52,411	1.06
1,001–5,000	169,167,138	67,881	7.47
5,001–10,000	83,491,833	12,009	3.69
10,001–100,000	115,435,191	5,815	5.10
100,001 and over	1,873,050,470	189	82.68
Total	**2,265,123,620**	**138,305**	**100.00**

1. 10,671 shareholders hold less than a marketable parcel of shares in Qantas.

SUBSTANTIAL SHAREHOLDERS

The following shareholders have notified that they are substantial shareholders of Qantas:

Shareholders	Ordinary Shares Held	% of Issued Shares
The Capital Group Companies, Inc[1]	215,829,079	9.53
Balanced Equity Management Pty Limited[2]	113,454,764	5.01
UBS Nominees Pty Limited[3]	140,509,729	6.20
Commonwealth Bank of Australia[4]	180,558,629	7.97
Westpac Banking Corporation Group[5]	115,135,358	5.08

1. Substantial shareholder notice dated 17 August 2010
2. Substantial shareholder notice dated 24 May 2010
3. Substantial shareholder notice dated 19 March 2010
4. Substantial shareholder notice dated 2 March 2010
5. Substantial shareholder notice dated 28 January 2010

Sustainability Statistics and Notes

SUSTAINABILITY REPORTING APPROACH

The Qantas Group (Group) has adopted an investor approach to sustainability, which includes embracing opportunities and managing risks to achieve sustainable growth in returns to shareholders. This investor approach includes a commitment to managing and reporting on Environment, Social and Governance (ESG) performance.

This is the Group's fourth sustainability report and continues the approach of previous years to move towards a fully integrated approach where the Group's sustainability issues, performance and programs are integrated throughout the Report and supplemented by the Sustainability Statistics and Notes outlined below. The Annual Report is aimed at a wide stakeholder audience: including investors, employees, customers, suppliers, government, financiers and various special interest groups. This information is supplemented by a dedicated Environment, Social and Governance (ESG) section in the Qantas Investor Data Book, which is specifically tailored to an investor audience.

Following the new Management team's refinement of the Group's vision and strategy in 2008/2009, 2009/2010 presented an opportunity to better align the Group's approach to sustainability to business strategy and the drivers of value for the Group. The Group's overall sustainability strategy is integrated within the Group's business strategy. There is no stand-alone sustainability strategy.

SUSTAINABILITY REPORTING SCOPE

The selection of content and key performance statistics also reflects the revised approach. The number of sustainability indicators has been reduced in 2009/2010 to better align to the Group's strategy and to focus on those indicators which support the goal of sustainable growth in returns to shareholders and cover material impact areas including financial and economic, health and safety, environment and social (including our people, customers and the wider community). Definitions for each of the performance statistics are provided on pages 112–113.

While the Group continues to seek guidance from a range of voluntary sustainability frameworks such as the Global Reporting Initiative G3 Sustainability Reporting Guidelines (www.globalreporting.org), the main focus of the Group's sustainability reporting is to demonstrate to stakeholders that sustainability is integrated with the Group's strategy and operations.

The sustainability information and performance statistics in this report apply to all wholly-owned operations of the Qantas Group globally for the 2009/2010 financial year unless otherwise indicated. Approximately 92% of employees (based on full-time equivalents) are based in Australia.

FEEDBACK

Feedback on the sustainability information presented in the Annual Report and the ESG section of the Investor Data Book is encouraged. Please contact the Qantas Group by writing to sustainability@qantas.com.au.

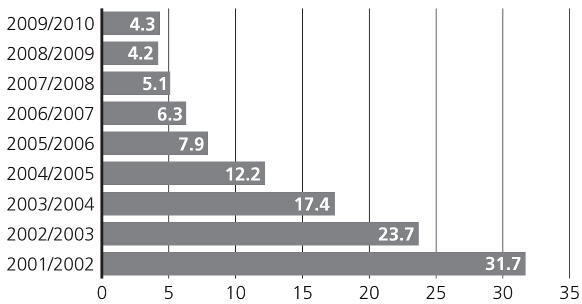
ASSURANCE

The KPMG Independent Limited Assurance Report on page 115 is with respect to the indicators within the performance statistics table for the current year 2009/2010.

1. Health and Safety

The Group's Lost Time Injury Frequency Rate (LTIFR) has reduced by 86 per cent from 31.7 in 2001/2002 to 4.3 in 2009/2010. The Group recognises that performance has plateaued and a step change is required. Management is focused on implementing strategies to drive a step change in injury prevention. Total Recordable Injury Prevention and Lost Work Case Frequency Rates will be introduced in 2010/2011 as part of the Qantas Group's continued commitment to more meaningful measurement of injury prevention performance. This transition aims to improve the visibility of Qantas Group workplace incidents.

OHS LTIFR (AUSTRALIA AND NEW ZEALAND)



	Notes	Unit	2010	2009	2008	2007	2006	GRI indicator[1]
Occupational health and safety	2							
OHS LTIFR (Australia and New Zealand)		Rate	4.3	4.2	5.1	6.3	7.9	LA7
OHS SIFR (Australia)		Rate	14.2	13.5	12.8	12.3	–	LA7
Absenteeism								
Absenteeism (Qantas Group)	3	Days	9.2	–	–	–	–	LA7
Absenteeism (Qantas)	4	Days	9.8	–	–	–	–	LA7

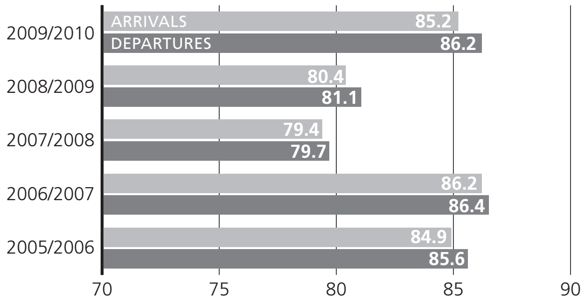
For notes see page 111.

Sustainability Statistics and Notes continued

2. Customer

On-time performance (OTP) is one of the Group's most important operational measures. It has a significant impact on efficiency, cost and customer satisfaction. OTP is especially important for Qantas as a premium carrier. In 2009/2010 Qantas out-performed all other domestic carriers for the year for domestic on-time arrivals and departures. The industrial dispute with the Licensed Aircraft Maintenance Engineers in 2008 negatively impacted OTP in 2007/2008 and 2008/2009.

QANTAS GROUP DOMESTIC ON-TIME PERFORMANCE (%)



	Notes	Unit	2010	2009	2008	2007	2006	GRI indicator[1]
Domestic on-time arrivals (Australia)								PR5
Qantas Group		%	85.2	80.4	79.4	86.2	84.9	
Qantas		%	87.4	81.0	79.6	87.1	85.9	
QantasLink		%	83.7	80.9	80.6	86.0	83.6	
Jetstar		%	82.9	78.2	76.5	84.5	84.9	
Domestic on-time departures (Australia)	5, 6							PR5
Qantas Group		%	86.2	81.1	79.7	86.4	85.6	
Qantas		%	87.7	80.8	79.1	86.7	85.6	
QantasLink		%	86.8	83.7	82.8	88.0	85.7	
Jetstar		%	82.1	76.8	78.4	85.9	85.7	
Domestic cancellations (Australia)	5, 6							PR5
Qantas Group		%	0.8	1.7	1.8	0.8	–	
Qantas		%	0.8	2.6	2.3	1.0	–	
QantasLink		%	0.7	1.1	1.2	0.6	–	
Jetstar		%	1.1	0.9	0.9	0.5	–	
Mishandled bags files per 1,000 passengers (Qantas and QantasLink)		#	7.39	7.50	8.31	–	–	PR5

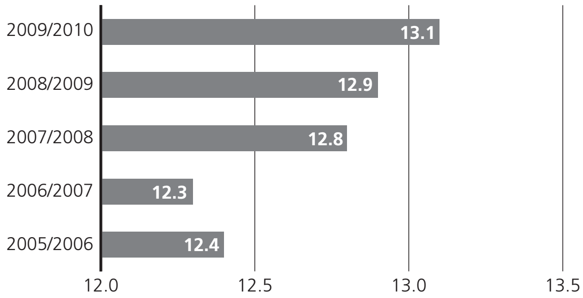
For notes see page 111.

Sustainability Statistics and Notes continued

3. People

The Group is committed to providing our employees with flexible workplace arrangements including part-time work opportunities. The Group also provides a range of benefits and well-being initiatives (outlined on page 44 of the Annual Review). Workplace flexibility is an important driver of staff engagement and retention. The percentage of Qantas Group employees who work part-time has increased from 12.4 per cent in 2005/2006 to 13.1 per cent in 2009/2010.

PERCENTAGE OF PART-TIME EMPLOYEES



	Notes	Unit	2010	2009	2008	2007	2006	GRI indicator[1]
Number of full time equivalent employees	7							LA1
Qantas Airlines			27,132	27,845	29,196	29,070	30,370	
Jetstar			3,098	3,010	2,735	1,958	1,405	
Jetset Travelworld Group			730	742	487	–	–	
Frequent Flyer			82	71	53	–	–	
Corporate Support			1,448	1,362	1,824	2,074	2,250	
Total			**32,490**	**33,030**	**34,295**	**33,102**	**34,025**	
Diversity of employees								LA13
% Women		%	41.7	41.7	42.2	41.8	41.3	
% Women in senior positions		%	22.6	22.3	22.7	22.5	22.6	
% Women Directors on the Qantas Board	5	%	20.0	18.2	18.2	18.2	18.2	
Number of women Directors on the Qantas Board	5	#	2	2	2	2	2	
Employee by age group (permanent employees)	5, 8							
16-24 Years		%	4.5	5.3	5.6	4.2	4.1	
25-34 Years		%	20.6	21.3	22.4	23.2	24.9	
35-44 Years		%	32.3	33.0	33.6	34.8	34.6	
45-54 Years		%	29.9	28.7	27.7	27.2	26.0	
55-64 Years		%	12.0	11.2	10.3	10.3	9.9	
65+ Years		%	0.7	0.6	0.4	0.4	0.4	
% who work part-time		%	13.1	12.9	12.8	12.3	12.4	
Number of Indigenous employees		#	304	269	203	141	136	
Other workforce statistics								
Investment in training	5, 9	$M	151.7	206.4	187.6	122.0	137.9	

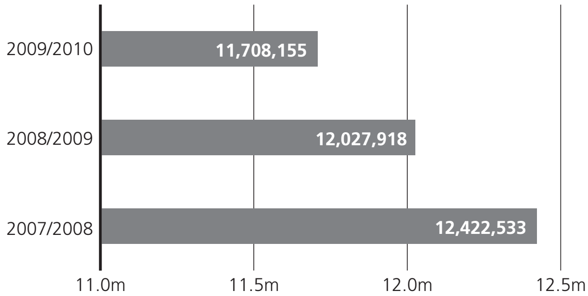
For notes see page 111.

Sustainability Statistics and Notes continued

4. Environment

Fuel conservation is the most important element of the Group's environmental strategy. Improving fuel efficiency is one of the Group's greatest opportunities to minimise cost and manage its environmental impact. It also enables the Group to better absorb fluctuations in oil prices. In early 2010, the Group reached a key milestone of avoiding one million tonnes of CO_2-e through fuel conservation activities since the program's launch in 2004/2005.

AVIATION CO_2-e EMISSIONS (TONNES)



	Notes	Unit	2010	2009	2008	2007	2006	GRI indicator[1]
Energy consumption and other impacts								
Aviation fuel		000L	4,570,556	4,695,383	4,849,430	4,680,270	4,561,238	EN3
Electricity (Australia)	10	MWh	235,303	239,987	248,386	246,730	–	EN3
Water (Australia)	11	000L	991,022	1,046,241	1,143,801	1,204,132	–	EN8
Waste to landfill (Australia)	5, 12	Tonnes	28,243	29,928	30,767	31,686	–	EN22
Emissions								
CO_2-e – aviation	13	Tonnes	11,708,155	12,027,918	12,422,533	–	–	EN16
Aviation efficiency								
CO_2-e per 100 RTKs (Group)	13, 14	Kilograms	98.8	–	–	–	–	EN5
Fuel per 100 RTKs (Group)	14	Litres	38.6	–	–	–	–	EN5
Fuel per 100 RTKs (Qantas)		Litres	38.8	40.1	38.7	38.4	39.5	EN5

5. Financial

Unit cost performance	5	Cents per ASK	5.55	5.80	–	–	–	EC1
Manpower cost per ASK	5	Cents per ASK	2.62	2.77	2.63	2.52	2.61	EC1

6. Community

Tourism spending by Group passengers								
National export revenue	15	$M	5,406.2	5,828.2	5,976.2	–	–	EC1
Domestic traveller expenditure	16	$M	18,917.1	18,622.3	17,256.2	–	–	EC1
Indirect						–	–	
Economic output	17	$M	28,921.2	30,559.2	32,816.7	–	–	EC9

For notes see page 111.

Sustainability Statistics and Notes continued

1. For information on the Global Reporting Initiative (GRI) indicators, refer to the GRI G3 Reporting Framework for Sustainability Reporting, www.globalreporting.org.
2. There were no aviation fatalities or OHS fatalities in 2009/2010.
3. Reported statistic has been expanded in 2009/2010 for the Qantas Group. This includes Jetstar, QantasLink, Jetconnect, CaterAir Riverside and CaterAir Cairns. It also includes absenteeism data for the Jetset Travelworld Group.
4. In 2009/2010, Qantas absenteeism includes carer's leave and has been expanded to include Jetconnect, Cater Air Riverside and CaterAir Cairns. Absenteeism data previously reported in 2008/2009 is not comparable due to the revised definition.
5. New statistics for 2009/2010. For definitions refer to pages 112–113.
6. On-time performance has been expanded in 2009/2010 to include on-time performance indicators for the Group's domestic operations. These statistics have been previously reported to the Bureau of Infrastructure, Transport and Regional Economics (BITRE).
7. Full-time equivalent (FTE) categories have been revised from those reported in 2008/2009 to reflect the current Qantas Group operating structure. In 2009/2010, Qantas Airlines include the aggregation of Qantas, QantasLink, Airports, Engineering, Flight Training, Freight and Jetset Travelworld Group for 2009/2010 include Qantas Holidays.
8. % by age group has replaced previously reported statistics, average age and % eligible for retirement in the next five years, which were reported in the 2008/2009 Qantas Annual Report. Understanding the changing demographics of the workforce assists in workplace planning.
9. Training associated with the introduction of the new Airbus A380 fleet and an increase in the A330 fleet in 2008/2009 represents the majority of the difference between 2008/2009 and 2009/2010.
10. 2009, 2008 and 2007 restated to reflect the revised definition to include the total amount of electricity separately metered and under Qantas' control and influence through its bill payment processes. Variance difference for each year is less than 0.2 per cent. Data provided from 2007 only as this represents the base year for the 2011 improvement target of a 10 per cent reduction in electricity consumption by 2011.
11. 2009, 2008 and 2007 restated to reflect the revised definition to include the total amount of water separately metered and under Qantas' control and influence through its bill payment processes. Variance decrease of 2.3 per cent in 2009, 0.7 per cent in 2008 and 1 per cent in 2007. Data provided from 2007 only as this represents the base year for the 2011 improvement target of a 25 per cent reduction in water consumption by 2011.
12. Waste to landfill includes solid waste and quarantine waste. Data has been provided from 2006/2007 only as this represents the base year for the 2011 improvement target of a 25 per cent reduction in waste to landfill by June 2011.
13. The Qantas Group uses emission factors recommended by the Australian Government's Department of Climate Change methodology. Emission factors are from the National Greenhouse Accounts (NGA) Factors (July 2010).
14. Reported statistics have been expanded to report Group revenue tonne kilometre (RTK) measures which include Jetstar and QantasLink operations. In prior years, CO_2-e per 100 RTK and Fuel per 100 RTK were reported for Qantas Airlines only.
15. In 2009/2010, calculated as 1,639,728 inbound visitors brought to Australia by Qantas and Jetstar between June 2009 and May 2010 which is the latest data available (source: Australian Bureau of Statistics) multiplied by average visitor expenditure of $3,297 (source: Tourism Australia's March 2010 International Visitor Survey). This amount does not include the value of airfare and freight charges that accrue to Qantas from overseas sources which also represent export revenue.
16. In 2009/2010, calculated as 29,148,000 domestic passengers carried by the Qantas Group between June 2009 and May 2010 for all flights within Australia multiplied by average visitor spending of $649 (source: Tourism Australia's March 2010 National Visitor Survey). This amount includes the value of related airfares. As it is not possible to disaggregate the data, the calculations should be viewed as indicative only e.g. the figure may include some international visitor expenditure (where domestic flights are purchased after arrival in Australia) or understate the expenditure associated with domestic flights which are "round trip".
17. In 2009/2010, calculated as $13,772 million Qantas Group revenue multiplied by Qantas Group economic multiplier of 2.1 (as calculated by Access Economics, April 2008 in a report to Qantas). The multiplier is derived from Australian Bureau of Statistics input-output tables of the Australian economy.

Sustainability Statistics and Notes continued

Sustainability Statistics Definitions

HEALTH AND SAFETY

OHS Lost Time Injury Frequency Rate (LTIFR) (Australia and New Zealand)

The number of Lost Time Injuries (LTIs) per million hours worked in Australia and New Zealand from 1 July to 30 June, where an LTI is defined as any work related injury or illness that results in the loss of one or more full days or shifts. LTIFR is used by Qantas Group business units as a means to compare their own performance both internally and externally.

OHS Serious Injury Frequency Rate (SIFR) (Australia)

The number of workplace injuries resulting in the accumulation of seven or more total and/or suitable duties days lost per million hours worked in Australia from 1 July to 30 June. Serious injuries exclude injuries incurred by employees while travelling for work but outside of work hours and those incurred while travelling to and from work. Suitable duties days are defined as days when an employee has returned to the workplace following an injury but has specific restrictions or limitations around the work they can perform as part of a return to work plan. Serious injuries are a major driver of workers' compensation costs.

Absenteeism (Qantas Group)

The average number of annualised days taken as sick leave (including carer's leave) per person from 1 July to 30 June for all Australian based employees and excluding internationally based employees paid locally. This includes Qantas Airlines, Jetstar, Jetset Travelworld Group, Frequent Flyer and Corporate Support.

Absenteeism (Qantas)

The average number of annualised days taken as sick leave (including carer's leave) per person from 1 July to 30 June for all Australian based employees and excluding internationally based employees paid locally. This includes Qantas, QantasLink, Airports, Engineering, Flight Training and Freight.

CUSTOMER

Domestic on-time arrivals (Australia)

Domestic on-time arrivals are defined as the percentage of Australian domestic on-time arrivals for the Qantas Group from 1 July to 30 June. A flight arrival is counted as on time if it arrived at the gate within 15 minutes of the scheduled arrival time for Sectors flown. Neither diverted nor cancelled flights count as being on time. (Bureau of Infrastructure, Transport and Regional Economics (BITRE) definition.)

Domestic on-time departures (Australia)

Domestic on-time departures are defined as the percentage of Australian domestic on-time departures for the Qantas Group from 1 July to 30 June. A flight departure is counted as on time if it departed at the gate within 15 minutes of the scheduled departure time for Sectors flown. Neither diverted nor cancelled flights count as being on time. (Bureau of Infrastructure, Transport and Regional Economics (BITRE) definition.)

Domestic cancellations (Australia)

Domestic cancellations are defined as the percentage of Australian domestic cancellations for the Qantas Group from 1 July to 30 June. A flight is regarded as a cancellation if it is cancelled less than 7 days prior to its scheduled departure time.

Mishandled bags files per 1,000 passengers (Qantas and QantasLink)

The number of files lodged for mishandled bags per 1,000 passengers carried by Qantas and QantasLink domestically and internationally from 1 July to 30 June. A mishandled bag is defined as any delayed bag for which a report was filed within specified time limits.

PEOPLE

Number of full-time equivalent (FTE) employees

The total number of full-time equivalent (FTE) employees as at 30 June, reported in total for each business unit of the Qantas Group in Australia and overseas. This is calculated using standard working hours for full-time and part-time employees and actual hours worked by the casual and temporary workforce.

Percentage of women

The percentage of all employees of the Qantas Group in Australia and overseas who are female, at 30 June. Attracting, developing and retaining women in all areas of the Qantas business remains an ongoing priority for the Qantas Group.

Percentage of women in senior positions

The percentage of all female employees in senior management positions across the Qantas Group in Australia and overseas as at 30 June. Senior positions are defined as Level 4 (Head of/Manager as defined by job size) designator and above.

Percentage of women Directors on the Qantas Board

The percentage of female Directors on the Qantas Board as at 30 June.

Number of women Directors on the Qantas Board

The number of female Directors on the Qantas Board as at 30 June.

Percentage of employees by age group

The percentage by age group of permanent employees for the Qantas Group in Australia and overseas as at 30 June. Understanding the changing demographics of the workforce assists in workforce planning.

Percentage of part-time employees

A measure of workforce flexibility to report on the percentage of part-time positions across the Qantas Group in Australia and overseas as at 30 June.

Number of Indigenous employees

The number of self-identified Aboriginal and Torres Strait Islander employees based on number of employees across the Qantas Group as at 30 June.

Investment in training

Costs incurred from 1 July to 30 June for employee training including flight crew training, manpower costs for trainers and instructors, administrative costs incurred for learning and development activities, maintenance costs and depreciation on the flight simulators, rent, maintenance costs and depreciation on the Qantas Centre of Service Excellence, a facility that the Group established primarily for employee training purposes. Capital expenditures and opportunity costs such as employee time spent on in-house training sessions are excluded.

ENVIRONMENT

Aviation fuel consumption

The total volume of aviation kerosene consumed by the Qantas Group's flying businesses from 1 July to 30 June. Aviation fuel consumption includes Qantas, Jetstar, QantasLink, Jetconnect and Freight, for both domestic and international operations. Aviation fuel consumption does not include consumption by codeshare partners.

Electricity (Australia)

The total amount of electricity consumed as measured in MWh (megawatt hours) by Qantas Group sites within Australia where electricity is separately metered and billed for the period 1 July to 30 June.

Sustainability Statistics and Notes continued

Sustainability Statistics Definitions continued

Water (Australia)

The total amount of water consumed as measured in KL (kilolitres) by Qantas Group sites within Australia where water is separately metered and billed for the period 1 July to 30 June.

Waste to landfill (Australia)

Total solid waste and quarantine waste generated as measured in tonnes by Qantas Group sites (including Engineering, Airports, Catering and Corporate Support) within Australia where Qantas is responsible for the waste removal and is separately billed (that is, where there is a separately identified item on a bill for waste and is not part of a general overhead charge) for the period 1 July to 30 June.

Carbon dioxide equivalent (CO_2-e) – aviation

The amount of greenhouse gas emissions measured in carbon dioxide equivalent (CO_2-e) tonnes generated from aviation fuel consumption (as defined above) from 1 July to 30 June. Under the Australian Government's Department of Climate Change National Greenhouse Accounts (NGA) Factors, emissions incorporated into the calculation include carbon dioxide (CO_2), methane ($CH4$) and nitrous oxide (N_2O). Qantas applies the NGA Factors conversions and methodology for the calculation of CO_2-e.

Carbon dioxide equivalent (CO_2-e) per 100 Revenue Tonne Kilometres (RTKs) (Group)

A measure of carbon dioxide equivalent (CO_2-e) emissions efficiency based on CO_2-e production per 100 RTKs for Qantas Group from 1 July to 30 June. CO_2-e emissions for aviation as defined above. This measure has been expanded to include Jetstar and QantasLink in 2010.

Fuel per 100 Revenue Tonne Kilometres (RTKs) (Group)

A measure of efficiency based on fuel consumption per 100 RTKs for Qantas Group from 1 July to 30 June. This measure has been expanded to include Jetstar and QantasLink in 2010.

FINANCIAL

Unit cost performance

Unit cost performance refers to the net underlying unit cost of the Group, which is the net expenditure, excluding aviation fuel and non-recurring items, divided by Available Seat Kilometres (ASKs) multiplied by 100. The net expenditure is passenger revenue minus Underlying profit before tax.

Manpower cost per Available Seat Kilometre (ASK)

Manpower cost relates to ongoing payroll costs including salaries and wages paid to employees and contractors, allowances, shift penalties, overtime paid, bonuses and on-costs including employee leave entitlements, payroll tax, superannuation contributions and workers' compensation premiums. Employee redundancy cost is excluded due to its one-off nature.

Available Seat Kilometres (ASKs)

ASKs refer to the total number of seats available for passengers multiplied by the number of kilometres flown and is a measure of airline capacity.

COMMUNITY

Tourism spending by Qantas Group passengers

This measure comprises the Qantas Group's contribution to national export revenue and domestic traveller expenditure.

National export revenue

National export revenue is calculated by the number of inbound visitors brought to Australia by Qantas and Jetstar for the 12 months to 31 May 2010 (latest available data) multiplied by the assumed visitor expenditure (based on the average expenditure per visitor according to Tourism Australia's March 2010 International Visitor Survey (latest available data)). This amount does not include the value of airfare and freight charges that accrue to Qantas from overseas sources which also represent export revenue.

Domestic traveller expenditure

Domestic traveller expenditure is calculated as the number of Qantas Group domestic passengers for the 12 months to 31 May 2010 multiplied by the average expenditure per overnight visitor according to Tourism Australia's March 2010 National Visitor Survey (latest available data). This amount includes the value of related airfares. As it is not possible to disaggregate the data, the calculation should be viewed as indicative only e.g. the figure may include some international visitor expenditure (where domestic flights are purchased after arrival in Australia) or understate the expenditure associated with domestic flights which are "round trip".

Indirect economic output

This indirect economic output measure comprises Qantas Group revenue multiplied by a Qantas Group economic multiplier of 2.1 (as calculated by Access Economics).

The multiplier is derived from Australian Bureau of Statistics input-output tables of the Australian economy. Access Economics is an economic advisory company which provides expertise in analysis, modelling and forecasting. Access Economics was commissioned by Qantas to gain a better understanding of the Group's contribution to the Australian economy. A multiplier of 2.1 suggests that a $1 million increase in demand for Qantas' services leads to a $2.1 million increase in output from all sectors in the economy, including air transportation. In other words, the flow-on effects to other sectors is $1.1 million.

Sustainability Statistics and Notes continued

Compliance with Reporting Requirements

NATIONAL GREENHOUSE AND ENERGY REPORTING ACT 2007 (NGER ACT)

The National Greenhouse and Energy Reporting Act 2007 (NGER Act) established a mandatory reporting system for Australian greenhouse gas emissions and energy production and consumption. NGER data will underpin the Australian Government's proposed Carbon Pollution Reduction Scheme although this scheme has been delayed until 2013.

The Qantas Group is obliged to report under the NGER Act. The first reporting year under the NGER Act was 1 July 2008 to 30 June 2009 and the Qantas Group reported total domestic emissions of 4,236,483 tonnes of carbon dioxide equivalent (CO_2-e) (4,007,170 of scope 1 and 229,313 of scope 2) equivalent to 58,563,182 gigajoules of energy consumed.

The emissions reported in the Group's inaugural NGER report for 2008/2009 are not comparable to the emissions voluntarily reported in the 2008/2009 Annual Report. Similarly, the emissions to be reported in the Group's NGER report for 2009/2010 will not be comparable to the emissions reported in the 2009/2010 Annual Report.

The key differences between emissions and energy reported under the NGER Act and emissions and energy voluntarily reported through the Annual Report include:

- Scope of reportable emissions. The emissions reported in the Annual Report relate to international and domestic emissions as defined in the Report. The NGER Act requires reporting of domestic Australian emissions only and excludes emissions resulting from the consumption of international bunker fuel. Emissions reported in both the 2008/2009 and 2009/2010 Qantas Group Annual Reports include emissions from both domestic fuel and international bunker fuel. This will have the greatest impact on the comparability of sustainability reporting data and the data reported under the NGER Act
- The reporting boundary. The concept of operational control with regard to determining reporting boundaries under the NGER Act does not align with financial and sustainability reporting boundaries. Further, the NGER Act applies to activities from facilities that are under Qantas' operational control as opposed to only legal entities for financial and sustainability reporting purposes
- Reportable emissions sources. The emissions reported in the 2010 Qantas Group Annual Report include carbon dioxide equivalent (CO_2-e). Under NGER, reportable emissions sources include carbon dioxide (CO_2), carbon dioxide equivalent (CO_2-e), hydrofluorocarbons (HFCs), nitrous oxide (N_2O), methane (CH_4) perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6)

EUROPEAN UNION EMISSIONS TRADING SCHEME – MONITORING, REPORTING AND VERIFICATION (MRV)

Qantas is currently monitoring all Revenue Tonne Kilometre (RTK) and Annual Emission (AE) data in accordance with the approved Monitoring, Reporting and Verification (MRV) plans submitted to the United Kingdom (UK) Responsible Authority (RA) in November 2009. The RTK and AE data will undergo independent verification prior to being submitted to the RA by March 2011. Submission of RTK data will make Qantas eligible to receive up to a maximum of 85 per cent free emission allowances for the commencement of the scheme in January 2012 (based on emissions produced in 2010) and up to a maximum of 83 per cent free annual emission allowances for the period 2013-2020 (based on emissions in 2010).

ADDITIONAL COMPULSORY REPORTING REQUIREMENTS

The Qantas Group also fulfils its obligations in reporting to a diverse number of additional compulsory reporting requirements, both state based and international, for areas included in its sustainability landscape. These include annual reporting requirements to a number of Australian Government bodies such as the Equal Opportunity for Women Agency (EOWA), Greenhouse Friendly™ and the Energy Efficiency Opportunities (EEO).

Independent Limited Assurance Report

to Qantas on sustainability performance statistics in its Annual Report 2010

INTRODUCTION

We have been engaged by Qantas to review the sustainability performance statistics (the Performance Statistics) for the year ended 30 June 2010 as presented in the Sustainability Statistics and Notes section (the Sustainability Section) of the Qantas Annual Report (the Report).

MANAGEMENT RESPONSIBILITIES FOR THE PERFORMANCE STATISTICS

The Management of Qantas is responsible for the preparation and presentation of the Performance Statistics and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

There are no mandatory requirements for the preparation, publication or review of sustainability performance statistics. Qantas applies its own internal reporting guidelines for sustainability reporting (the Criteria), which can be found in the Sustainability Statistics Definitions of the Sustainability Section of the Report.

OUR RESPONSIBILITY

Our responsibility is to conduct an independent review of the Performance Statistics set out in the Sustainability Section of the Report for the year ended 30 June 2010 for the Qantas Group's operations in Australia and overseas (unless otherwise stated).

Further, the internal control structure, which Management has established and from which the Performance Statistics have been derived, has not been reviewed and no opinion is expressed as to its effectiveness.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures comprised:

— Inquiries with management of processes for development and calculation of indicators and performance of walkthroughs of these processes
— Analytical procedures and specific sample testing
— Interviews with relevant staff at business unit level responsible for providing the information in the Report
— Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report
— Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Qantas

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

We performed procedures in order to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to state whether anything has come to our attention that would indicate that the Performance Statistics have not been prepared and presented, in all material respects, in accordance with the Criteria established by management.

Our review report is prepared solely for the use of Qantas in accordance with the terms of our engagement. We disclaim any assumption of responsibility for any reliance on this limited assurance report to any person other than Qantas or for any other purpose other than that for which it is prepared.

THE PERFORMANCE STATISTICS

We have conducted an independent review of the Performance Statistics set out in the Sustainability Section of the Report for the year ended 30 June 2010, for the Qantas Group's operations in Australia and overseas (unless otherwise stated) under the following headings:

1 Health and safety
2 Customer
3 People
4 Environment
5 Financial
6 Community

INDEPENDENCE

In conducting our review, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

CONCLUSION

Based on the procedures performed as described above, nothing has come to our attention to indicate that the Performance Statistics set out in the Sustainability Section of the Report for the year ended 30 June 2010, have not been prepared and presented, in all material respects, in accordance with the Criteria established by management.

KPMG
Sydney
30 August 2010

Financial Calendar and Additional Information

2010	
18 February	Half year result announcement
30 June	Year end
12 August	Preliminary final result announcement
29 October	Annual General Meeting

2011	
17 February	Half year result announcement
7 March	Record date for interim dividend*
6 April	Interim dividend payable*
30 June	Year end
24 August	Preliminary final result announcement
13 September	Record date for final dividend*
12 October	Final dividend payable*
28 October	Annual General Meeting

*Subject to a dividend being declared by the Board.

2010 ANNUAL GENERAL MEETING

The 2010 AGM of Qantas Airways Limited will be held at 11:00am on Friday 29 October in Adelaide. Further details are available in the Corporate Governance section on the Qantas website (at www.qantas.com)

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Company Secretary Cassandra Hamlin

An online version of this Annual Report is available at www.qantas.com

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Qantas Airways Limited
ABN 16 009 661 901