QANTAS

Building a stronger Qantas

Annual Report 2011

A STRONG PERFORMANCE IN CHALLENGING CONDITIONS

THE QANTAS GROUP IN 2011

In 2010/2011 the Qantas Group reported a strong result in a complex and challenging global operating environment, with increased revenue across all business segments. The result was achieved while overcoming a series of natural disasters and operational disruptions, and despite the underperformance of Qantas' international business.

THE AVIATION INDUSTRY IS CHANGING

THE QANTAS GROUP IN 2011

The Qantas Group faces a unique range of challenges and opportunities.

We are in a strong position to address the challenges and realise the opportunities – but we must take decisive action, as we have throughout our history.

SAFETY IS ALWAYS THE QANTAS GROUP'S FIRST PRIORITY

WE INVEST $1.5 BILLION IN AIRCRAFT MAINTENANCE EACH YEAR

SAFETY FIRST

From our response to the QF32 incident to the risks posed by volcanic ash disruptions, we never compromise on the highest standards of safety. A safety-first culture across the Group ensures that risks are identified and addressed swiftly and decisively. We invest hundreds of millions of dollars in training to ensure that when incidents do occur our people react calmly under pressure. Nothing is more important to us than the safety of our customers and employees.

THE QANTAS GROUP FACES NEW CHALLENGES AND NEW OPPORTUNITIES

COMPETITIVENESS AND SUSTAINABILITY

The Asia-Pacific region is now the world's fastest-growing region for air travel demand. The low-cost carrier revolution continues at pace. New political and regulatory factors are emerging. In this environment it is vital that the Qantas Group takes the necessary steps to maximise productivity and competitiveness, renew aircraft and technology, meet customer needs, realise growth opportunities and enshrine business resilience.

QANTAS HAS SERVED THE AUSTRALIAN COMMUNITY – AND CONNECTED AUSTRALIA TO THE WORLD – FOR 90 YEARS

QANTAS IN THE AUSTRALIAN COMMUNITY

From regional Queensland and the mining towns of Western Australia to global commerce hubs in Australia, Asia, Europe and the United States, Qantas is integral to the Australian community and economy. We are proud representatives of contemporary Australia overseas but we never forget our history.

AS A GLOBAL INDUSTRY, AVIATION IS MORE EXPOSED THAN ALMOST ANY OTHER SECTOR TO UNPREDICTABLE SHOCKS

BUSINESS RESILIENCE RESPONDING TO SHOCKS AND CRISIS

Natural disasters, political instability in the Middle East and global economic volatility all have an impact on industry performance and profitability. The Qantas Group builds business resilience and crisis management into strategic planning, enabling us to respond and recover quickly and effectively when the unexpected happens.

AUSTRALIA IS LOCATED WITHIN THE FASTEST GROWING ECONOMIC ZONE IN THE WORLD

NEW REALITIES, NEW OPPORTUNITIES – THE GROWTH OF ASIA

If it is to grow and thrive – and continue driving economic activity in Australia – the Qantas Group must capitalise on the opportunities Asia presents. Sitting back while our competitors act is not an option. Whether with premium Qantas or low-cost Jetstar, our strong brands and portfolio strategy position us strongly to represent the best of Australia in Asia.

Chairman's Report

In 2010/2011 the Qantas Group performed well despite a complex and challenging global operating environment.

I am pleased to report a strong result for the Qantas Group during 2010/2011, with a 46 per cent improvement in Underlying Profit Before Tax (Underlying PBT) over the prior financial year.

Highlights

- Underlying PBT: $552 million
- Statutory Profit After Tax: $249 million
- Operating cash flow: $1.8 billion
- Cash held: $3.5 billion
- Revenue growth: 8 per cent

Global and Australian context

This result is very pleasing given the complex operating conditions faced by the Group. Escalating fuel prices and broader global uncertainty were mitigated by the strengths of the Australian economy.

The result would have been even stronger were it not for a series of natural disasters and major weather events. These included severe flooding and Cyclone Yasi in Queensland, the Christchurch earthquake, and the earthquake and tsunami in Japan. In June 2011 an ash cloud from Chile's Puyehue-Cordon Caulle volcano caused widespread disruption to Australian airspace, forcing the cancellation of thousands of Qantas and Jetstar flights. These events cost the Group $224 million.

Natural disasters and weather disruptions are unavoidable in aviation, but the frequency and severity of these recent events have been notable. The Qantas Group used its advanced crisis management skills to respond effectively to these events, with customer safety and welfare at the forefront of its efforts.

Airbus A380 incident

On 4 November 2010 Qantas Flight 32, operated by an Airbus A380, experienced the uncontained failure of a Rolls-Royce Trent 900 engine en route from Singapore to Sydney.

Led calmly by Captain Richard De Crespigny and Customer Service Manager Michael Von Reth, the crew on board responded magnificently, and the aircraft was returned safely to Singapore.

Due to the gravity of the incident, Qantas management elected to ground the entire Qantas A380 fleet until it was fully confident that it was safe to fly. The fleet resumed operations on 27 November 2010.

In June 2011 Qantas announced a $95 million settlement with Rolls-Royce relating to the disruptions caused by the incident. The repair and related costs to return the aircraft to service, estimated at US$145 million, are separately covered by insurance and existing agreements with Rolls-Royce.

With its response to the A380 incident, Qantas once again demonstrated an unwavering commitment to the highest safety standards. A priority approach to safety and customer welfare was evident in everything from the millions of dollars invested in the training which underpinned the flight crew's management of the incident, to the emergency response of the organisation, and to the care for customers affected right across the network. Qantas CEO Alan Joyce was unstinting in his efforts to ensure that all customers and stakeholders remained fully informed throughout the incident and aftermath.

People

This year we witnessed the superb response of Qantas professionals during a crisis situation. But every single day Qantas Group airlines carry thousands of passengers safely to their destinations.

I want to thank all Qantas employees for their tireless efforts during the year. They represent the Australian spirit at its finest.

Outlook

The general operating environment is challenging and extremely volatile. Capacity and yield are expected to increase in the first half of 2011/2012, but fuel costs will also grow. Fuel surcharges, fare increases and hedging are unlikely to fully offset this cost increase.

With considerable uncertainty in global economic conditions, fuel prices, foreign exchange rates and the industrial relations environment, it is vital that the Group continues to manage capital effectively. The Group is embarking on a strategic renewal program that is essential to ongoing growth and success, and must allocate capital to business areas that deliver sustainable returns in order to maintain earnings and profitability.

Dividend

The Board considered it prudent not to pay an interim or final dividend in 2010/2011, and will review the potential for future dividends against the Group's funding requirements, the need to maintain an investment-grade credit rating and overall operating conditions.

LEIGH CLIFFORD AO

$14.9bn

Revenue

$552m

Underlying Profit Before Tax

CEO's Report

This year's strong financial performance reflects the power of the Qantas Group's portfolio strategy.

283

Aircraft in the Qantas Group fleet

$249m

Statutory Profit After Tax

All segments of the Qantas Group were profitable, with the combination of Qantas, Jetstar, Qantas Frequent Flyer and Qantas Freight enabling us to deliver our best performance since the Global Financial Crisis.

The flexibility to generate revenue from different parts of the business and different market sectors has proved to be a major asset. We have reported a substantially improved result for Qantas driven by our domestic and regional businesses, continued revenue growth and record results for Jetstar and Qantas Frequent Flyer.

Fleet

During the year the Qantas Group fleet expanded by 29 aircraft to a total of 283 at 30 June 2011, driven primarily by significant Jetstar growth and the acquisition of the Network Aviation business.

Qantas

Qantas Airlines recorded Underlying Earnings Before Interest and Tax (Underlying EBIT) of $228 million, compared with $67 million in the prior year.

During the year Qantas continued to invest on behalf of our customers. We rolled out faster, smarter check-in to all major cities and selected regional airports. We continued to deliver superior on-time performance in the domestic market. We launched direct flights from Sydney to Dallas/Fort Worth, based on a strengthened partnership with American Airlines, creating a new gateway into North America for travelling Australians.

We undertook a comprehensive review of loss-making Qantas International, with the objective of turning around the business and positioning it for a strong and viable future. The review was predicated upon Qantas continuing to be Australia's leading premium international airline, a strengthened focus on alliances, removing capital from non-performing parts of the business, and participation in the Asian market opportunity.

Jetstar

Jetstar achieved a record Underlying EBIT of $169 million, up 29 per cent on the prior year.

Since launching in 2004 as a domestic low-fares subsidiary of the Qantas Group, Jetstar has undergone a major transformation. It is now one of the leading pan-Asian low-cost carriers, flying both short and long-haul services with operations based in Australia, New Zealand, Singapore and Vietnam.

Jetstar continued its investment in innovations for customers, including airport self-service technology, and preparations for the introduction of iPads as an inflight entertainment option. More than 50,000 Jetstar MasterCards have now been issued.

Qantas Frequent Flyer

Qantas Frequent Flyer increased Underlying EBIT to $342 million, a record result. It is Australia's leading loyalty program and continued to bring on board new partners and launch new initiatives to enhance the value it delivers to its 8 million members.

The business continued to deliver strong and stable cash earnings, contributing strongly to the Qantas brand portfolio, and positioning Qantas as an aviation leader in loyalty programs.

Qantas Freight

Qantas Freight Enterprises also delivered an improved performance, with Underlying EBIT of $62 million up 48 per cent on the prior year, reflecting the continuing recovery in the air cargo market.

Looking ahead

No other airline in the world but Qantas can say it has operated continuously for more than 90 years, flying each and every year since 1920. That is something for all Australians to be proud of.

And it has a lot to do with being Australian.

Qantas has been part of the great opening of Australia, and in many ways Qantas has made it possible: by building a global reputation for safety, by staying at the leading edge of aviation technology, by assuring Australians they can always count on us for help, and by creating the best network in Australia, linking rural and regional towns to the great cities of the world.

The Qantas Group has always changed and evolved in order to stay successful, and over the coming years it will continue to do so. With our two strong and complementary airline brands we will increasingly be looking to participate in regional and global opportunities. That is how we can strengthen our business, attract and reward our customers, and deliver for shareholders.

But some things about Qantas will never change.

We will always be an Australian company, owned by Australians, with the vast majority of our operations based in Australia.

We will always call Australia home.

ALAN JOYCE

Financial Performance

In 2010/2011 the Qantas Group reported a strong result despite a number of significant challenges, with all segments of the Group profitable.

Underlying PBT was $552 million, up 46 per cent on 2009/2010. The result was achieved through improvements in earnings across all operating segments and despite the $224 million financial impact of natural disasters and over $200 million of ongoing losses in Qantas' international business.

Both Jetstar and Qantas Frequent Flyer recorded record profits and there were improved results for Qantas and Qantas Freight. At a Group level, revenue was up 8 per cent to $14.9 billion.

Operating cash flow was $1.8 billion, a 32 per cent increase, and cash held was $3.5 billion. Statutory profit after tax grew 115 per cent to $249 million.

A comprehensive review of Qantas International has developed a new strategy to restore the business to competitiveness and profitability based on the following strategic priorities:

- Opening gateways to the world
- Growing with Asia
- Being best for global travellers
- Building a strong, viable business

The QFuture business change program remains on track with $470 million of benefits achieved in 2010/2011, following $533 million of benefits achieved in 2009/2010.

With a balanced portfolio of business and investments, the Qantas Group remains well-positioned to capitalise on growth opportunities and continue to improve the network, product and service it offers customers.

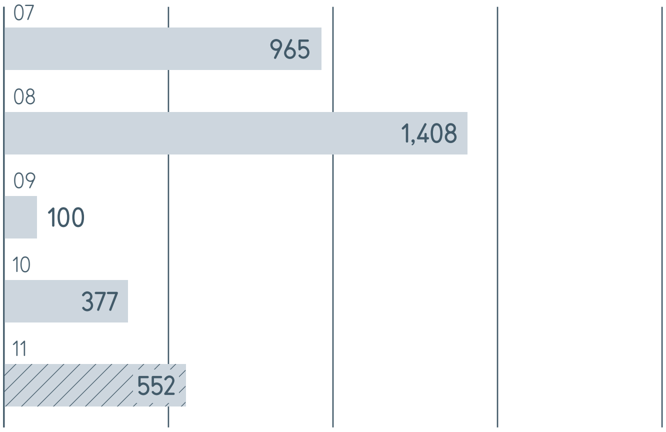
$552m
Underlying PBT

$14.9bn
Revenue

$1.8bn
Operating Cash Flow

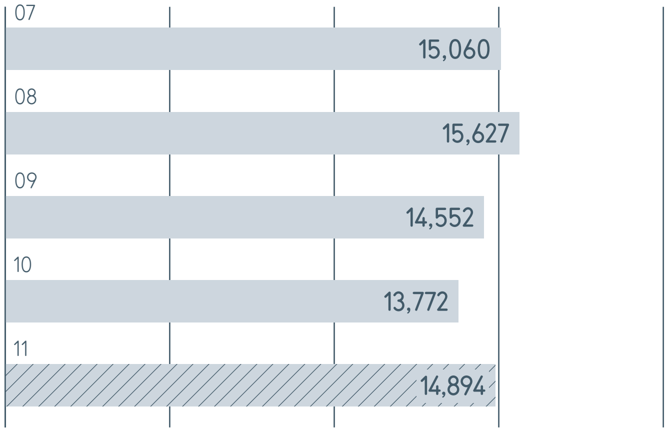
$3.5bn
Cash Held

Underlying Profit Before Tax* ($m)

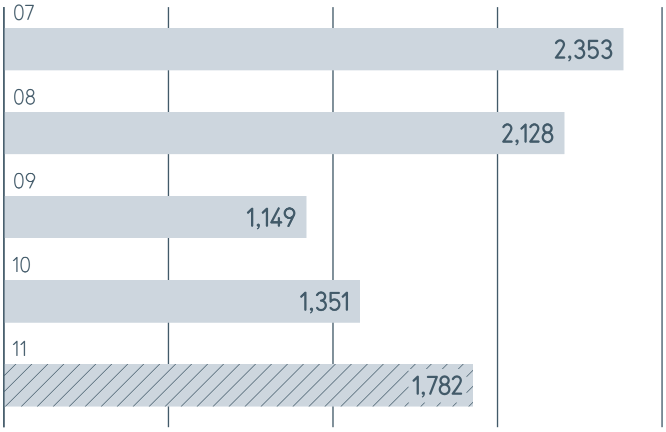


*Figures for 2007–2009 are approximations based on Statutory PBT.

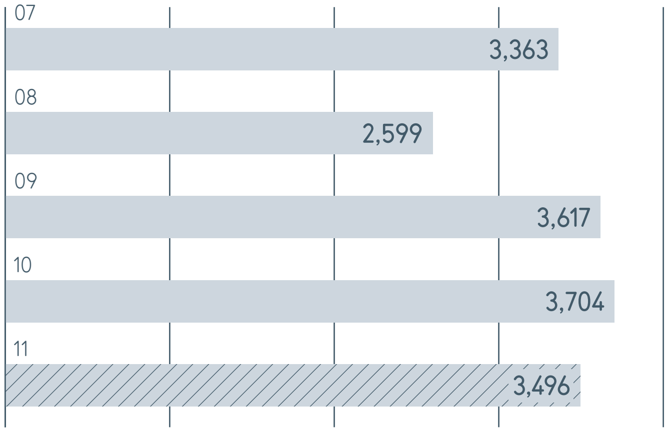
Revenue ($m)



Operating Cash Flow ($m)



Cash Held ($m)



BOARD OF DIRECTORS

Leigh Clifford, AO
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 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 previously a Director of Barclays Bank plc. 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: 63

Alan Joyce
BApplSc(Phy)(Math)(Hons), MSc(MgtSc), FRAeS
Chief Executive Officer

Alan Joyce was appointed Chief Executive Officer and Managing Director of Qantas in November 2008. He is a Member of the Safety, Health, Environment & Security Committee. Mr Joyce is a Director of a number of controlled and associated entities of the Qantas Group and a former Director of 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: 45

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 & Security Committee and a Director of Qantas Superannuation Limited. General Cosgrove is a Director of the Australian Rugby Union and Cardno Limited. He is Chairman of the South Australian Defence Industry Advisory Board, the Australian War Memorial Council and is Chancellor of the Australian Catholic University. 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: 64

Corinne Namblard
MPolSc
Independent Non-Executive Director

Corinne Namblard was appointed to the Qantas Board in June 2011. Ms Namblard has more than 30 years' international experience in finance, infrastructure and related industries. Most recently, Ms Namblard spent 10 years as CEO of Luxembourg-based Galaxy Fund, a transport equity fund. Prior to that, she held an executive committee level business development role with French engineering firm, Egis Group. Earlier, Ms Namblard spent 19 years with Banque Nationale de Paris, holding roles in foreign exchange, debt and equity capital markets, mergers and acquisitions, and project finance. Ms Namblard has held numerous board positions in investee companies, including South Australian-based Flinders Ports. Ms Namblard was also Chair of the Geneva-based United Nations PPP Alliance and a transport expert for the European Commission. Ms Namblard holds French and Canadian citizenships, but now resides in South Australia. Age: 55

Paul Rayner
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 & Security Committee. Mr Rayner is a Director of Boral Limited, Centrica plc and Treasury Wine Estates Limited. He is also the Chairman of each of their 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: 57

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 the Remuneration Committees. Mrs Cross is a Director of National Australia Bank Limited, JBWere Pty Limited, the Grattan Institute and the Methodist Ladies College. She is also Member of Melbourne University's Advisory Council to the Faculty of Business and Economics. Mrs Cross was previously a director of Wesfarmers Limited, the Murdoch Childrens Research Institute, Chairman of Qantas Superannuation Limited, Deputy Chairman of Victoria's Transport Accident Commission and a former Member of the Government's Australian Financial Centre Forum. 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: 52

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 the Safety, Health, Environment & 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: 64

Garry Hounsell
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. He is Chairman of Investec Global Aircraft Fund, a Director of Ingeus Limited and a Board Member of law firm Freehills. Mr Hounsell is the former Deputy Chairman of Mitchell Communication Group Limited. He is a former Senior Partner of Ernst & Young and Chief Executive Officer and Country Managing Partner of Arthur Andersen. Age: 56

Dr John Schubert, AO
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 & 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 CEO of Pioneer International Limited from 1993 until 2000. Dr Schubert held various roles 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: 68

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 CEO 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, the Australia Council for the Arts and the organising committee for the ICC Cricket World Cup 2015. 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 CEO of Australian Airlines from 1985 until 1989. He has been admitted as a barrister and/or solicitor in various state jurisdictions in Australia. Age: 67

Barbara Ward, AM
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 & Security Committee and the Audit Committee. Ms Ward is the Chairman of Essential 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, 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: 57

INFORMATION ON QANTAS
REVIEW OF OPERATIONS
CORPORATE GOVERNANCE STATEMENT

Information on Qantas

for the year ended 30 June 2011

THE QANTAS GROUP

Founded in regional Queensland in 1920, Qantas is one of the world's most experienced and respected airlines, with a proud record of safety, innovation and excellence.

The Qantas Group's main business is the transportation of passengers using two complementary airlines, Qantas and Jetstar, operating international, domestic and regional services.

The Group's broader portfolio of businesses and investments, including Qantas Frequent Flyer and Qantas Freight Enterprises, generate diverse revenue streams and adds value for customers and investors.

The Group employs almost 36,000 people, 92 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
Gareth Evans, Chief Financial Officer
Lesley Grant, Group Executive, Customer and Marketing
Rob Gurney, Group Executive, Qantas Commercial
Simon Hickey, Chief Executive Officer, Qantas Frequent Flyer
Jayne Hrdlicka, Group Executive, Strategy and Technology
Brett Johnson, General Counsel
Jon Scriven, Group Executive, People
Lyell Strambi, Group Executive, Qantas Operations
Olivia Wirth, Group Executive, Government and Corporate Affairs

Qantas

Qantas is a premium, full-service Australian domestic and international airline offering services across a wide network of destinations.

Customer benefits include a global network, up to four travel classes (depending on aircraft type and route), inflight food, wine and entertainment, a rewarding loyalty program in Qantas Frequent Flyer, airport lounges and other services. Qantas is a founding member of the **one**world alliance.

Qantas' full-service regional airline, QantasLink, connects regional customers with major cities and with Qantas' domestic and international network.

In December 2010 Qantas acquired the West Australian charter airline Network Aviation, which specialises in fly-in fly-out services to mining communities.

Jetstar

Jetstar, the Group's low-fares airline, began operating Australian domestic services in 2004, international services in 2006 and New Zealand domestic services in 2009. It also manages Jetstar Asia, which operates within Asia to/from Singapore.

Through the Group's 27 per cent investment in Jetstar Pacific, the Jetstar brand also has a presence in Vietnam.

Portfolio Businesses

In addition to its airline brands, the Group operates a number of related businesses, including Qantas Frequent Flyer and Qantas Freight Enterprises.

Qantas Frequent Flyer is Australia's leading coalition loyalty program, with 7.9 million members and more than 400 partners. Members accumulate points with Qantas, Jetstar and other partner airlines and spend them on flights or a range of goods and services.

Qantas Freight Enterprises markets freight capacity across Qantas' passenger operations, as well as operating dedicated freighter services and managing the Group's role in a number of strategic logistics assets.

Corporate

A range of corporate departments develop and manage the Group's strategy and policy, ensure regulatory compliance and engage with relevant external stakeholders:

- Finance: financial strategy, policy, planning and reporting, treasury, tax, insurance, fleet planning and procurement, investor relations
- Government and Corporate Affairs: government relations, internal and external communication, community partnerships, Qantas Foundation
- Information Technology
- Legal
- People: workforce management and engagement, industrial relations, remuneration, workplace transformation
- Public Company (including the Company Secretary): manages the Group's obligations as a listed entity
- Office of the CEO: safety, security, business resilience, health, internal audit, environment

Investment

The Qantas Group maintains strategic investments in a number of airlines and airline-related businesses, including:

- A 27 per cent stake in Vietnam's Jetstar Pacific
- A 46 per cent stake in Fiji's Air Pacific
- A 29 per cent stake in Jetset Travelworld Limited

Qantas is also an equal partner with Australia Post in AUX Investments, a jointly-controlled entity which owns:

- Australian air Express
- Star Track Express

Information on Qantas continued

for the year ended 30 June 2011

Network

The Qantas Group is the eleventh largest airline group in the world based on passenger numbers and distance flown.

The Group's network comprises 208 destinations in 46 countries, including Australia and those served by codeshare partner airlines.

Domestically, Qantas, QantasLink and Jetstar operate more than 5,700 flights per week. Jetstar also operates more than 200 domestic flights per week in New Zealand.

Internationally, Qantas and Jetstar operate more than 970 flights per week.

In 2010/2011 the Group carried a total of 44.5 million passengers.

Fleet

At 30 June 2011 the Group, including Jetstar Asia and Network Aviation, operated a fleet of 278 passenger aircraft and five dedicated freighter aircraft.

In 2010/2011:

- Qantas took delivery of four Airbus A380s, one A330-200, five Boeing B737-800s and one Bombardier Q400
- Jetstar, including Jetstar Asia, took delivery of 10 A320-200s and two A330-200s
- Qantas Freight took delivery of one B767-300
- The acquisition of the Network Aviation Group added two Fokker F100s and seven Embraer 120 Brasilia aircraft to the fleet
- The Group retired one B747-400, one B767-300ER and two B737-400s

Qantas Group Aircraft in Service

Aircraft Type		2011 Number	2010 Number	Change
Qantas	A380-800	10	6	4
	B747-400	20	21	(1)
	B747-400ER	6	6	–
	A330-200	8	7	1
	A330-300	10	10	–
	B767-300ER	25	26	(1)
	B737-400	19	21	(2)
	B737-800NG	46	41	5
	B717-200	11	11	–
	Q200/Q300	21	21	–
	Q400	22	21	1
	Fokker F100	2	–	2
	EMB 120	7	–	7
	Total	**207**	**191**	**16**
Jetstar[1]	A320-200	56	46	10
	A321-200	6	6	–
	A330-200	9	7	2
	Total	**71**	**59**	**12**
Qantas Freight	B737-300SF	4	4	–
	B767-300	1	–	1
	Total	**5**	**4**	**1**
	Total Group	**283**	**254**	**29**

1. Jetstar fleet includes Jetstar Asia and excludes Jetstar Pacific.

The Group has a comprehensive fleet renewal plan focused on enhancing customer service, fuel efficiency and operational performance.

STRATEGIC DIRECTION

In 2010/2011 the Qantas Group delivered its strongest result since the global economic downturn and continued to invest in product, service, infrastructure and growth.

While trading conditions remain challenging – characterised by high fuel prices and a volatile global economy – the Group is well-placed to maintain its leading position domestically and compete strongly in international markets.

Qantas and Jetstar maintained a profit-maximising 65 per cent share of the domestic air travel market. The Group retains the flexibility to adjust planned capacity growth and capital expenditure to match demand. A review of Qantas' international operations was carried out and established a new five-year plan to restore the business's profitability and competitiveness. This strategy is focused on opening gateways to the world, growing with Asia, being best for global travellers and building a strong, viable business.

Jetstar continues to pursue its successful pan-Asian strategy, participating fully in the growth of low-cost leisure travel in the world's fastest-growing region.

Qantas Frequent Flyer and Qantas Freight, both profitable and successful businesses add strength and depth to the Group's portfolio and enable it to withstand economic cycles.

QFuture

QFuture is a three-year business transformation program aimed at equipping Qantas for sustainable growth in the increasingly competitive global aviation market. The program is targeting $1.5 billion in margin improvements over the three years from 1 July 2009, with $1 billion delivered after two years.

It is focused on business transformation across a wide range of business areas, including aircraft utilisation and scheduling, alliances, procurement, information technology and workplace transformation.

Product, Service and Technology

The Group remains committed to introducing new products and technology that enhance the customer experience.

In 2010/2011 faster, smarter check-in technology was installed across the domestic network, featuring smart-chip Frequent Flyer cards, permanent bag tags and automated bag drop facilities. Customer feedback on the new system has been tremendous.

New aircraft continued to join the Qantas fleet. Four more A380s were added to Qantas' long-haul fleet, B747 and A330 capacity increased on long-haul routes and next-generation B737-800s were deployed on trans-Tasman services.

In late 2011 the first Qantas B747 to be reconfigured with A380-standard on-board product will enter service, part of a program that will ensure a consistently world-class customer experience across all Qantas long-haul services.

With the introduction of SMS check-in for customers in Australia and New Zealand, continued investment in self-serve check-in facilities and the launch of a simplified fare structure, Jetstar also underlined its commitment to streamlined travel for its customers.

The Group will acquire up to 110 A320 aircraft to support fleet renewal and growth for the next 10 to 15 years.

Review of Operations

for the year ended 30 June 2011

Qantas reports a strong full year profit in challenging conditions.

HIGHLIGHTS OF THE 2011 RESULT INCLUDE:

- Underlying Profit Before Tax (PBT)[1] up 46 per cent and operating cash flows up by 32 per cent
- Result achieved despite $224 million financial impact of natural disasters
- Earnings growth across all operating segments
  - Record profit results for Jetstar and Qantas Frequent Flyer
  - Improved results in Qantas, despite significant losses in Qantas International
  - 48 per cent growth in Qantas Freight
- Strong revenue growth of 8 per cent achieved through improvement in yield and growth in capacity across the Group
- Statutory Profit After Tax up 115 per cent to $249 million

Underlying PBT Up 46 Per Cent

The Qantas Group reported an Underlying PBT of $552 million for the year ended 30 June 2011, an increase of 46 per cent on the prior year result of $377 million.

The result was achieved through improvements in earnings across all operating segments despite the $224 million financial impact of natural disasters and over $200 million of ongoing losses in Qantas International.

Group Underlying Income Statement Summary	2011 $M	2010 $M	Change $M	Change %
Net passenger revenue	12,042	10,938	1,104	10
Net freight revenue	842	821	21	3
Other	2,010	2,013	(3)	(0)
Revenue and other income	**14,894**	**13,772**	**1,122**	**8**
Operating expenses	12,435	11,577	858	7
Depreciation and amortisation	1,249	1,200	49	4
Non-cancellable aircraft operating lease rentals	566	527	39	7
Expenses	**14,250**	**13,304**	**946**	**7**
Underlying EBIT	**644**	**468**	**176**	**38**
Underlying net finance costs	(92)	(91)	(1)	1
Underlying PBT	**552**	**377**	**175**	**46**

Impact of Natural Disasters and Rolls-Royce Engine Failure

The Group's result was achieved while overcoming significant external and operational challenges during the year. Qantas has demonstrated its commitment to safety and its resilience in responding to these challenges. However the frequency and severity of events in 2011 compared to previous years has resulted in a material unfavourable impact on the Group's results.

There were several significant weather events and natural disasters during the year. Lost revenues and customer care costs net of variable cost savings resulted in a total unfavourable financial impact of $224 million. This included disruptions caused by ash from the Chilean volcano, the earthquake and tsunami in Japan, the earthquake in Christchurch, the Queensland floods and Cyclones Yasi and Carlos.

2011 results include the financial impact of the Rolls-Royce engine failure on Qantas flight 32 and the subsequent temporary grounding of the Airbus A380 fleet. The results also include the settlement agreed with Rolls-Royce ($95 million) which offsets the direct financial losses incurred.

1. Underlying PBT is the primary reporting measure used by Management and the Board to assess the financial performance of the Group. All line items are adjusted to reflect the underlying result. Refer to the Statutory Result section for a reconciliation of Underlying PBT to Statutory PBT on page 21.

Review of Operations continued

for the year ended 30 June 2011

Earnings Growth in All Operating Segments

All operating segments have improved contributions to Underlying PBT, delivering strong growth compared to the prior year and demonstrating the strategic advantage provided by the Group's portfolio of brands. Continuing growth of Jetstar and Qantas Frequent Flyer has been rewarded with both delivering record results.

Segment Performance Summary	2011 $M	2010 $M	Change $M	Change %
Qantas	228	67	161	240
Jetstar	169	131	38	29
Qantas Frequent Flyer	342	328	14	4
Qantas Freight	62	42	20	48
Jetset Travelworld Group[1]	3	14	(11)	(79)
Corporate/Eliminations	(160)	(114)	(46)	40
Underlying EBIT	**644**	**468**	**176**	**38**
Underlying net finance costs	(92)	(91)	(1)	1
Underlying PBT	**552**	**377**	**175**	**46**

1. Jetset Travelworld Group ceased to be a standalone operating segment from 1 October 2010 following its merger with Stella Travel Services and deconsolidation from the Qantas Group. From 1 October 2010, the equity accounted result of the Group's investment in Jetset Travelworld Group is included in the Qantas segment.

Continuing Yield Recovery and Growth

The Group delivered an improved revenue performance during the year, driven by improvements in yield and growth in capacity in both Qantas and Jetstar. Total revenue increased 8 per cent from $13.8 billion to $14.9 billion, despite the impact of disruptions.

Net passenger revenue increased by 10 per cent. Yield (excluding foreign exchange (FX) movements) increased by 6 per cent, reflecting ongoing improvement in market conditions across the Group. International yield improved by 8 per cent and Domestic yield improved by 3 per cent.

Capacity increased 7 per cent following the expansion of the Group's fleet by 29 aircraft to 283 at 30 June 2011. This includes the significant growth of the Jetstar business and the acquisition of the Network Aviation Group.

The Group's revenue performance has been supported by maintaining the Group's profit maximising domestic capacity share of 65 per cent, achieving industry leading on-time performance, and a continuing focus on improving product offering, customer experience and customer satisfaction. This performance is also reflected in Qantas Frequent Flyer's robust growth in members, program partners and member engagement.

Operating Statistics					
Available Seat Kilometres (ASKs)[1]	M	133,281	124,717	8,564	7
Revenue Passenger Kilometres (RPKs)[2]	M	106,759	100,727	6,032	6
Passenger numbers	'000	44,456	41,428	3,028	7
Seat factor	%	80.1	80.8	(0.7)	(1)
Yield (excluding FX)	c/RPK	10.94	10.34	0.60	6
Net Underlying Unit Cost[3]	c/ASK	5.60	5.55	0.05	1
Comparable Net Underlying Unit Cost[4]	c/ASK	5.52	5.55	(0.03)	(1)

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 – Underlying PBT less passenger revenue, fuel and Frequent Flyer change in accounting estimate per ASK.
4. Comparable Net Underlying Unit Cost– Net Underlying Unit Cost adjusted for the impact of 2010/2011 natural disasters and adjusted for changes in average sector length.

Total expenses for 2010/2011 were $14,250 million, an increase of 7 per cent from the prior year. Cost increases were broadly in line with the Group's capacity growth of 7 per cent, but overall Net Underlying Unit Cost performance was impacted by natural disaster disruptions. Adjusting for these disruptions and changes in average sector length, Comparable Net Underlying Unit Cost improved 1 per cent from 2009/2010.

Fuel costs increased by 12 per cent, driven by growth in activity and increases in fuel prices that have escalated through the second half of the year. Fuel hedging and participation in favourable FX movements significantly mitigated the 28 per cent increase in average USD fuel prices in 2010/2011.

Review of Operations continued

for the year ended 30 June 2011

Capital Expenditure Supported by Strong Balance Sheet and Operating Cash Flows

Operating cash flows grew to $1.8 billion, an increase of 32 per cent on the prior year result of $1,351 million. This reflects the Group's growth in earnings and improvements in working capital.

The Group invested $2.4 billion in capital expenditure during the year. This includes the purchase of 15 aircraft, progress payments on future deliveries, and continued investment in customer product and infrastructure.

Qantas Group cash was $3.5 billion at 30 June 2011, a decrease of $208 million from 30 June 2010. This reflects the use of cash to fund a number of aircraft purchases and the deconsolidation of $100 million of cash held in Jetset Travelworld Group.

Cash Flow Summary	2011 $M	2010 $M	Change $M	Change %
Cash at beginning	3,704	3,617	87	2
Operating cash flow	**1,782**	**1,351**	**431**	**32**
Investing cash flow	(2,478)	(1,645)	(833)	51
Financing cash flow	508	381	127	33
Effect of foreign exchange on cash	(20)	–	(20)	(100)
Cash at year end	**3,496**	**3,704**	**(208)**	**(6)**

The Group's balance sheet, operating cash flows and capital position remain strong. A conservative approach to capital management and strengthening Operating cash flows provide ongoing flexibility to support capital expenditure and other funding requirements, while supporting an investment grade credit rating. At 30 June 2011 the Group's gearing ratio was 53 per cent.

Debt and Gearing Analysis					
Net debt[1]	$M	2,971	2,236	735	33
Net debt including off balance sheet debt[2]	$M	6,970	6,197	773	12
Equity (excluding hedge reserves)	$M	6,071	5,896	175	3
Net debt to net debt and equity ratio[3]		53 : 47	51 : 49		4

1. Includes fair value of hedges related to debt and aircraft security deposits.
2. Includes non-cancellable operating leases. Non-cancellable operating leases are a representation assuming assets are owned and debt funded and are not consistent with the disclosure requirements of AASB117: Leases.
3. Gearing ratio is Net debt to net debt and equity (including balance sheet debt from operating leases excluding hedge reserves).

Fleet

The Qantas Group remains committed to a fleet strategy that supports its objectives of two strong complementary brands and provides for long-term fleet renewal, simplification and growth, whilst retaining significant flexibility.

At 30 June 2011 the Qantas Group fleet comprised 283 aircraft. During the year, 24 aircraft (15 purchased and nine leased) were newly entered into service:

- Qantas – four Airbus A380s, one A330-200, five Boeing B737-800s and one Bombardier Q400
- Jetstar, including Jetstar Asia – 10 A320-200s, two A330-200s
- Qantas Freight – one B767-300 Freighter

In addition, the Group added nine aircraft through the acquisition of the Network Aviation Group:

- Two Fokker F100s and seven Embraer EMB 120 Brasilia

The Group retired three owned aircraft (two B737-400s and one B767-300) during the year and returned one leased B747-400.

For further details refer to the Qantas Group Aircraft in Service table on page 15.

Qantas

Qantas' Underlying EBIT was $228 million for the year ended 30 June 2011, an increase of $161 million on the prior year result of $67 million. The result is 240 per cent above the prior year, driven by a 7 per cent increase in total revenue.

Total revenue	$M	11,315	10,609	706	7
Seat factor	%	81.0	81.3	(0.3)	(0)
Underlying EBIT	$M	228	67	161	240

Qantas achieved significant improvements in yield on increased capacity (3 per cent). Revenue recovery continued across both international and domestic business.

The result was achieved despite the significant operational and financial challenges of the disruptions to the A380 fleet, weather events and natural disasters during the year. These events impacted scheduling and disrupted thousands of flights between November 2010 and June 2011. The total financial impact of weather events and natural disasters on the Qantas segment was $136 million.

In addition, Qantas faced significant increases in the cost of fuel during the year, which were partially recovered through fare price and fuel surcharge increases.

Review of Operations continued

for the year ended 30 June 2011

Qantas Domestic and QantasLink continued to deliver significant contributions to the Qantas Airlines result, with growth in both yield and capacity for the year. QantasLink added fly-in-fly-out charter capability with the acquisition of Network Aviation Group. This has broadened QantasLink's earnings base and provides an additional channel for profitable growth through exposure to the resources market.

The result also includes the continuing losses of the Qantas International business. Total losses for the year exceeded $200 million, representing an unacceptable return on the $5 billion of capital invested in the business. Management is focused on addressing the performance of Qantas International and executing its strategy to restore competitiveness and profitability.

Investment in Product and Service

Qantas Airlines continues to invest in customer experience leadership and innovation, whilst maintaining a focus on profitable growth opportunities. Highlights in 2011 for Qantas include:

- Roll-out of faster, smarter check-in technology at all major cities and selected regional airports
- Delivery of superior on-time performance with domestic market leadership in 10 out of 12 months and for each of the last 3 years
- Major enhancements to the Qantas Frequent Flyer program including the announcement of "Platinum One" - creating a new level of VIP recognition for Qantas' most frequent flyers, greater ability to earn points, improved upgrade experiences and broader redemption options
- Launch of direct flights from Sydney to Dallas, delivering unprecedented access between North America and Australia
- Domestic product relaunch – enhancements to Business Lounges, Qantas Clubs and inflight offering
- Introduction of new domestic fare structure to provide an improved booking experience to customers with a range of user-friendly and flexible fare options
- Renewal of 99.5 per cent of corporate accounts and a further 18 per cent growth in new accounts (primarily SMEs)
- Continued progress of the international fleet reconfiguration program that will see nine B747s upgraded to A380 product standard and the A380 fleet reconfigured over time to meet forecast changes in market demand

QFuture

QFuture is the key business change program within Qantas, designed to position the airline for profitable growth. It involves transformational change across the airline, with total benefits of $1.5 billion targeted over the three financial years 2010 to 2012 to underpin unit cost reduction and margin improvement.

The QFuture program remains on track with $1 billion of benefits achieved in the first two years. $470 million of benefits were achieved in 2011, on top of the $533 million achieved in 2010. The majority of the benefits in 2011 were contributed by cost savings and margin improvement initiatives across Qantas' Commercial, Engineering, Cabin Crew and Procurement business units.

Jetstar

Jetstar achieved a record Underlying EBIT result of $169 million for the year ended 30 June 2011, an increase of $38 million on the prior year result of $131 million. The result is 29 per cent above the prior year, driven by a 19 per cent increase in total revenue and continuing improvements in unit cost.

		2011	2010	Change	% Change
Total revenue	$M	2,613	2,197	416	19
Seat factor	%	77.8	79.2	(1.4)	(2)
Underlying EBIT	$M	169	131	38	29

Jetstar's result reflects the strengthening of its competitive position in the leisure travel market across Asia-Pacific. Both Jetstar and Jetstar Asia have been able to maintain growth in capacity and passengers, while also improving yield.

Jetstar grew overall capacity by 19 per cent in 2011. This includes growth in domestic capacity of 23 per cent, international capacity of 9 per cent and Jetstar Asia of 46 per cent. Overall passenger numbers grew 14 per cent versus the prior year.

Unit Cost (excluding fuel, adjusted for increased sector length and natural disasters) has improved by 3 per cent compared to the prior year.

Jetstar's record result was achieved despite the financial impact of weather events and natural disasters during the year. These impacted several key markets for Jetstar and thousands of customers. The total financial impact on the Jetstar segment was $85 million.

Jetstar is committed to pan-Asian and New Zealand expansion with long and short-haul growth in Singapore and New Zealand. The Jetstar Group is focused on growing its regional presence through intra-Asian expansion and the establishment of new Jetstar affiliates in key strategic locations.

Jetstar has expanded network and distribution channels with new interline and codeshare partners and by leveraging both current and prospective Asian franchise operations.

Investment in Product and Service

While focused on its low fare leadership, Jetstar also continued its investment in innovation, including in the area of airport self-service and the imminent introduction of iPads for inflight entertainment use.

The Jetstar MasterCard, launched in late 2009, continues to go from strength to strength with over 50,000 cards now on issue. The Jetstar MasterCard remains the best value credit card with a flight reward program in Australia.

The Jetstar.com mobile website allows customers to create new bookings, change existing bookings and check their flight status. Visitor and booking numbers to the mobile version of Jetstar.com are showing strong increases.

In May 2011 Jetstar successfully relaunched its fare product range with new, simple fare options that provide more choice, flexibility and lower fares by allowing customers to select only what they need. Jetstar customers now start with the economy Starter fare (replacing JetSaver Light, JetSaver, JetFlex and JetPlus), then personalise their experience from an expanded range of options.

Review of Operations continued

for the year ended 30 June 2011

Qantas Frequent Flyer

Qantas Frequent Flyer achieved a record Underlying EBIT result of $342 million for the year ended 30 June 2011, an increase of $14 million on the prior year result of $328 million.

Qantas Frequent Flyer's 2011 result includes $140 million relating to a prior period change in accounting estimates that is fully recognised in 2011 and will not impact future periods. Normalised for this change, Qantas Frequent Flyer achieved earnings growth of 21 per cent.

		2011	2010	Change	% Change
Members	M	7.9	7.2	0.7	10
Billings	$M	1,042	952	90	9
Underlying EBIT	**$M**	**342**	**328**	**14**	**4**
Normalisation adjustment	$M	(140)	(161)	21	(13)
Normalised EBIT[1]	**$M**	**202**	**167**	**35**	**21**

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 continued to deliver strong and stable cash earnings and demonstrate its value to the Qantas portfolio of brands. It allowed the Group to participate in the highly valued and growing loyalty sector on a scale that is unique in the airline industry.

Earnings growth has been driven by new products and services with key business partners, capacity increases across the flying businesses and additional revenue from new members. Billings increased by 9 per cent compared to the prior year and membership has increased 10 per cent on the prior year to 7.9 million members as at 30 June 2011.

Investment in Product and Service

Qantas Frequent Flyer's strategy is to continue to grow membership numbers and partners, and to broaden the business into new products and revenue streams. New partners and products announced in the last year include a loyalty alliance with Optus, the launch of the American Express Fee Free Discovery Card and the Woolworths Everyday Rewards Qantas Credit Card, and new online communities such as the epiQure Food and Wine Club.

Qantas Frequent Flyer has also recently acquired Wishlist, an established online retailer, broadening opportunities for the business into employee reward and recognition and online retail.

Qantas Freight

Qantas Freight's Underlying EBIT was $62 million for the year ended 30 June 2011, an increase of $20 million on the prior year result of $42 million. The result is 48 per cent above the prior year, driven by a 5 per cent increase in total revenue.

Total revenue	$M	1,054	1,007	47	5
Load factor	%	58.6	60	(1.4)	(2)
Underlying EBIT	$M	62	42	20	48

Qantas Freight's result reflects growth in capacity and improvements in yield built on the continuing recovery of the airfreight market.

Capacity has increased 3.7 per cent over the prior year, primarily resulting from increased operation of freighter services and the introduction in March 2011 of a larger B767 operating on trans-Tasman routes. Excluding the impact of adverse foreign exchange, underlying yields have improved over the prior year, reflecting better market conditions and increased airfreight activity across the network.

The contributions from the joint venture businesses Australia air Express and Star Track Express also increased during the year, reflecting improved trading conditions in the domestic freight market. The results of these businesses are expected to continue to improve following the renewal of Qantas' joint venture agreement with Australia Post and the reconfiguration of the businesses.

Review of Operations continued

for the year ended 30 June 2011

Statutory Result

The Group's Statutory Profit After Tax was $249 million for the year ended 30 June 2011, an increase of $133 million on the prior year result of $116 million.

	2011 $M	2010 $M	Change $M	Change %
Statutory Profit After Tax	**249**	**116**	**133**	**115**
Addback: Tax expense	74	62	12	19
Statutory PBT	**323**	**178**	**145**	**81**
Addback: Non-recurring items	107	59	48	81
Addback: Ineffectiveness and non-designated derivatives relating to other reporting periods	122	140	(18)	(13)
Underlying PBT	**552**	**377**	**175**	**46**

Statutory Profit After Tax includes ineffective and non-designated derivative losses relating to other reporting periods and non-recurring items.

Non-recurring items are significant items occurring outside the ordinary course of business that are separately disclosed in order to report underlying performance. Non-recurring items included in the 2011 statutory result are:

— Aircraft impairments following restructuring of fleet plans of $34 million

— Loss on disposal and other transaction costs relating to the Jetset Travelworld Group merger of $29 million

— Profit on the sale of the DPEX Group ($5 million) and Harvey Holidays ($4 million)

— Provision for freight regulatory fines and third party class actions of $25 million

— Provision for redundancies and restructuring of $28 million

EVENTS SUBSEQUENT TO BALANCE DATE

(A) Qantas International business announcement

On 16 August 2011 the Group announced the outcome of the strategic review of Qantas International.

The key pillars of the review are:

1. Continuing focus and investment in the customer experience
2. Deepening presence in Asia
3. Deepening and broadening alliance relationships
4. Ongoing underlying business improvement

Significantly, as a result of the review, the Group has announced it will restructure its route network and restructure the Joint Services Agreement with British Airways. As a result, six A380 aircraft will be deferred by between five and six years and will deliver from 2018/2019 to coincide with the retirement of the last B747 aircraft. In addition, four B747 aircraft will be retired earlier than previously planned.

The Group also announced that it would establish a premium airline based in Asia.

Whilst the financial impact is still being finalised, it is anticipated that Non-Recurring expenditure of between $350 million and $450 million will be incurred with less than half of this resulting in cash outflows in the period.

On 16 August 2011 the Group announced the purchase of between 106 and 110 A320 aircraft with 194 purchase rights and options.

Included in the 110 aircraft are 32 "classic" A320 aircraft and 78 A320neo, being Airbus' new engine option for the A320 family to enter service in 2015. It incorporates latest generation engines and large "Sharklet" wing tip devices, which together will deliver 15 per cent in fuel and CO_2 emission savings per aircraft.

Eight of the A320 aircraft will be allocated to the new airline based in Asia.

In addition, the Group announced that it had reached agreement with Japan Airlines and Mitsubishi to establish a low cost carrier based in Japan in 2012. The new venture will be known as Jetstar Japan. Whilst each partner will have equal voting rights, the Qantas Group will have 42 per cent economic interest. As such the business will be accounted for as an Investment in Associates using the equity accounting method. Of the 32 A320s purchased, 24 will be allocated to this venture and will not be funded by the Qantas Group. Qantas' equity investment in this business is expected to total approximately $64 million over 3 years.

The net effect on capital expenditure in 2011/2012 of deferring six A380 aircraft (and associated refund of pre-delivery payments), and the sign on fees and pre-delivery payments expected in 2011/2012 as a result of the purchase agreement is a net reduction in the Group's capital expenditure of approximately $45 million.

(B) Other matters

On 1 September 2011 the Federal Court of Australia upheld the Qantas Group's appeal against a decision of the Administrative Appeals Tribunal in respect of the GST treatment of domestic fares where the passenger did not travel. The Australian Taxation Office has 28 days to seek special leave to appeal the Federal Court decision to the High Court.

Except for the matters disclosed above, there has not arisen in the interval between 30 June 2011 and the date of this Report any event that would have had a material effect on the Financial Statements as at 30 June 2011.

Corporate Governance Statement

for the year ended 30 June 2011

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 with 2010 Amendments, 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. The CEO's Executive Management team is listed 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.

Details of the Directors, their qualifications, skills and experience are set out on pages 10 and 11. Attendance at 2010/2011 Board and Committee Meetings is detailed on page 31.

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

THE BOARD IS STRUCTURED TO ADD VALUE

Qantas currently has eleven Directors (see details on pages 10 and 11).

Ten 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
Corinne Namblard	2011
Paul Rayner	2008
John Schubert	2000
James Strong	2006
Barbara Ward	2008

Corporate Governance Statement continued

for the year ended 30 June 2011

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 Directors' fees paid by Qantas), and
- 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 2 per cent of Qantas' annual consolidated gross revenue (other than banks, where materiality must be determined on a case-by-case basis), and
- In respect of customers – where goods or services supplied by the Qantas Group exceed 2 per cent of Qantas' annual consolidated gross revenue

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 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 Annual General Meeting, 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
  - Diversity obligations
  - Directors' induction and continuing development
  - Committee Membership
  - Endorsement of Executive Management appointments

The experience and qualifications of Members of the Nominations Committee are detailed on pages 10 and 11. Membership of and attendance at 2010/2011 Nominations Committee Meetings are detailed on page 31.

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.

Diversity

Qantas has reported on diversity in its Sustainability Report since 2007.

The ASX Principles have been revised to require companies to establish diversity-related measurable objectives, undertake an annual assessment against the objectives and make related disclosures in the 2012 Annual Report. In the interim Qantas has continued to report diversity statistics, including the following gender statistics, in the Sustainability Statistics and Notes on pages 112 and 113:

- The proportion of women employees in the organisation
- The proportion of women in senior executive positions
- The proportion of women on the Board of Directors

Qantas is currently developing and formalising targets for diversity in line with the requirements under the ASX Principles, which will be disclosed in the 2012 Annual Report.

The Diversity Statement is available in the Corporate Governance section on the Qantas website.

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 with 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.

Corporate Governance Statement continued

for the year ended 30 June 2011

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 2010/2011 the Board undertook an external performance review, which included a series of interviews with Directors and Executive Management and Board discussion. The Board will undertake an internal review in 2011/2012.

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
- Accounting records
- 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.

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. In addition, nominated Qantas Employees (including Key Management Personnel) are required to follow "Request to Deal" procedures and are prohibited from dealing in Qantas shares between:

- 31 December and 24 hours after the release to the ASX of Qantas' half-year results
- 30 June and 24 hours after the release to the ASX of Qantas' full-year results

Further, Nominated Qantas Employees 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 repercussions. 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 relation 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 2010/2011 Audit Committee Meetings are detailed on page 31.

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 2011 Directors' Report under the heading "Non-audit Services":

"The Directors are satisfied that:

a. The non-audit services provided during the 2010/2011 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001

Corporate Governance Statement continued

for the year ended 30 June 2011

b. Any non-audit services provided during the 2010/2011 financial year by KPMG as the external auditor did not compromise the 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 on its website. In addition, shareholders who are registered receive email notification of announcements.

The 2011 Notice of Annual General Meeting will be provided to all shareholders and posted on the Qantas website, and the 2011 AGM proceedings 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 and for ensuring the Group has an appropriate corporate governance structure. Within that overall strategy, Management has designed and implemented a risk management and internal control system to manage Qantas' material business risks.

Qantas is a complex business and faces a range of strategic, financial and operational 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). The Framework 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), which has been implemented across the Group, 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.

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.

Corporate Governance Statement continued

for the year ended 30 June 2011

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.

Group Audit validates and 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 (CHESS)

The Safety, Health, Environment & Security Committee (known as CHESS):

- 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 strategy, policy, monitoring and corporate governance responsibilities in regard to safety, health, environment and security matters including:
  - Compliance with related legal and regulatory obligations
  - Enterprise-wide risk management

The experience and qualifications of Members of CHESS are detailed on pages 10 and 11. Membership of and attendance at 2010/2011 CHESS Meetings are detailed on page 31.

Group Audit and Risk

Group Audit and Risk provides independent, objective assurance and consulting services on Qantas' system of risk management, internal compliance, control and governance through:

- Maintaining and improving the risk management framework as approved by the Board
- Quarterly risk reporting to the Board
- Performing audits and other advisory services to assure risk management throughout the Group

Group Audit and Risk adopts a risk-based approach in formulating its audit plan to align audit activities to the key risks across the Qantas Group. The audit plan is reviewed every six months to align audit activity to changes to the Qantas Group risk profile. The audit plan is approved by the Audit Committee bi-annually and submitted to the CHESS for information and approval where appropriate.

Audit projects performed by Group Audit and Risk assist the Audit Committee and the CHESS to promote sound risk management and good corporate governance. Group Audit and Risk 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 reported areas for improvement arising from audit projects within specified time periods. The status of audit management actions are submitted monthly to Executive Management and quarterly to the Audit Committee.

The Group Audit and Risk 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 Group Audit and Risk function and has access to the auditors without the presence of Management.

In addition to Group Audit and Risk, operationally focused business units within the Qantas Group have their own internal audit functions to provide assurance around key operational and regulatory compliance risks. The findings from these audit activities, along with the status of audit Management actions, are reported through operational safety governance structures and to CHESS.

As there are multiple audit functions within Qantas, an Integrated Audit Community was established in May 2011 to support the delivery of quality audit services throughout the Qantas Group through information sharing, co-ordination and focusing on continuous improvement in audit management and delivery.

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 2011 (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 does 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 2011

THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas Executive Remuneration Objectives and Approach is set out in full in the Directors' Report (from page 36).

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 remuneration matters including:
  - 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 2010/2011 Remuneration Committee Meetings are detailed on page 31.

The remuneration of Executive Management is disclosed to the extent required in the Remuneration Report from page 36.

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 43).

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 36. Executive Management's performance for the 2010/2011 year was assessed against individual KPIs in August 2011. The structure of Non-Executive Directors' remuneration is detailed on page 43.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FINANCIAL REPORT

Contents

Directors' Report

for the year ended 30 June 2011

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 2011 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
Peter Cosgrove, AC, MC
Patricia Cross
Richard Goodmanson
Garry Hounsell
Corinne Namblard (appointed 16 June 2011)
Paul Rayner
John Schubert, AO
James Strong, AO
Barbara Ward, AM

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 and the operation of a Frequent Flyer loyalty program. 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 2011 (2010: 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 Group's financial position appear on pages 4 to 21. 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

Refer to page 21 for events which occurred subsequent to balance date. Other than the matters disclosed on page 21, since the end of the year and to the date of this report no other matter or circumstance has arisen that has significantly affected or may significantly affect the Qantas Group's operations, results of those operations or state of affairs in future years.

LIKELY DEVELOPMENTS

Further information about 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 held (including Meetings of Committees of Directors) during 2010/2011 are as follows:

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

1. All directors are invited to, and regularly attend, Committee meetings in an ex-officio capacity. The above table reflects the attendance of a Director only where they are a member of the relevant Committee.
2. Sub-Committee meetings convened for specific Board-related business.
3. Number of meetings held during the period that the Director held office. Ms Namblard was appointed to the Qantas Board on 16 June 2011.
4. Number of meetings held and requiring attendance.

Directors' Report continued

for the year ended 30 June 2011

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2011 – FOR THE PERIOD 1 JULY 2008 TO 30 JUNE 2011

Leigh Clifford	Qantas Airways Limited	– Current, appointed 9 August 2007
	Barclays Bank plc	– Ceased, appointed 1 October 2004 and ceased 30 September 2010
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
	DuluxGroup Limited	– Current, appointed 8 July 2010
	Nufarm Limited	– Current, appointed 1 October 2004
	Orica Limited	– Current, appointed 21 September 2004
	PanAust Limited	– Current, appointed 1 July 2008
	Mitchell Communication Group Limited	– Ceased, appointed 1 September 2006 and ceased 17 October 2010
Corrine Namblard	Qantas Airways Limited	– Current, appointed 16 June 2011
Paul Rayner	Qantas Airways Limited	– Current, appointed 16 July 2008
	Boral Limited	– Current, appointed 5 September 2008
	Centrica plc	– Current, appointed 1 September 2004
	Treasury Wine Estates Limited	– Current, appointed 9 May 2011
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
	Kathmandu Holdings Limited	– Current, appointed 16 October 2009
	Woolworths Limited	– Current, appointed 10 March 2000
	IAG Finance (New Zealand) Limited	– Ceased, appointed 9 November 2004 and ceased 26 August 2010
	Insurance Australia Group Limited	– Ceased, appointed 10 August 2001 and ceased 26 August 2010
Barbara Ward	Qantas Airways Limited	– Current, appointed 19 June 2008
	Brookfield Capital Management Limited[1]	– Current, appointed 1 January 2010
	Lion Nathan Limited	– Ceased, appointed 21 February 2003 and ceased 21 October 2009

1. As responsible entity for a) Brookfield Prime Property Fund b) Multiplex European Property Fund and c) Brookfield Australia Opportunities 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 2011

DIRECTORS' INTERESTS AND BENEFITS

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

	Shares	
Directors	2011 Number	2010 Number
Leigh Clifford	51,622	51,622
Alan Joyce	721,255	138,255
Peter Cosgrove[1]	2,314	2,314
Patricia Cross	10,474	10,474
Richard Goodmanson	20,000	20,000
Garry Hounsell	43,449	43,449
Corinne Namblard	–	–
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		
Deferred shares held in trust under:		
Non-Executive Director Share Plan[1]	23,318	14,799

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

Alan Joyce		
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	583,000	1,166,000
	1,753,863[7]	**2,336,863**
Rights granted under:		
2005 Performance Rights Plan	6,350[1]	6,350
2006 Performance Rights Plan	49,720[2]	55,000
2007 Performance Rights Plan	65,000[3]	65,000
2008 Performance Rights Plan	–[4]	250,000
2010–2012 Long Term Incentive Plan	250,000[5]	250,000
2011–2013 Long Term Incentive Plan	1,084,000[6]	–
	1,455,070	**626,350**

1. Mr Joyce can request to exercise these Rights to be converted to Qantas shares.
2. Mr Joyce can request to exercise these Rights to be converted to Qantas shares. 5,280 Rights lapsed on 8 July 2011 as they did not meet performance hurdles.
3. Mr Joyce is unable to request to exercise these Rights as the Rights as yet have not met the performance hurdles.
4. 250,000 Rights lapsed on 8 July 2011 as they did not meet performance hurdles.
5. Shareholders approved an award on 28 November 2008 for a pool of 750,000 Rights to be awarded. Performance hurdles will be tested as at 30 June 2012 to determine whether any Rights vest to Mr Joyce.
6. Shareholders approved the award of these Rights on 29 October 2010. Performance hurdles will be tested as at 30 June 2013 to determine whether any Rights vest to Mr Joyce.
7. As a result of the outcome of the 2011 Short Term Incentive Plan, Mr Joyce will be allocated an indirect interest in 375,014 Qantas shares held in trust. These shares have not been allocated to Mr Joyce as at the date of this report.

Directors' Report continued

for the year ended 30 June 2011

RIGHTS

Performance Rights are awarded to select Qantas Group Executives under the Qantas Deferred Share Plan (DSP) and the Qantas Employee Share Plan (ESP). Refer to pages 37 to 39 for further details.

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

Performance Rights Reconciliation	2011 Number	2010 Number
Rights outstanding as at 1 July	8,844,886	6,916,092
Rights granted	4,957,000	3,925,000
Rights forfeited	(1,246,681)	(865,690)
Rights lapsed	(108,114)	(242,400)
Rights exercised	(234,022)	(888,116)
Rights outstanding as at 30 June	**12,213,069**	**8,844,886**

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 2011:

				Number of Rights					
Name	Testing Period	Grant Date	Value at Grant Date	2011 Net Vested	2011 Unvested	2011 Total	2010 Net Vested	2010 Unvested	2010 Total
2004 Performance Rights Plan	30 Jun 07 – 30 Jun 09[1]	13 Jan 05	$2.47	26,271	–	26,271	26,271	–	26,271
2005 Performance Rights Plan	30 Jun 08 – 30 Jun 10[1]	17 Aug 05	$1.98	6,350	–	6,350	6,350	13,320	19,670
2005 Performance Rights Plan	30 Jun 08 – 30 Jun 10[1]	22 Nov 05	$2.67	83,779	–	83,779	89,690	92,130	181,820
2005 Performance Rights Plan	30 Jun 08 – 30 Jun 10	28 Mar 06	$2.28	–	–	–	–	2,664	2,664
2006 Performance Rights Plan	30 Jun 09 – 30 Jun 11[2]	22 Aug 06	$2.39	50,131	8,640	58,771	52,415	8,640	61,055
2006 Performance Rights Plan	30 Jun 09 – 30 Jun 11[2]	4 Oct 06	$2.95	235,117	64,216	299,333	321,326	74,719	396,045
2006 Performance Rights Plan	30 Jun 09 – 30 Jun 11[2]	19 Oct 06	$3.17	–	26,400	26,400	14,850	26,400	41,250
2007 Performance Rights Plan	30 Jun 10 – 30 Jun 12[3]	12 Dec 07	$4.42	–	351,000	351,000	–	390,111	390,111
2007 Performance Rights Plan	30 Jun 10 – 30 Jun 12[3]	31 Mar 08	$2.75	–	1,021,500	1,021,500	–	1,204,500	1,204,500
2008 Performance Rights Plan	30 Jun 11[4]	4 May 09	$1.64	–	2,382,000	2,382,000	–	2,831,500	2,831,500
2010–2012 Long Term Incentive Plan	30 Jun 12[5]	9 Sep 09	$2.05	–	3,275,665	3,275,665	–	3,690,000	3,690,000
2011–2013 Long Term Incentive Plan	30 Jun 13[6]	12 Aug 10	$1.50	–	3,476,000	3,476,000	–	–	–
2011–2013 Long Term Incentive Plan	30 Jun 13[6]	29 Oct 10	$1.76	–	1,206,000	1,206,000	–	–	–
				401,648	**11,811,421**	**12,213,069**	**510,902**	**8,333,984**	**8,844,886**

1. These Rights convert to Qantas shares on the 10th anniversary of the date of award, however Executives may call for the Rights to be converted sooner at their request.
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. As a result of performance hurdle testing conducted subsequent to 30 June 2011, all unvested Rights have lapsed in 2011/2012.
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 was done as at 30 June 2011. As a result of performance hurdle testing conducted subsequent to 30 June 2011, all unvested Rights have lapsed in 2011/2012.
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.
6. These Rights may convert to Qantas shares to the extent performance hurdles have been achieved upon testing. Testing will be done as at 30 June 2013.

Directors' Report continued

for the year ended 30 June 2011

Cover Letter to the Remuneration Report

Dear Shareholder

Qantas is pleased to present its Remuneration Report for 2010/2011, which sets out remuneration information for Non-Executive Directors, the Chief Executive Officer (CEO) and Executive Committee.

The format and content of the Remuneration Report are reviewed each year with a view to presenting the information concisely, while still providing the detailed disclosure elements required under the law. Based on shareholder feedback, additional information in some areas has been provided this year. We have specifically addressed the issue of risk management in our remuneration framework – detail is provided of the framework features that protect against unintended and unjustified pay outcomes.

Following the introduction of the new Short Term Incentive Plan (STIP) in 2009/2010 and the review of the Long Term Incentive Plan (LTIP) last year, there were no significant changes made to the Executive Remuneration Framework during 2010/2011.

One of the key remuneration decisions made by the Board each year is determining the outcome under the STIP. This primarily involves the Board assessing the Qantas Group's Underlying Profit Before Tax (PBT)[1] performance. The 2010/2011 Underlying PBT result of $552 million represented a significant increase of 46 per cent on the 2009/2010 Underlying PBT result. This was achieved in spite of a number of well-known challenges outside the control of Qantas management such as weather events and natural disasters that substantially affected operations during the year.

While this was a good result in those circumstances, it was below the stretch target set by the Board for "at target" awards under the STIP. It did however exceed the Underlying PBT threshold that was set at the start of the year and accordingly a partial STIP award has been made for 2010/2011. For the Chief Executive Officer (CEO) (and other Key Management Personnel (KMP) assessed against the Group Scorecard), this resulted in a STIP scorecard outcome of 65.2% of target levels.

The other key decisions of the Board reflected in this year's Remuneration disclosures are as follows:

- The Fixed Annual Remuneration (FAR) of the CEO and KMP were reviewed with regard to market pay movements and a material increase in the scope of one of the KMP roles

  A three per cent increase to FAR was approved for the CEO
- The "at target" pay levels for the CEO and KMP are set with reference to other S&P/ASX50 companies. The total reported pay level for the CEO for 2010/2011 is $5,008,000, which is up considerably from his reported pay level for the previous year, but below his "at target" pay of $6,180,000
- Last year the Board made a carefully considered decision not to pay a cash bonus and instead make an award of restricted shares under the STIP

  The consequence of this decision, detailed in the 2009/2010 Remuneration Report, is that the value of these deferred STIP awards are accounted for primarily as remuneration in 2010/2011 rather than in 2009/2010. This is the key factor behind the remuneration increases disclosed for the CEO and some of the other KMP in the remuneration tables, and an important element in understanding the context of this year's remuneration disclosures.

Because of potential confusion in interpreting remuneration table values (which can involve multiple accounting periods and valuation dates) Qantas has this year provided an additional "Supplemental Information" disclosure. This disclosure provides information as to the value of earnings, including share-based payments reported in prior periods which have actually vested during the year. For example, while the CEO's total reported pay (under Accounting Standards) can be seen as either 71% up on last year, or 19% below his "at target" pay for the year, it can also be seen as 9% down against last year when viewed on the basis of "Total Vested Remuneration", or the amount of pay realised during the year.

Again this year, the Board has decided to defer all awards to the CEO and KMP under the 2010/2011 STIP. The Board considers that this is appropriate in view of the challenging trading conditions that Qantas continues to face, and in light of the measures currently being taken on a number of important growth and change projects.

- The component of the STIP award that would normally be awarded in cash will be deferred until the end of February 2012. Up until the end of the deferral period, the award will, subject to regulatory approval, be linked to the Qantas share price, and thus its value will continue to be exposed to risk through the period that the "Building a Stronger Qantas" initiatives are being launched
- The component of the STIP award that would normally be awarded in deferred shares, will be awarded as deferred shares, with a two year restriction period

This decision to defer both elements of the STIP Award is also intended as a retention initiative through this period of considerable challenge and change initiatives, as any awards that have not yet vested are forfeited if the executive resigns.

The 2008 Performance Rights Plan, awarded in 2008/2009 for the three year performance period to 30 June 2011 has now been finalised. Nil vesting was achieved under this plan as both the Relative Total Shareholder Return (TSR) performance (in comparison to S&P/ASX100) and Earnings Per Share (EPS) performance were below the performance thresholds set by the Board. All Rights lapsed and no shares were awarded.

This has been a year where company performance has been good relative to the challenges faced, and where a strong performance by management has produced what is, in the circumstances, a satisfactory profit outcome, exceeding the threshold performance level set by the Board for the payment of incentives under the STIP.

The linking of the LTIP to shareholder returns and the flexibility in the operation of the STIP around the deferral of short term incentive awards are key features of the Qantas Executive Reward framework. These features support the Board's aim of appropriate alignment between business outcomes, pay outcomes and returns to shareholders. In taking the decisions I have outlined around the pay of its CEO and Executive Committee, the Board has used this flexibility to achieve what we believe is an appropriate mix of fair reward, retention of key executives and alignment with the interests of the shareholders of Qantas.

James Strong

James Strong
Chairman, Remuneration Committee

1. Underlying PBT is the primary reporting measure used by the Qantas Group for the purpose of assessing the performance of the Group. Refer Note 2(D) of the Notes to the Financial Statements.

Directors' Report continued

for the year ended 30 June 2011

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 2010/2011 financial year are members of the Executive Committee (full membership is listed on page 14).

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 with regard to 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 has appointed PricewaterhouseCoopers as its primary remuneration consultant. It has also appointed Johnson Winter & Slattery to provide remuneration advice where this advice may be linked to specific legal and regulatory requirements. The Remuneration Committee has implemented protocols around the appointment and use of remuneration consultants to ensure compliance with the "Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011".

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 (FAR)
- The Short Term Incentive Plan (STIP)
- The Long Term Incentive Plan (LTIP)

The "at target" pay for the CEO and KMP is set with reference to external benchmark market data including comparable roles in other listed Australian companies and international airlines. The primary benchmark is comparable roles in other S&P/ASX50 companies. The Board believes this is the appropriate benchmark, as it is the comparator group whose roles best mirror the complexity and challenges in managing Qantas' businesses and is also the peer group with whom Qantas competes for Executive talent.

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 superannuation (which is disclosed as Post-employment Benefits) and includes salary sacrifice components such as motor vehicles. Movements in the value of annual leave balances during the year are disclosed as Annual Leave Accrual.
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?	The Board performed a general review of CEO and KMP FAR effective 1 July 2010. This followed a general FAR freeze that had been in place since 1 July 2007. The FAR for the CEO and KMP are outlined on page 39.

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

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 restricted 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. The hypothetical maximum scorecard outcome under the STIP is 172 per cent of "at target", which could only be achieved if the maximum overdrive level of performance is achieved on every STIP performance measure. The minimum outcome is 0 per cent, which would occur if the threshold level of performance is missed on every STIP measure.

An example Performance Scorecard and a description of how a STIP award is calculated is included on page 44.

The Board retains absolute discretion over all awards made under incentive reward plans at Qantas, including the STIP.

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 and/or delivered in Qantas shares. 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.

How are STIP awards delivered?	Subject to Board discretion as described above, if the performance conditions are achieved and the Qantas Group achieves the 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. These shares transfer to the Executive after a period of up to two years, subject to them remaining in employment. STIP awards are disclosed in the remuneration tables either as a "Cash Incentive", for any component awarded immediately as cash or as a "Share-based Payment" for any deferred component awarded either in deferred shares or deferred cash which is exposed to share price movements during the restriction period. Where STIP awards involve deferral over multiple reporting periods, they are reported against the appropriate period in accordance with Accounting Standards.

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 on a one-for-one basis. If performance conditions are not met, the Rights lapse. For the 2011-2013 LTIP the performance conditions are: – The relative Total Shareholder Return (TSR) of Qantas compared to the S&P/ASX100 Index – The relative TSR of Qantas compared to an airline peer group The Board has approved a change to the LTIP target for the 2012-2014 LTIP – the airline peer group has been expanded with the addition of Air Asia. For the two previous LTIP grants that are still required to be disclosed in this Report, ie the 2008 Performance Rights Plan and the 2010-2012 LTIP, the performance conditions were: – An Earnings Per Share (EPS) target – The relative TSR of Qantas compared to the S&P/ASX100 Index

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

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

During 2009/2010 the Remuneration Committee reviewed the design of the Qantas LTIP. Based on this review, the Board implemented dual relative TSR hurdles for the LTIP and discontinued the use of an EPS hurdle.

The EPS hurdle was discontinued as the setting of EPS targets each year for multi-year periods for a cyclical industry presented considerable practical difficulties.

LTIP Rights awarded during the year to 30 June 2011 under the 2011-2013 LTIP will only vest in full if:

- Qantas TSR Performance ranks at or above the 75th percentile compared to the S&P/ASX100 Index and
- Qantas TSR Performance ranks at or above the 75th percentile compared to a peer group of listed global airlines

These performance hurdles were chosen to provide a comparison of relative shareholder returns that is relevant to most investors in Qantas:

- The S&P/ASX100 Index was chosen for relevance to investors with a primary interest in the equity market for major Australian listed companies, of which Qantas is one and
- The peer group of listed global airlines was chosen for relevance to investors including investors based outside Australia, whose focus is on the aviation industry sector

The vesting scale for each measure is:

Companies with Ordinary Shares included in the S&P/ASX100 Index
Up to one-half of the total number of Rights granted may vest based on the relative TSR performance of Qantas in comparison to the S&P/ASX100 Index as follows:

Qantas TSR Performance compared to 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

Basket of Global Listed Airlines
Up to one-half of the total number of Rights granted may vest based on the relative TSR performance of Qantas in comparison to the basket of Global Listed Airlines selected by the Board as follows:

Qantas TSR Performance compared to the Airline Basket	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

The basket of Global Listed Airlines has been selected with regard to financial standing, level of government involvement and its representation of Qantas' key competitor markets. The basket of Global Listed Airlines contains the following full-service and value-based airlines: Air France/KLM, Air New Zealand, American Airlines, British Airways, Cathay Pacific, Delta/Northwest Airlines, Lufthansa, Ryanair, Easyjet, Singapore Airlines, Southwest Airlines, Tiger Airways, Virgin Australia. (As indicated above, Air Asia will also be included in the basket of Global Listed Airlines for awards made in the year ending 30 June 2012 under the 2012-2014 LTIP).

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 LTIP Terms and Conditions (for example, retirement, death or total and permanent disablement). Rights will also lapse if the Executive is guilty of gross misconduct.

What are the performance hurdles for awards made in prior years that have not yet vested?

For the 2008 Performance Rights and the 2010-2012 LTIP awards the performance conditions were:

- The relative Total Shareholder Return (TSR) of Qantas compared to the S&P/ASX100 Index, using the same vesting scale detailed above and
- An Earnings Per Share (EPS) target, using the vesting scales detailed below

Up to one-half of the total number of LTIP Rights awarded 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 stretch target of $0.404	100% vesting

The EPS hurdles do not represent an earnings forecast, nor are they 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 2008 Performance Rights awards, the EPS threshold and stretch target were expressed as compound annual growth rates. The EPS threshold was a compound annual growth rate of 6.0 per cent growth and the stretch target was a compound annual growth rate of 12.5 per cent.

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

How are LTIP Rights treated if a change of control occurs?	In the event of a change of control, and to the extent that Rights have not already lapsed, the Board determines whether the LTIP Rights vest or otherwise.

Other benefits such as superannuation, travel and long service leave are detailed on page 45.

Risk Management

The STIP and the LTIP have design elements that protect against the risk of unintended and unjustified pay outcomes, that is:

- Diversity in their performance measures, which as a suite of measures cannot be directly and imprudently influenced by one individual employee
- Clear maximums defined for Scorecard outcomes under the STIP, and challenging scale vesting under the LTIP
- Diversity in the timeframes in which performance is measured, with performance under the STIP being measured over one year and performance under the LTIP being measured over three years
- Deferral of awards under the STIP with a restriction period of up to two years. This creates an alignment with shareholder interests, and also provides a clawback mechanism in that the Board may lapse restricted STIP awards if they were later found to have been awarded as a result of material financial misstatement

While formal management shareholding requirements are not imposed, the CEO has a material holding in Qantas shares, currently valued at greater than two times FAR. The potential equity awards under the STIP and the LTIP will assist Executives in maintaining shareholdings in Qantas.

Summary of Key Contract Terms

Contract Details

		Alan Joyce	Bruce Buchanan	Gareth Evans	Rob Gurney	Simon Hickey	Jayne Hrdlicka[1]	Lyell Strambi
Contract Length		Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration		$2,060,000	$825,000	$880,000	$800,000[2]	$772,500	$750,000	$880,000
Notice by Qantas		12 months	12 months	12 months[3]	12 months	12 months	12 months[3]	12 months
Notice by Executive		12 months	6 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	2 International
		12 Domestic	6 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	80% of FAR
LTIP "at target" Opportunity		80% of FAR	25% of FAR	25% of FAR	25% of FAR	25% of FAR	25% of FAR	25% of FAR
Target Reward Mix (as a % of total pay)	FAR	33%	49%					
	STIP	40%	39%					
	LTIP	27%	12%					

1. Ms Hrdlicka was appointed to the role of the Group Executive Strategy and Technology effective February 2011.
2. In February 2011 Mr Gurney's role was increased to include responsibility for Qantas Airlines Customer and Marketing. Following this role change, Mr Gurney's FAR was increased to $800,000 per annum.
3. For Mr Evans and Ms Hrdlicka, notice by Qantas of 12 months is made up of six months' written notice plus six months' severance pay.

4) EXECUTIVE REMUNERATION OUTCOMES FOR THE YEAR ENDED 30 JUNE 2011

Qantas Performance – STIP Outcomes in 2010/2011

Underlying PBT for 2010/2011 increased by 46 per cent to $552 million.

Management's contribution to this result was by way of a combination of co-ordinated responses to the challenges of the year, plus the successful implementation and achievement of benefits from a number of key strategic initiatives:

- Re-allocation of aircraft capacity within the Qantas network to re-establish services impacted by the grounding of A380 aircraft powered by Rolls-Royce engines
- Customer care initiatives to assist customers affected by the volcanic ash disruptions, and the earthquake, tsunami, cyclone and flood events which resulted in such devastation in the key communities and markets that Qantas serves
- Successful roll out of new product and service initiatives such as the implementation of faster, smarter check-in to streamline the journey of passengers through domestic airport terminals
- New lounge and terminal facilities for customers were launched at Canberra and Perth Airports and at airports in a number of key regional destinations
- Continued advantage in punctuality performance against domestic competitors
- Expanded use by QantasLink of Bombardier Q400 aircraft to improve service to regional Australia, and the acquisition during the year of Network Aviation to increase Qantas' presence in and service in the fly-in, fly-out market
- Successful launch by Jetstar of long-haul services between Singapore and Melbourne, and Singapore and Auckland

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

— Further expansion by Jetstar in Asia, including the growth in its presence in China to nine key ports
— Increase in membership of the Qantas Frequent Flyer program to 7.9 million members, plus successful implementation of a key loyalty partnership with Optus
— Successful achievement of the two year savings target of $1 billion from the QFuture initiatives aimed at long-term and sustainable efficiency improvements
— Prompt negotiation of a commercial settlement for $95 million with Rolls-Royce in relation to engine failure without needing to engage in costly and time consuming litigation

Also, despite the difficulties faced in the Qantas International business, an extension to the Joint Services Agreement with British Airways on the key Sydney to London route was implemented for a further five years. A plan was also developed and approved to provide Qantas with a breakthrough approach and to provide a platform for profitable growth in its International business.

As discussed above, this Underlying PBT result of $552 million was achieved in spite of a number of major challenges outside the control of Qantas Management. It exceeded the threshold set by the Board at the commencement of the year for the payment of cash bonuses and the granting of awards under the 2010/2011 STIP.

In August 2011 the Board considered the financial performance together with performance against the other key business measures that make up the STIP Performance Scorecard and approved a STIP scorecard result for 2010/2011 for Mr Joyce, Mr Evans, Ms Hrdlicka and Mr Kella of 65.2 per cent, for Mr Buchanan of 73.9 percent, for Mr Gurney and Mr Strambi of 63.7 per cent and for Mr Hickey of 79.5 per cent. The differential results reflect the fact that while all KMP were assessed against the Group's financial performance, the other scorecard measures were tailored to their specific segment, or Group measures for those in Corporate roles.

As it did last year, the Board has again taken the decision to defer the payment of bonuses to the CEO and the Senior Executives. In doing this, the Board recognises that this year's result represents a significant improvement in performance versus the prior year, and compares strongly with the results achieved by other companies in the airline industry. However, the Board considers this treatment to be appropriate in view of the challenging trading conditions that Qantas continues to face, and given the measures that are currently being taken on a number of important growth projects.

— The component of the STIP award that would normally be awarded in cash and paid immediately will be deferred until the end of February 2012. As part of the deferral, the awards (calculated in August 2011 based on the approved STIP outcome) will, subject to regulatory approval, be linked to the Qantas share price up until the date of vesting with their value being exposed to share price risk through the period that the "Building a Stronger Qantas" initiatives are being launched
— The component of the STIP award that would normally be awarded in deferred shares will be awarded as deferred shares, with a 2 year restriction period

This decision to defer both elements of the STIP Award is also intended as a retention initiative through this period of considerable challenge and change initiatives, as any awards that have not yet vested are forfeited if the executive resigns.

Awards linked to share price in this way are classified for Accounting purposes as Share-based Payments, and Accounting Standards require that such payments are expensed over the required service period. Accordingly, the value of these 2010/2011 STIP awards do not appear in the remuneration tables for the current year. Their value will be disclosed as a Share-based Payment in future periods. On the other hand, the value of deferred shares issued last year in respect of the 2009/2010 STIP are reported in this year's remuneration tables as a Share-based Payment.

Qantas Performance – LTIP Outcomes in 2010/2011

LTIP awards under the 2008 Performance Rights Plan award were tested as at 30 June 2011. As detailed on page 38, the performance hurdles were:

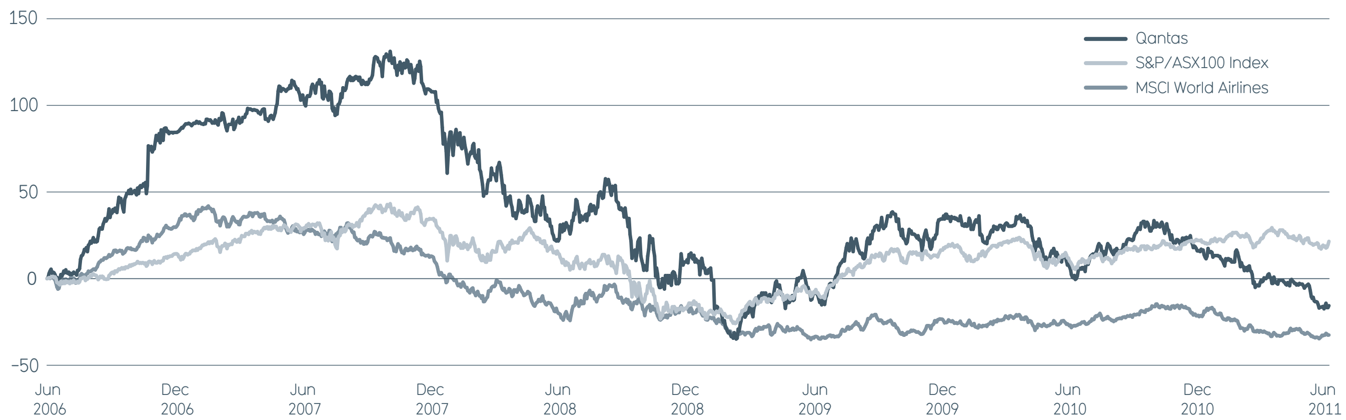
— Qantas TSR performance relative to the S&P/ASX100 Index for half of the award
— An EPS growth hurdle for the other half of the award

The performance hurdles were not achieved and therefore all Rights lapsed and no shares were awarded.

Qantas Financial Performance History

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

QANTAS TSR PERFORMANCE V PEER GROUPS (%)

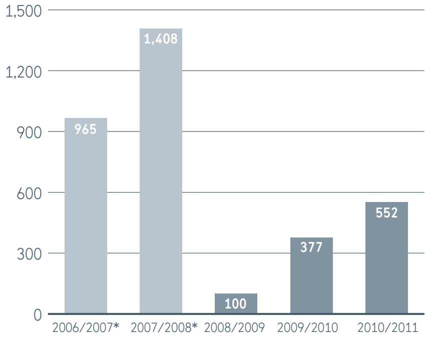


Directors' Report continued

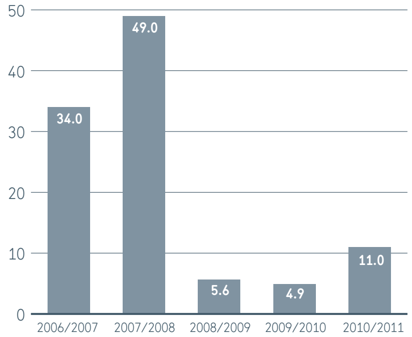
for the year ended 30 June 2011

Remuneration Report (Audited) continued

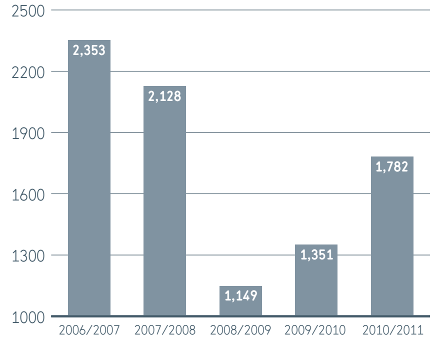
UNDERLYING PROFIT BEFORE TAX ($M)



EARNINGS PER SHARE (¢)



OPERATING CASH FLOW ($M)



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

Remuneration for the Year Ended 30 June 2011 – Executives

											Supplemental Information			
$'000			Cash FAR[1]	Cash Incen-tives	Non-cash Benefits and Annual Leave Accrual[1]	Total Short-term Employee Benefits	Post-employ-ment Benefits[2]	Other Long-term Benefits	Share-based Payment[3]	Total[4, 5]	Less: Share-based Payment and Long Service Leave Accrual	Add: Vested Share-based Payment	Add: Vested Long Service Leave[6]	Total Vested Remu-neration[7]
Executive Director	**Alan Joyce** Chief Executive Officer	2011	2,045	–	142	**2,187**	40	65	2,716	**5,008**	(2,781)	308	508	**3,043**
		2010	1,956	–	(114)	**1,842**	69	49	964	**2,924**	(1,013)	1,441	–	**3,352**
Key Management Personnel	**Bruce Buchanan** CEO Jetstar	2011	810	–	(31)	**779**	40	33	561	**1,413**	(594)	86	–	**905**
		2010	786	–	41	**827**	39	20	225	**1,111**	(245)	54	–	**920**
	Gareth Evans[8] Chief Financial Officer	2011	861	–	27	**888**	43	24	402	**1,357**	(426)	67	22	**1,020**
		2010	36	–	8	**44**	26	32	7	**109**	(39)	–	32	**102**
	Rob Gurney[9] Group Executive Qantas Commercial	2011	703	–	53	**756**	113	36	500	**1,405**	(536)	74	33	**976**
		2010	649	–	55	**704**	111	16	184	**1,015**	(200)	69	16	**900**
	Simon Hickey CEO Qantas Frequent Flyer	2011	723	–	54	**777**	75	23	531	**1,406**	(554)	115	–	**967**
		2010	700	–	68	**768**	75	18	400	**1,261**	(418)	787	–	**1,630**
	Jayne Hrdlicka[10] Group Executive Strategy and Technology (1 Feb 11 – 30 Jun 11)	2011	306	–	24	**330**	31	–	–	**361**	–	–	–	**361**
		2010	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
	Lyell Strambi Group Executive Qantas Operations	2011	865	–	119	**984**	40	7	664	**1,695**	(671)	232	–	**1,256**
		2010	836	–	106	**942**	39	21	232	**1,234**	(253)	–	–	**981**
Other Disclosed Executive	**Rob Kella**[11] Qantas Chief Risk Officer	2011	705	338	108	**1,151**	40	(75)	675	**1,791**	(600)	105	–	**1,296**
		2010	686	–	141	**827**	39	17	375	**1,258**	(392)	784	–	**1,650**
	Total – Executives	**2011**	**7,018**	**338**	**496**	**7,852**	**422**	**113**	**6,049**	**14,436**	**(6,162)**	**987**	**563**	**9,824**
		2010	**5,649**	**–**	**305**	**5,954**	**398**	**173**	**2,387**	**8,912**	**(2,560)**	**3,135**	**48**	**9,535**

1. In 2009/2010 salary sacrifice components other than superannuation , such as motor vehicles were disclosed as Non-cash Benefits. In 2010/2011 these amounts are disclosed as Cash FAR with 2009/2010 restated. In 2009/2010 movements in the value of annual leave balances were disclosed in Cash FAR. In 2010/2011 these amounts are disclosed as Annual Leave Accrual with 2009/2010 restated.
2. Post-employment Benefits include superannuation and an accrual for post-employment travel of $24,600 (2010: $24,900).
3. A breakdown of Share-based Payments is provided on page 45.
4. Further details on other transactions with Key Management Personnel are set out in Note 31 to the Financial Statements.
5. Directors' and Officers' liability insurance has not been included in the remuneration since it is not possible to determine an appropriate allocation basis.
6. Mr Joyce achieved 10 years of service with the Qantas Group during 2010/2011. As such, Mr Joyce became entitled to long service leave, the value of which is reported as vested long service leave. The accrual for this long service leave has been reported each year in statutory remuneration as an Other Long-Term Benefit.
7. Total Vested Remuneration is disclosed as supplemental information in order to report the vested remuneration received by the Executives. Total Vested Remuneration reverses the Share-based Payments expense calculated under Accounting Standards and recognises the value of shares which vested to the Executive valued at the seven day volume weighted average price on the date of vesting. In addition, the accounting accrual for long service leave is reversed and the value of vested long service leave is recognised.
8. 2009/2010 remuneration for Mr Evans reflects the period of time in a key management role – 15 June 2010 to 30 June 2010.
9. 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 2011

Remuneration Report (Audited) continued

10. Ms Hrdlicka was appointed to the role of Group Executive Strategy and Technology effective 1 February 2011 and her key contract terms are outlined on page 39.
11. The remuneration for Mr Kella is disclosed above as Mr Kella is among the five highest paid senior managers of Qantas. Mr Kella departed from the Qantas Group on 1 July 2011 as a mutually agreed termination. Mr Kella did not receive a termination payment, nor did he receive a payment in lieu of notice.
    As a "good leaver", Mr Kella was entitled to participate in the 2010/2011 STIP which is disclosed in the remuneration tables as a Cash Incentive.
    Mr Kella was entitled to good leaver treatment on restricted equity effective 1 July 2011. This involved the following:
    - Releasing the restriction on 227,000 shares awarded under the 2009/2010 STIP
    - Lapsing 34,667 Rights under the 2010-2012 LTIP with 69,333 Rights remaining on foot and subject to achievement of performance hurdles at the end of the three year performance period
    - Lapsing 64,667 Rights under the 2011-2013 LTIP with 32,333 Rights remaining on foot and subject to achievement of performance hurdles at the end of the three year performance period

Mr Joyce's "at target" remuneration is $6,180,000, comprising FAR of $2,060,000, an "at target" STIP opportunity of $2,472,000 (that is, 120% of FAR), and an "at target" LTIP opportunity of $1,648,000 (that is, 80% of FAR). This pay level is set by the Board with reference to median "at target" pay for CEOs of companies in the S&P/ASX50.

Mr Joyce's reported pay in 2011 is $5,008,000, which is 19% below his "at target" remuneration level.

It is $2,084,000 or 71% higher than his reported pay in 2009/2010 (which itself was $740,000 lower than his 2008/2009 reported pay).

The sizeable increase observable in his reported pay for 2010/2011 does not represent an increase in actual earnings for Mr Joyce during the year, but is a direct consequence of the Board's decision in 2009/2010 not to pay a cash bonus and to entirely defer Mr Joyce's STIP award into restricted shares.

Had a cash bonus been paid it would have had a smoothing effect on Mr Joyce's remuneration (increasing his reported pay in 2009/2010 and reducing his reported pay in 2010/2011).

Remuneration Mix

The target remuneration mix (refer to page 39) will not match the actual remuneration mix for 2010/2011, as:

- No cash-based incentives were paid in 2009/2010 or 2010/2011 for continuing Executives
- An increased level of share-based awards against the target mix reflecting the decision to award restricted shares instead of cash bonuses in both years
- Actual reward mix is calculated on an accrual basis in accordance with Accounting Standards, so each years' remuneration includes a portion of 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
Executive Director	Alan Joyce	46%	0%	43%	11%
Key Management Personnel	Bruce Buchanan	60%	0%	35%	5%
	Gareth Evans	70%	0%	25%	5%
	Rob Gurney	64%	0%	32%	4%
	Simon Hickey	62%	0%	33%	5%
	Jayne Hrdlicka	100%	0%	0%	0%
	Lyell Strambi	61%	0%	35%	4%
Other Disclosed Executive	Rob Kella	43%	19%	34%	4%

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

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.

Total Non-Executive Directors' remuneration (excluding industry standard travel entitlements received) for the year ended 30 June 2011 was $2.25 million (2010: $2.16 million), which is within the approved annual fee pool.

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	$560,000	$140,000	$56,000	$28,000

1. Committees are 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 (as a non-cash benefit for travel during the year and as a post-employment benefit).

Remuneration for the Year Ended 30 June 2011 – Non-Executive Directors

		Short-term Employee Benefits			Post-employment Benefits			
$'000		Cash FAR	Non-cash Benefits	Total	Superan-nuation	Travel	Total	Total[1]
Leigh Clifford	2011	510	50	**560**	50	25	**75**	**635**
Chairman	2010	494	42	**536**	50	25	**75**	**611**
Peter Cosgrove[2,3]	2011	181	41	**222**	15	12	**27**	**249**
Non-Executive Director	2010	176	50	**226**	14	12	**26**	**252**
Patricia Cross	2011	181	63	**244**	15	12	**27**	**271**
Non-Executive Director	2010	176	107	**283**	14	12	**26**	**309**
Richard Goodmanson	2011	256	42	**298**	–	12	**12**	**310**
Non-Executive Director	2010	250	18	**268**	–	12	**12**	**280**
Garry Hounsell	2011	209	73	**282**	15	12	**27**	**309**
Non-Executive Director	2010	203	74	**277**	14	12	**26**	**303**
Corrine Namblard[4]	2011	6	–	**6**	–	12	**12**	**18**
Non-Executive Director	2010	n/a	n/a	**n/a**	n/a	n/a	**n/a**	**n/a**
Paul Rayner	2011	163	45	**208**	33	12	**45**	**253**
Non-Executive Director	2010	155	75	**230**	35	12	**47**	**277**
John Schubert	2011	209	28	**237**	15	12	**27**	**264**
Non-Executive Director	2010	203	25	**228**	14	12	**26**	**254**
James Strong	2011	209	51	**260**	15	12	**27**	**287**
Non-Executive Director	2010	193	12	**205**	14	12	**26**	**231**
Barbara Ward	2011	181	37	**218**	15	12	**27**	**245**
Non-Executive Director	2010	166	43	**209**	14	12	**26**	**235**
Total – Non-Executive Directors	**2011**	**2,105**	**430**	**2,535**	**173**	**133**	**306**	**2,841**
	2010	**2,016**	**446**	**2,462**	**169**	**121**	**290**	**2,752**

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 2011. The value of shares is included above as Cash FAR.
3. General Cosgrove received payments for services rendered as a Director of Qantas Superannuation Limited.
4. 2010/2011 remuneration reflects the period served by Ms Namblard as a Non-Executive Director (16 June 2011 to 30 June 2011).

Directors' Report continued

for the year ended 30 June 2011

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 2010/2011.

STIP – Additional Information

Example Performance Scorecard	**Underlying PBT Target**	The underlying PBT target is based on the annual financial budget. However for reasons of commercial sensitivity the annual target is not disclosed. Underlying PBT 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.
	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 based on the annual financial budget. For example, 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.
	Operational / Punctuality	Punctuality is measured against on-time departures and arrivals targets. For Qantas Airlines' and Jetstar's Executives, the measure relevant to their business unit is used. For Corporate Executives a combined figure is used.
	Customer Service	Customer Service is measured against Net Promoter Score (NPS) targets. This is a survey based measure of the willingness of customers to promote services of the company (Qantas and Jetstar in this case) in preference to its direct competitors. The target involves a 10-point improvement on Qantas Airlines' and Jetstar's NPS result compared to the 2009/2010 result.
	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 Total Recorded Injury Frequency Rate by 18 per cent on the 2009/2010 result and also reducing the Lost Workday Case Frequency Rate by 18 per cent.

Calculating a STIP Award	FAR	×	"At target" opportunity	×	Scorecard Result	×	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 2011

Remuneration Report (Audited) continued

Other Benefits

Non-cash Benefits	Non-cash benefits, as disclosed in the remuneration tables, include travel entitlements while employed and other benefits.
Travel	Travel concessions are provided to permanent Qantas employees, consistent with practice in the airline industry. Travel at concessionary prices is on a sub-load basis, 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. Superannuation is disclosed as a Post-employment Benefit.
Other Long-term Benefits	The accrual of long service leave is captured as "Other long-term Benefits".
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 are 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 in Note 31 to the Financial Statements. The accounting expense relating to share grants is disclosed in the remuneration table on page 41.

Share-based Payments

The following table provides a more detailed breakdown of the accounting expense of share-based payments to disclosed Executives.

$'000			STIP	LTIP	PSP	RP[1]	TOTAL
Executive Director	**Alan Joyce**	2011	2,049	542	125	–	**2,716**
		2010	–	275	428	261	**964**
Key Management Personnel	**Bruce Buchanan**	2011	455	69	37	–	**561**
		2010	–	103	122	–	**225**
	Gareth Evans	2011	313	69	20	–	**402**
		2010	–	3	4	–	**7**
	Rob Gurney	2011	418	57	25	–	**500**
		2010	–	89	95	–	**184**
	Simon Hickey	2011	427	66	38	–	**531**
		2010	–	115	149	136	**400**
	Jayne Hrdlicka	2011	–	–	–	–	**–**
		2010	n/a	n/a	n/a	n/a	**n/a**
	Lyell Strambi[2]	2011	532	74	58	–	**664**
		2010	–	98	134	–	**232**
Other Disclosed Executive	**Rob Kella**	2011	580	63	32	–	**675**
		2010	–	108	131	136	**375**
	Total	**2011**	**4,774**	**940**	**335**	**–**	**6,049**
		2010	**–**	**791**	**1,063**	**533**	**2,387**

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 involved achievement of personal KPIs, was a further requirement under this plan. The number of shares held by KMPs under the Retention Plan are outlined in Note 31 to the Financial Statements. No awards were made under the Retention Plan in 2009/2010 or 2010/2011.
2. 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.

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

Performance Related Remuneration

Performance Remuneration Affecting Future Periods

The fair value of share-based payments granted is amortised over the service 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, assuming all performance conditions are met. The minimum value of these awards is nil, should performance conditions not be satisfied.

Executives	2012 $'000	2013 $'000	2014 $'000
Alan Joyce	3,194	1,073	49
Bruce Buchanan	857	305	166
Gareth Evans	795	322	178
Rob Gurney	737	275	159
Simon Hickey	790	223	85
Jayne Hrdlicka	193	97	73
Lyell Strambi	894	319	176
Rob Kella	–	–	–

STIP Awards – Vesting and Forfeiture

2009/2010 STIP awards to participants are subject to a one-year restriction period for 50 per cent of any award, and a two-year restriction period for the remaining 50 per cent of the award.

No awards under the STIP vested during 2010/2011.

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 lapse.

In 2010/2011 there was nil vesting and nil forfeiture under the 2008 Performance Rights Plan (granted on 4 May 2009), the 2010-2012 LTIP (granted on 9 September 2009) and 2011-2013 LTIP (granted on 12 August 2010 and on 29 October 2010).

Number of Rights Awarded, Vested and Exercised in 2010/2011

	2011		
	Awarded[1]	Vested	Exercised[2]
Alan Joyce	1,084,000	–	–
Bruce Buchanan	111,000	–	–
Gareth Evans	119,000	–	–
Rob Gurney	97,000	–	–
Simon Hickey	104,000	–	–
Jayne Hrdlicka	–	–	–
Lyell Strambi	119,000	–	–
Rob Kella	97,000	–	–

1. 647,000 Rights were granted on 12 August 2010 and 1,084,000 Rights were granted on 29 October 2010 with a nil exercise price. The weighted average fair value of the Rights award was $1.56.
2. The number of Rights exercised represents the number of vested Rights called for by the Executive during the year.

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 50 per cent vesting during 2010/2011 and nil forfeiture.

Awards to participants under the 2008/2009 Performance Share Plan (granted on 4 March 2009) had 100% vesting and nil forfeiture during 2010/2011.

Qantas Code of Conduct & Ethics – Employee Share Trading Policy

Qantas Code of Conduct & Ethics – Employee Share Trading Policy prohibits all employees from dealing in Qantas securities while in possession of Material Non-Public Information.

The policy further prohibits Nominated Qantas Employees from dealing in securities of Qantas (or any Qantas Group listed entity) during defined blackout periods and requires written approval to deal in Qantas securities at other times.

These Nominated Qantas Employees are also prohibited from hedging or entering into any margin lending arrangement, or entering other encumbrances over the securities of Qantas (or any Qantas Group listed entity).

Directors' Report continued

for the year ended 30 June 2011

ENVIRONMENTAL OBLIGATIONS

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

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

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 page 31, the Company Secretary and Assistant Company Secretary listed on page 32 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 2010/2011 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 2010/2011 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 2010/2011 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 2011

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 2011, there have been:

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

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

KPMG
Sydney
5 September 2011

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
5 September 2011

Alan Joyce
Chief Executive Officer
5 September 2011

Consolidated Income Statement

for the year ended 30 June 2011

	Notes	Qantas Group 2011 $M	2010 $M
REVENUE AND OTHER INCOME			
Net passenger revenue		12,042	10,938
Net freight revenue		842	821
Other	3	2,010	2,013
Revenue and other income		**14,894**	**13,772**
EXPENDITURE			
Manpower and staff related		3,739	3,405
Fuel		3,627	3,283
Aircraft operating variable		2,749	2,675
Depreciation and amortisation		1,249	1,199
Non-cancellable aircraft operating lease rentals		566	525
Ineffective and non-designated derivatives	25	120	173
Share of net (profit)/loss of associates and jointly controlled entities	15	(22)	4
Other	3	2,430	2,255
Expenditure		**14,458**	**13,519**
Statutory profit before income tax expense and net finance costs		**436**	**253**
Finance income	5	192	181
Finance costs	5	(305)	(256)
Net finance costs	5	**(113)**	**(75)**
Statutory profit before income tax expense		**323**	**178**
Income tax expense	6	(74)	(62)
Statutory profit for the year		**249**	**116**
Attributable to:			
Members of Qantas		250	112
Non-controlling interests		(1)	4
Statutory profit for the year		**249**	**116**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic/diluted earnings per share (cents)	8	11.0	4.9

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 2011

	Qantas Group	
	2011 $M	2010 $M
Statutory profit for the year	**249**	**116**
Effective portion of changes in fair value of cash flow hedges, net of tax	(67)	(135)
Transfer of hedge reserve to the Income Statement, net of tax[1]	(82)	122
Recognition of effective cash flow hedges on capitalised assets, net of tax	142	120
Foreign currency translation of controlled entities	(15)	(3)
Foreign currency translation of associates	(13)	(10)
Hedge reserve movement of associates, net of tax	2	7
Other comprehensive income for the year	**(33)**	**101**
Total comprehensive income for the year	**216**	**217**
Total comprehensive income attributable to:		
Members of Qantas	217	213
Non-controlling interests	(1)	4
Total comprehensive income for the year	**216**	**217**

1. These amounts were allocated to revenue of $(50) million (2010: $83 million), fuel expenditure of $(171) million (2010: $251 million), finance costs of $3 million (2010: $6 million) and income tax expense of $36 million (2010: income tax benefit of $52 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 2011

	Notes	2011 $M	2010 $M
CURRENT ASSETS			
Cash and cash equivalents	10	3,496	3,704
Receivables	11	1,027	1,088
Other financial assets	25	318	233
Inventories	12	372	319
Assets classified as held for sale	13	20	91
Other	14	408	397
Total current assets		**5,641**	**5,832**
NON-CURRENT ASSETS			
Receivables	11	423	407
Other financial assets	25	70	102
Investments accounted for using the equity method	15	476	378
Property, plant and equipment	16	13,652	12,516
Intangible assets	17	593	668
Other		3	7
Total non-current assets		**15,217**	**14,078**
Total assets		**20,858**	**19,910**
CURRENT LIABILITIES			
Payables	19	1,738	1,750
Revenue received in advance	20	3,067	3,167
Interest-bearing liabilities	21	577	630
Other financial liabilities	25	397	242
Provisions	22	456	448
Liabilities classified as held for sale	13	–	4
Total current liabilities		**6,235**	**6,241**
NON-CURRENT LIABILITIES			
Revenue received in advance	20	1,111	1,067
Interest-bearing liabilities	21	5,454	5,115
Other financial liabilities	25	493	231
Provisions	22	647	560
Deferred tax liabilities	18	767	715
Total non-current liabilities		**8,472**	**7,688**
Total liabilities		**14,707**	**13,929**
Net assets		**6,151**	**5,981**
EQUITY			
Issued capital	23	4,729	4,729
Treasury shares		(72)	(54)
Reserves	23	85	109
Retained earnings		1,405	1,155
Equity attributable to the members of Qantas		6,147	5,939
Non-controlling interests		4	42
Total equity		**6,151**	**5,981**

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 2011

Qantas Group $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance as at 1 July 2010	**4,729**	**(54)**	**53**	**85**	**(29)**	**1,155**	**42**	**5,981**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
Statutory profit for the year	–	–	–	–	–	250	(1)	249
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(67)	–	–	–	(67)
Transfer of hedge reserve to the Income Statement, net of tax	–	–	–	(82)	–	–	–	(82)
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	142	–	–	–	142
Foreign currency translation of controlled entities	–	–	–	–	(15)	–	–	(15)
Foreign currency translation of associates	–	–	–	–	(13)	–	–	(13)
Hedge reserve movement of associates, net of tax	–	–	–	2	–	–	–	2
Total other comprehensive income	**–**	**–**	**–**	**(5)**	**(28)**	**–**	**–**	**(33)**
Total comprehensive income for the year	**–**	**–**	**–**	**(5)**	**(28)**	**250**	**(1)**	**216**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY								
Contributions by and distributions to owners								
Own shares acquired	–	(65)	–	–	–	–	–	(65)
Share-based payments	–	–	59	–	–	–	–	59
Shares vested and transferred to employees	–	47	(47)	–	–	–	–	–
Dividends declared	–	–	–	–	–	–	(1)	(1)
Total contributions by and distributions to owners	**–**	**(18)**	**12**	**–**	**–**	**–**	**(1)**	**(7)**
Change in ownership interests in subsidiaries								
Deconsolidation of controlled entity	–	–	–	–	–	–	(36)	(36)
Disposal of controlled entity	–	–	–	–	(3)	–	–	(3)
Total change in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**(3)**	**–**	**(36)**	**(39)**
Total transactions with owners	**–**	**(18)**	**12**	**–**	**(3)**	**–**	**(37)**	**(46)**
Balance as at 30 June 2011	**4,729**	**(72)**	**65**	**80**	**(60)**	**1,405**	**4**	**6,151**

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

Consolidated Statement of Changes in Equity continued

for the year ended 30 June 2011

Qantas Group $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance as at 1 July 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								
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(135)	–	–	–	(135)
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
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 and transferred to employees	–	20	(20)	–	–	–	–	–
Dividends declared	–	–	–	–	–	–	(4)	(4)
Total contributions by and distributions to owners	**–**	**4**	**1**	**–**	**–**	**–**	**(4)**	**1**
Change in ownership interests in subsidiaries								
Return of capital to non-controlling interest by controlled entity	–	–	–	–	–	–	(2)	(2)
Total change in ownership interests 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 in Equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

for the year ended 30 June 2011

	Notes	Qantas Group 2011 $M	Qantas Group 2010 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		15,545	14,376
Cash payments in the course of operations		(13,727)	(13,125)
Interest received		180	149
Interest paid		(239)	(194)
Dividends received from associates and jointly controlled entities	15	21	16
Income tax refunded		2	129
Net cash from operating activities	26	**1,782**	**1,351**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		(2,407)	(1,688)
Interest paid and capitalised on qualifying assets		(90)	(44)
Proceeds from disposal of property, plant and equipment		86	27
Proceeds from sale and leaseback of non-current assets		30	74
Deconsolidation of controlled entity		(100)	–
Proceeds from disposal of controlled entity, net of cash disposed		19	–
Proceeds from disposal of jointly controlled entity		5	–
Payment for controlled entity acquired, net of cash acquired	27(A)	(21)	–
Payments for investments in associate and jointly controlled entity	15	–	(14)
Net cash used in investing activities		**(2,478)**	**(1,645)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for treasury shares		(65)	(16)
Proceeds from borrowings		1,359	1,352
Repayments of borrowings		(784)	(974)
(Payments)/proceeds from swaps		(1)	1
Net receipts from aircraft security deposits		–	22
Dividends paid to non-controlling interests		(1)	(4)
Net cash from financing activities		**508**	**381**
Net (decrease)/increase in cash and cash equivalents held		**(188)**	**87**
Cash and cash equivalents at the beginning of the year		3,704	3,617
Effects of exchange rate changes on cash and cash equivalents		(20)	–
Cash and cash equivalents at the end of the year	10	3,496	3,704

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 2011

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 Statements for the year ended 30 June 2011 comprise 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 Statements of Qantas for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 5 September 2011.

(A) STATEMENT OF COMPLIANCE

The Consolidated Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Consolidated Financial Statements also comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

(B) BASIS OF PREPARATION

The Consolidated Financial Statements are presented in Australian dollars and have 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. 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 Statements.

(C) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Consolidated Financial Statements 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 Statements and estimates with a significant risk of material adjustment in future periods are highlighted below.

Change in Accounting Estimates – Passenger Aircraft Residual Value

From 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 $93 million (2010: $50 million) for the year ended 30 June 2011.

Change in Accounting Estimates – Major Cyclical Maintenance Costs for Operating Leased Aircraft

Historically the costs of major cyclical maintenance checks for operating leased aircraft were expensed as incurred, as the difference from capitalising and depreciating these amounts over the shorter of their useful life or the remaining lease term was immaterial.

During the year ended 30 June 2011 the difference between expensing the maintenance checks as incurred and capitalising/depreciating became material due to the average age and resultant maintenance profile of the operating leased aircraft. Therefore, from 1 July 2010 the Qantas Group has capitalised and depreciated the costs of these checks over the shorter of their useful life or the remaining lease term. Maintenance checks covered by third party agreement where there is a transfer of risk and legal obligation continue to be expensed on the basis of hours flown. This aligns the maintenance accounting for operating leased aircraft with owned and finance leased aircraft.

This change resulted in $50 million of maintenance costs being capitalised in property, plant and equipment as at 30 June 2011 (net of depreciation). The effect of this change in the current year profit and loss was an increase in depreciation expense of $5 million and a decrease in aircraft operating variable expense of $55 million.

(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

Notes to the Financial Statements continued

for the year ended 30 June 2011

1. Statement of Significant Accounting Policies continued

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 Consolidated 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 Consolidated 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 the Qantas Group's 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.

The Qantas Group 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. The Qantas Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedge transactions have been and will continue to be highly effective.

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.

When a hedging instrument expires or is sold, terminated or exercised, or the Qantas Group 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 do 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.

Notes to the Financial Statements continued

for the year ended 30 June 2011

1. Statement of Significant Accounting Policies continued

(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. Other sales commissions paid by the Qantas Group are included in expenditure. Tours and travel revenue is measured at the net amount of commission retained by the Qantas Group.

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 net passenger revenue. Freight fuel surcharge is included in 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 is 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 the 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 Revenue/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, when it can be reliably measured and when it is probable that the economic benefits will accrue to the Qantas Group.

Revenue from aircraft charter and leases, passenger service fees, Qantas Club membership fees, freight terminal fees, retail/advertising and other property revenue and other miscellaneous income is recognised as other revenue/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 in lease and hire purchase liabilities.

Dividend Revenue

Dividends are recognised as revenue when the right to receive payment is established. Dividends from foreign entities are recognised net of withholding tax.

(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) 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.

Notes to the Financial Statements continued

for the year ended 30 June 2011

1. Statement of Significant Accounting Policies continued

(J) TAX CONSOLIDATION

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

(K) 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.

(L) CONTRACT WORK IN PROGRESS

Contract work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured 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 for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the Consolidated Balance Sheet.

(M) 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.

(N) 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.

(O) 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.

(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, 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. The cost also may include transfers from hedge reserve of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment in accordance with Note 1(F).

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.

Notes to the Financial Statements continued

for the year ended 30 June 2011

1. Statement of Significant Accounting Policies continued

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

	Years	Residual Value (%)
Buildings and leasehold improvements	10 – 40	0[1]
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

1. Certain leases allow for the sale of leasehold improvements for fair value. In these instances the expected fair value is used as the estimated residual value.

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.

Finance 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. 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.

Any gains and losses arising under sale and leaseback arrangements where the sale price is at fair value are recognised in the Consolidated Income Statement as incurred. Where the sale price is below fair value, any gains and losses are immediately recognised in the Consolidated Income Statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

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.

Maintenance and Overhaul Costs

An element of the cost of an acquired aircraft (owned and finance leased 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 or remaining lease term.

The costs of subsequent major cyclical maintenance checks for owned and leased aircraft (including operating leases) are capitalised and depreciated over the shorter of the scheduled usage period to the next major inspection event or the remaining life of the aircraft or lease term (as appropriate).

Maintenance checks, which are covered by the third party maintenance agreements where there is a transfer of risk and legal obligation, are expensed on the basis of hours flown.

All other maintenance costs are expensed as incurred.

Modifications that enhance the operating performance or extend the useful lives of aircraft are capitalised and depreciated over the remaining estimated useful life of the asset or remaining lease term (as appropriate). 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.

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.

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.

(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.

Notes to the Financial Statements continued

for the year ended 30 June 2011

1. Statement of Significant Accounting Policies continued

Software

Software is stated at cost less accumulated amortisation and impairment losses. Software development expenditure, including the cost of materials, direct labour and other direct costs, is only recognised as an asset when the Qantas Group controls future economic benefits as a result of the costs incurred and it is probable that those future economic benefits will eventuate and the costs can be measured reliably. 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 and include 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.

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.

Notes to the Financial Statements continued

for the year ended 30 June 2011

1. Statement of Significant Accounting Policies continued

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 include 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.

Finance cost is recognised in the Consolidated Income Statement as incurred, except where interest costs relate to qualifying assets in which case they are capitalised to the cost of the assets. Qualifying assets are assets that necessarily take a substantial period of time to be made ready for intended use. Where funds are borrowed generally, borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's debt facilities.

(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) 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.

(Z) COMPARATIVES

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

(AA) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the Qantas Group in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing these Financial Statements.

- AASB 9 Financial Instruments and consequential amendments in AASB 2009-11 Amendments to Australian Accounting Standards and AASB 2010-7 Amendments to Australian Accounting Standards (December 2010) includes requirements for the classification, measurement and derecognition of financial assets and financial liabilities. 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 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
- 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
- AASB 2009-12 Amendments to Australian Accounting Standards, AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-5 Amendments to Australian Accounting Standards results in minor changes affecting various AASBs. The amendments, which become mandatory for the Qantas Group's 30 June 2012 Financial Statements, are not expected to have any impact
- AASB 119 Amended IAS 19 Employee Benefits (revised June 2011) has eliminated the use of the 'corridor approach' and instead mandated immediate recognition of all re-measurements of defined benefit liability (asset) including gains and losses in other comprehensive income. The amendments, which are generally to be applied retrospectively, will become mandatory for the Qantas Group's 30 June 2014 Financial Statements. If the defined benefit balances as at 30 June 2011 remained at adoption, the Qantas Group would report a defined benefit liability instead of a defined benefit asset as a result of the immediate recognition of the unrecognised actuarial losses through other comprehensive income. Refer to Note 30 for details of defined benefit balances as at 30 June 2011

Notes to the Financial Statements continued

for the year ended 30 June 2011

1. Statement of Significant Accounting Policies continued

— Amendments to IAS 1 Presentation of Financial Statement – Presentation of Items of Other Comprehensive Income makes a number of changes to the presentation of other comprehensive income, including presenting separately those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss and the impact of tax on those items. The amendments are generally to be applied retrospectively. The amendments, which become mandatory for the Qantas Group's 30 June 2013 Financial Statements, will only impact the presentation of other comprehensive income in the Consolidated Statement of Comprehensive Income

— IFRS 10 Consolidated Financial Statements introduces a new approach determining which investees should be consolidated. IFRS 11 Joint Arrangements requires a joint arrangement to be partially consolidated when the parties have rights and obligations for underlying assets and liabilities. IFRS 12 Disclosures of Interests in Other Entities contains revised disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. IAS 27 Separate Financial Statements carries forward the existing accounting and disclosure requirement for separate financial statements with some minor clarifications. IAS 28 Investments in Associates (2011) makes limited amendments to interest in associates and joint ventures and how to account for changes in interests in joint ventures and associates. IFRS 13 Fair Value Measurement explains how to measure fair value when required to by other accounting standards. The amendments are generally to be applied retrospectively. The above amendments, which become mandatory for the Qantas Group's 30 June 2014 Financial Statements, are not expected to have any impact

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.

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. Refer to Note 2(D) for a detailed description of Underlying PBT and a reconciliation of Statutory EBIT to Underlying EBIT and Underlying PBT.

(B) DESCRIPTION OF OPERATING SEGMENTS

The Qantas Group comprises the following main 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 Airlines Aviation Joint Stock Company
3. Qantas Frequent Flyer – representing the Qantas Frequent Flyer customer loyalty program
4. Qantas Freight – representing the air cargo and express freight businesses

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.

(C) ANALYSIS BY OPERATING SEGMENT

2011 $M	Qantas	Jetstar	Qantas Frequent Flyer	Qantas Freight	Jetset Travelworld Group[1]	Corporate/ Unallocated	Eliminations	Consolidated Underlying
REVENUE AND OTHER INCOME								
External segment revenue	10,265	2,446	1,060	1,048	28	13	34	14,894
Intersegment revenue	1,050	167	88	6	6	5	(1,322)	–
Total segment revenue and other income	**11,315**	**2,613**	**1,148**	**1,054**	**34**	**18**	**(1,288)**	**14,894**
Share of net profit/(loss) of associates and jointly controlled entities	10	(6)	–	18	–	–	–	22
EBITDAR[2]	**1,650**	**508**	**345**	**80**	**5**	**(159)**	**30**	**2,459**
Non-cancellable operating lease rentals	(298)	(268)	–	(2)	–	2	–	(566)
Depreciation and amortisation[3]	(1,124)	(71)	(3)	(16)	(2)	(32)	(1)	(1,249)
Underlying EBIT	**228**	**169**	**342**	**62**	**3**	**(189)**	**29**	**644**
Underlying net finance costs								(92)
Underlying PBT								**552**

1. As a result of the merger of Jetset Travelworld Group with Stella Travel Services as described in Note 27(B), Jetset Travelworld Group is no longer an operating segment as of 1 October 2010. Consequently, the results of the Jetset Travelworld Group segment for the year ended 30 June 2011 represent the results for the period from 1 July 2010 to 30 September 2010. From 1 October 2010, the equity accounted result of the Group's investment in Jetset Travelworld Group is included in the Qantas segment.
2. EBITDAR (Underlying earnings before income tax expense, depreciation, amortisation, non-cancellable operating lease rentals and net finance costs) includes $55 million (Qantas $40 million and Jetstar $15 million) representing the full year impact of the change in estimates for major cyclical maintenance costs for operating leased aircraft as described in Note 1(C).
3. Depreciation and amortisation includes $93 million (Qantas $90 million and Jetstar $3 million) representing the full year impact of the change in residual value estimates for passenger aircraft as described in Note 1(C). Additionally, it includes $5 million (Qantas $3 million and Jetstar $2 million) representing the full year impact of the change in estimates for major cyclical maintenance costs for operating leased aircraft as described in Note 1(C).

Notes to the Financial Statements continued

for the year ended 30 June 2011

2. Underlying PBT and Operating Segments continued

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

1. 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 estimates for passenger aircraft as described in Note 1(C).

(D) DESCRIPTION OF UNDERLYING PBT AND UNDERLYING EBIT AND RECONCILIATION TO STATUTORY EBIT

Underlying PBT is a non-statutory measure, which excludes certain impacts of AASB 139: Financial Instruments: Recognition and Measurement (AASB 139) and non-recurring items that Management consider to be outside the ordinary course of business operations. Qantas excludes 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 reporting period's statutory profit for derivative mark-to-market movements that relate to underlying exposures in other reporting periods.

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 periods are excluded from Underlying PBT
- Derivative mark-to-market movements recognised in the current reporting periods' 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 which management consider to be outside the ordinary course of business operations, and have therefore been 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.

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.

Notes to the Financial Statements continued

for the year ended 30 June 2011

2. Underlying PBT and Operating Segments continued

The reconciliation of Statutory EBIT to Underlying EBIT and Underlying PBT is detailed in the table below.

	Notes	Qantas Group 2011 $M	Qantas Group 2010 $M
Statutory profit before income tax expense and net finance costs (Statutory EBIT)		**436**	**253**
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		47	51
Exclude current year derivative mark-to-market movements relating to capital expenditure		75	77
Include prior years' derivative mark-to-market movements relating to underlying exposures in the current year		(19)	29
Include adjustment to depreciation expense relating to excluded capital expenditure mark-to-market movements		(2)	(1)
		101	**156**
Non-recurring items			
Net loss on disposal of investments and related transaction costs	27(B)	20	–
Legal provisions	4	25	–
Net impairment of property, plant and equipment[1]		34	48
Redundancies, restructuring and other provisions[2]		28	11
		107	**59**
Underlying EBIT	2(C)	**644**	**468**
Underlying net finance costs			
Statutory net finance costs	5	(113)	(75)
Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs		21	(16)
	2(C)	**(92)**	**(91)**
Underlying PBT	2(C)	**552**	**377**

1. As disclosed in Note 3, net impairment of property, plant and equipment for the year ended 30 June 2011 was $44 million (2010: $48 million), of which $34 million (2010: $48 million) is presented as a non-recurring item.
2. As disclosed in Note 4, redundancies, restructuring and other provisions for the year ended 30 June 2011 was $44 million (2010: $34 million), of which $28 million (2010: $11 million) is presented as a non-recurring item.

Notes to the Financial Statements continued

for the year ended 30 June 2011

3. Other Revenue and Expenditure

	Qantas Group	
	2011 $M	2010 $M
OTHER REVENUE		
Contract work revenue	347	402
Passenger service fees	341	295
Frequent Flyer store and other redemption revenue[1]	204	212
Frequent Flyer marketing revenue[2]	193	166
Frequent Flyer membership fees and other revenue	10	10
Lease revenue	186	165
Rolls-Royce settlement revenue	95	–
Ancillary passenger revenue	90	60
Tours and travel revenue	84	172
Qantas Club membership fees	84	81
Freight terminal fee revenue	73	61
Retail, advertising and other property revenue	54	48
Other	249	341
Total other revenue	**2,010**	**2,013**
OTHER EXPENDITURE		
Selling and marketing	626	572
Computer and communication	409	405
Property	398	396
Capacity hire	258	249
Airport security charges	135	130
Contract work material	111	92
Net impairment of property, plant and equipment	44	48
Other	449	363
Total other expenditure	**2,430**	**2,255**

1. Total Frequent Flyer redemption revenue less redemptions on Qantas Group's flights which are reported as net passenger revenue in the Consolidated Income Statement.
2. Net of intra-group marketing revenue within the Qantas Group.

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:

SIGNIFICANT AND OTHER ITEMS REQUIRING DISCLOSURE		
Change in passenger aircraft residual value estimates[1]	(93)	(50)
Change in estimates for major cyclical maintenance costs for operating leased aircraft[2]	50	–
Legal provisions[3]	(25)	–
Net loss on disposal of investments and related transaction costs[4]	(20)	–
Redundancies, restructuring and other provisions	(44)	(34)
Net loss on disposal of property, plant and equipment	(1)	(15)
Net foreign currency losses	(29)	(11)
Non-aircraft operating lease rentals	(196)	(188)

1. During the year ended 30 June 2010 the Qantas Group changed the residual value estimates for passenger aircraft resulting in an increase in depreciation expense for the year ended 30 June 2011 of $93 million (2010: $50 million). Refer to Note 1(C) for further details.
2. During the year ended 30 June 2011 the Qantas Group changed its estimates of major cyclical maintenance costs for operating leased aircraft resulting in a decrease in net expenses of $50 million. Refer to Note 1(C) for further details.
3. Legal provisions represent provisions for freight regulatory fines and third party class action.
4. During the year ended 30 June 2011 the Qantas Group disposed of its investments in DPEX Group and Harvey Holidays Pty Ltd. Additionally, the Group deconsolidated Jetset Travelworld Group as a result of the merger of Jetset Travelworld Group with Stella Travel Services. These transactions resulted in a net loss of $20 million in the current year after transaction costs. Refer to Note 27(B) for further details.

Notes to the Financial Statements continued

for the year ended 30 June 2011

5. Net Finance Costs

	Qantas Group	
	2011 $M	2010 $M
FINANCE INCOME		
Interest income on financial assets measured at amortised cost	166	152
Interest income from jointly controlled entity	10	10
Unwind of discount on receivables	16	19
Total finance income	**192**	**181**
FINANCE COSTS		
Interest expense on financial liabilities measured at amortised cost	334	272
Finance leases	17	11
Fair value hedges		
– Fair value adjustments on hedged items	(242)	(71)
– Fair value adjustments on derivatives designated in a fair value hedge	260	48
Less: capitalised interest[1]	(90)	(44)
Total finance costs on financial liabilities	279	216
Unwind of discount on provisions and other liabilities		
– Employee benefits	18	19
– Other provisions and other liabilities	8	21
Total finance costs	**305**	**256**
Net finance costs	**(113)**	**(75)**

1. The borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's debt facilities being 6.8 per cent (2010: 6.1 per cent).

6. Income Tax

	2011 $M	2010 $M
RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		
Current income tax expense		
Current year	–	–
Adjustments for prior years	3	–
	3	**–**
Deferred income tax expense		
Origination and reversal of temporary differences	161	317
Benefit of tax losses recognised	(90)	(255)
	71	**62**
Total income tax expense in the Consolidated Income Statement	**74**	**62**
RECONCILIATION BETWEEN INCOME TAX EXPENSE AND STATUTORY PROFIT BEFORE INCOME TAX EXPENSE		
Statutory profit before income tax expense	**323**	**178**
Income tax using the domestic corporate tax rate of 30 per cent	97	53
Add/(less) adjustments for non-deductible expenditure/(non-assessable income):		
– (Non-assessable)/non-deductible share of net (profit)/loss of associates and jointly controlled entities	(7)	1
– Utilisation and recognition of previously unrecognised foreign tax losses	(9)	(4)
– Non-deductible infrastructure bond interest	–	9
– Other items	2	3
Over provision in prior years	(9)	–
Income tax expense	**74**	**62**
RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Cash flow hedges	(3)	46
Income tax (benefit)/expense recognised directly in the Consolidated Statement of Comprehensive Income	**(3)**	**46**

Notes to the Financial Statements continued

for the year ended 30 June 2011

7. Auditor's Remuneration

	Qantas Group	
	2011 $000	**2010 $000**
AUDIT SERVICES		
Auditors of Qantas – KPMG Australia		
— Audit and review of Financial Report – Qantas Group (excluding Jetset Travelworld Group)	2,787	2,777
— Audit and review of Financial Report – Jetset Travelworld Group	–	584
— Other regulatory audit services – Qantas Group (excluding Jetset Travelworld Group)	27	53
— Other regulatory audit services – Jetset Travelworld Group	–	12
Overseas KPMG firms		
— Audit and review of Financial Report	310	308
Total audit services	**3,124**	**3,734**
OTHER SERVICES		
Audit related services		
Auditors of Qantas – KPMG Australia		
— Due diligence services – Qantas Group (excluding Jetset Travelworld Group)	180	70
— Due diligence services – Jetset Travelworld Group	–	1,733
— Other audit related services – Qantas Group (excluding Jetset Travelworld Group)	705	526
Total audit related services	**885**	**2,329**
Taxation services		
Auditors of Qantas – KPMG Australia		
— Taxation services – Qantas Group (excluding Jetset Travelworld Group)	318	360
— Taxation services – Jetset Travelworld Group	–	44
Overseas KPMG firms		
— Taxation services	166	226
Total taxation services	**484**	**630**
Other non-audit services		
Auditors of Qantas – KPMG Australia		
— Other non-audit services – Qantas Group (excluding Jetset Travelworld Group)	165	323
Overseas KPMG firms		
— Other non-audit services	10	24
Total other non-audit services	**175**	**347**
Total other services	**1,544**	**3,306**
Total auditor's remuneration	**4,668**	**7,040**

8. Earnings per Share

	Qantas Group	
	2011 Cents	**2010 Cents**
Basic/diluted earnings per share	**11.0**	**4.9**
	$M	**$M**
Statutory profit attributable to members of Qantas	**250**	**112**
	Number M	**Number M**
WEIGHTED AVERAGE NUMBER OF SHARES		
Issued shares as at 1 July	2,265	2,265
Issued shares as at 30 June	2,265	2,265
Weighted average number of shares (basic and diluted) as at 30 June	**2,265**	**2,265**

Notes to the Financial Statements continued

for the year ended 30 June 2011

9. Dividends

(A) DIVIDENDS DECLARED AND PAID

No dividends were declared or paid in the current year by Qantas.

No final dividend will be paid in relation to the year ended 30 June 2011.

$1 million (2010: $4 million) of dividends were declared to non-controlling interest shareholders by non-wholly owned controlled entities.

(B) FRANKING ACCOUNT

	Qantas Group	
	2011 $M	2010 $M
Total franking account balance at 30 per cent	**17**	**18**

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

Cash balances	305	366
Cash at call	184	151
Short-term money market securities and term deposits	3,007	3,187
Total cash and cash equivalents	**3,496**	**3,704**

Short-term money market securities of $225 million (2010: $141 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 2011

11. Receivables

	Qantas Group	
	2011 $M	2010 $M
CURRENT		
Trade debtors		
Associates and jointly controlled entities	39	33
Other parties	803	790
Less: provision for impairment losses	3	6
	839	**817**
Other loans		
Sundry debtors	188	271
Total current receivables	**1,027**	**1,088**
NON-CURRENT		
Other loans from jointly controlled entity – interest-bearing	128	128
Sundry debtors	295	279
Total non-current receivables	**423**	**407**
The ageing of trade debtors, net of provision for impairment losses, at 30 June was:		
Not past due	692	702
Past due 1–30 days	66	38
Past due 31–120 days	30	28
Past due 121 days or more	51	49
Total trade debtors	**839**	**817**

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	6	27
Impairment loss recognised	–	4
Bad debts written off	(3)	(5)
Reversal of provision	–	(20)
Provision for impairment losses as at 30 June	**3**	**6**

Sundry debtors of the Qantas Group include $243 million (2010: $361 million), representing the present value of liquidated damages resulting from the delay in delivery of aircraft.

Notes to the Financial Statements continued

for the year ended 30 June 2011

12. Inventories

	Qantas Group	
	2011 $M	2010 $M
Engineering expendables	310	270
Consumable stores	53	42
Work in progress	9	7
Total inventories	**372**	**319**

13. Assets and Liabilities Classified as Held for Sale

Assets		
Property, plant and equipment	20	69
Assets of DPEX disposal group (refer to Note 27(B))	–	22
Total assets classified as held for sale	**20**	**91**
Liabilities		
Liabilities of DPEX disposal group (refer to Note 27(B))	–	4
Total liabilities classified as held for sale	**–**	**4**

14. Other Current Assets

Superannuation prepayment (refer to Note 30)	258	248
Prepayments	148	138
Other	2	11
Total other current assets	**408**	**397**

Notes to the Financial Statements continued

for the year ended 30 June 2011

15. Investments Accounted for Using the Equity Method

	Qantas Group	
	2011 $M	2010 $M
Share of net profit/(loss) of associates and jointly controlled entities		
Associates	5	(14)
Jointly controlled entities	17	10
Total share of net profit/(loss) of associates and jointly controlled entities	**22**	**(4)**
Investments accounted for using the equity method		
Associates		
— Jetset Travelworld Limited	114	–
— Other	51	65
Total investments in associates	**165**	**65**
Jointly controlled entities		
— AUX Investment Pty Limited	292	–
— Star Track Express Holdings Pty Limited	–	266
— Australian air Express Pty Ltd	–	24
— Other	19	23
Total investments in jointly controlled entities	**311**	**313**
Total investments accounted for using the equity method	**476**	**378**

(A) INVESTMENTS IN ASSOCIATES

Details of interests in associates are as follows:

				Qantas Group Ownership Interest	
	Principal Activity	Country of Incorporation	Balance Date	2011 %	2010 %
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
Jetset Travelworld Limited[1]	Travel products and services	Australia	30 Jun	29	–
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

1. As a result of the merger of Jetset Travelworld Group with Stella Travel Services as described in Note 27(B), Jetset Travelworld Group is accounted for as an associate effective 1 October 2010.

Notes to the Financial Statements continued

for the year ended 30 June 2011

15. Investments Accounted for Using the Equity Method continued

	Qantas Group	
	2011 $M	2010 $M
RESULTS OF ASSOCIATES		
Revenues	1,185	489
Expenditure	(1,162)	(538)
Profit/(loss) before income tax expense	23	(49)
Income tax (expense)/benefit	(13)	12
Net profit/(loss) of associates	**10**	**(37)**
Qantas Group's share of net profit/(loss) of associates	**5**	**(14)**
MOVEMENTS IN CARRYING AMOUNT OF INVESTMENTS IN ASSOCIATES		
Carrying amount of investments in associates as at 1 July	65	76
Additional investment in associate	–	10
Reclassification from controlled entity (refer to Note 27(B))	109	–
Share of net profit/(loss) of associates	5	(14)
Dividends received from associates	(3)	(3)
Share of foreign currency translation reserve movements	(13)	(10)
Share of hedge reserve movement	2	6
Carrying amount of investments in associates as at 30 June	**165**	**65**
SUMMARY FINANCIAL POSITION OF ASSOCIATES		
The aggregate assets and liabilities of associates is as follows:		
Current assets	457	135
Non-current assets	596	184
Total assets	**1,053**	**319**
Current liabilities	489	187
Non-current liabilities	80	23
Total liabilities	**569**	**210**
Net assets	**484**	**109**
Qantas Group's share of net assets of associates	147	37
Adjustment arising from equity accounting		
– Goodwill	30	40
– Accumulated impairment	(12)	(12)
Investments in associates accounted for using the equity method	**165**	**65**
CONTINGENT LIABILITIES		
Qantas Group's share of associates' contingent liabilities	**9**	**8**

Notes to the Financial Statements continued

for the year ended 30 June 2011

15. Investments Accounted for Using the Equity Method continued

(B) INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Details of interests in jointly controlled entities are as follows:

				Qantas Group Ownership Interest	
	Principal Activity	Country of Incorporation	Balance Date	2011 %	2010 %
Australian air Express Pty Ltd[1]	Air cargo	Australia	30 Jun	–	50
AUX Investment Pty Limited[1]	Investment holding company	Australia	30 Jun	50	–
Harvey Holidays Pty Ltd[2]	Tours and travel	Australia	30 Jun	–	50
LTQ Engineering Pty Limited	Maintenance services	Australia	30 Jun	50	50
Star Track Express Holdings Pty Limited[1]	Express road freight	Australia	30 Jun	–	50

1. In October 2010 the Group's investments in Australian air Express Pty Ltd and Star Track Express Holdings Pty Limited were transferred to AUX Investment Pty Limited in exchange for a 50 per cent shareholding in this entity. Refer to Note 27(B) for further details.
2. On 30 June 2011 the Qantas Group sold its 50 per cent interest in Harvey Holidays Pty Ltd. Refer to Note 27(B) for further details.

	Qantas Group	
	2011 $M	2010 $M
RESULTS OF JOINTLY CONTROLLED ENTITIES		
Revenues	791	1,245
Expenditure	(740)	(1,212)
Profit before income tax expense	51	33
Income tax expense	(17)	(13)
Net profit of jointly controlled entities	**34**	**20**
Qantas Group's share of net profit of jointly controlled entities	**17**	**10**
MOVEMENTS IN CARRYING AMOUNT OF INVESTMENTS IN JOINTLY CONTROLLED ENTITIES		
Carrying amount of investments in jointly controlled entities as at 1 July	313	311
Additional investment in jointly controlled entity	–	4
Share of net profit of jointly controlled entities	17	10
Dividends received from jointly controlled entities	(18)	(13)
Disposal of jointly controlled entity	(1)	–
Share of hedge reserve movement	–	1
Carrying amount of investments in jointly controlled entities as at 30 June	**311**	**313**
SUMMARY FINANCIAL POSITION OF JOINTLY CONTROLLED ENTITIES		
The aggregate assets and liabilities of jointly controlled entities is as follows:		
Current assets	209	208
Non-current assets	853	887
Total assets	**1,062**	**1,095**
Current liabilities	160	170
Non-current liabilities	281	300
Total liabilities	**441**	**470**
Net assets	**621**	**625**
Qantas Group's share of net assets of jointly controlled entities	311	312
Adjustment arising from equity accounting		
— Goodwill	–	1
Investments in jointly controlled entities accounted for using the equity method	**311**	**313**
COMMITMENTS		
Share of jointly controlled entities' contracted capital expenditure commitments	12	4
Share of jointly controlled entities' contracted non-capital expenditure commitments	494	388
Qantas Group's share of jointly controlled entities' commitments	**506**	**392**
CONTINGENT LIABILITIES		
Qantas Group's share of jointly controlled entities' contingent liabilities	**35**	**31**

Notes to the Financial Statements continued

for the year ended 30 June 2011

16. Property, Plant and Equipment

	Qantas Group	
	2011 $M	2010 $M
Freehold land – owned		
At cost	66	66
Total freehold land	**66**	**66**
Buildings – owned		
At cost	284	284
Less: accumulated depreciation	145	132
	139	**152**
Buildings – leased		
At cost	51	51
Less: accumulated depreciation	46	45
	5	**6**
Total buildings		
At cost	335	335
Less: accumulated depreciation	191	177
Total buildings at net book value	**144**	**158**
Leasehold improvements		
At cost	1,590	1,531
Less: accumulated depreciation	985	966
Total leasehold improvements at net book value	**605**	**565**
Plant and equipment		
At cost	1,355	1,295
Less: accumulated depreciation	851	806
Total plant and equipment at net book value	**504**	**489**
Aircraft and engines – owned		
At cost	11,504	12,200
Less: accumulated depreciation	4,841	5,089
	6,663	**7,111**
Aircraft and engines – finance leased and hire purchased		
At cost	4,947	3,048
Less: accumulated depreciation	1,788	1,146
	3,159	**1,902**
Aircraft and engines – maintenance		
At cost	1,392	1,065
Less: accumulated depreciation	752	698
	640	**367**
Total aircraft and engines		
At cost	17,843	16,313
Less: accumulated depreciation	7,381	6,933
Total aircraft and engines at net book value	**10,462**	**9,380**

Notes to the Financial Statements continued

for the year ended 30 June 2011

16. Property, Plant and Equipment continued

	Qantas Group 2011 $M	Qantas Group 2010 $M
Aircraft spare parts – owned		
At cost	870	862
Less: accumulated depreciation	408	380
	462	**482**
Aircraft spare parts – leased		
At cost	23	23
Less: accumulated depreciation	17	15
	6	**8**
Total aircraft spare parts		
At cost	893	885
Less: accumulated depreciation	425	395
Total aircraft spare parts at net book value	**468**	**490**
Aircraft deposits		
At cost	1,403	1,368
Total aircraft deposits	**1,403**	**1,368**
Total property, plant and equipment		
At cost	23,485	21,793
Less: accumulated depreciation	9,833	9,277
Total property, plant and equipment at net book value	**13,652**	**12,516**

Qantas Group 2011 $M	Opening Net Book Value	Additions[1]	Acquisition of Controlled Entity	Disposals	Disposal of Controlled Entity[2]	Transfers	Transferred to Assets Classified as Held for Sale	Depreciation	Other[3]	Closing Net Book Value
Reconciliations										
Freehold land	66	–	–	–	–	–	–	–	–	66
Buildings	158	–	–	–	–	–	–	(15)	1	144
Leasehold improvements	565	112	6	(2)	–	(26)	–	(56)	6	605
Plant and equipment	489	73	1	(12)	(1)	27	–	(81)	8	504
Aircraft and engines	9,380	542	19	(63)	–	1,541	(20)	(996)	59	10,462
Aircraft spare parts	490	55	–	(17)	–	(7)	–	(49)	(4)	468
Aircraft deposits	1,368	1,600	–	(23)	–	(1,538)	–	–	(4)	1,403
Total property, plant and equipment	**12,516**	**2,382**	**26**	**(117)**	**(1)**	**(3)**	**(20)**	**(1,197)**	**66**	**13,652**

2010 $M	Opening Net Book Value	Additions[1]	Acquisition of Controlled Entity	Disposals	Disposal of Controlled Entity[2]	Transfers	Transferred to Assets Classified as Held for Sale	Depreciation	Other[3]	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	321	–	(18)	–	1,099	(54)	(904)	(1)	9,380
Aircraft spare parts	493	65	–	(10)	–	(4)	–	(50)	(4)	490
Aircraft deposits	1,364	1,174	–	(62)	–	(1,099)	–	–	(9)	1,368
Total property, plant and equipment	**12,155**	**1,669**	**–**	**(100)**	**–**	**(14)**	**(54)**	**(1,152)**	**12**	**12,516**

1. Additions include capitalised interest of $85 million (2010: $41 million). Option premiums paid for capital expenditure hedging are not capitalised per AASB 139, but are included in the Consolidated Cash Flow Statement as 'Payments for property, plant and equipment and intangible assets'.
2. Disposal of Controlled Entity includes controlled entity reclassified to associate.
3. Other includes foreign exchange movements, non-cash additions and net impairment of property, plant and equipment. During the year an uncontained engine failure on VH-OQA resulted in an estimated US$105 million of damage, the repair of which is fully recoverable under insurance. As such, the net impairment expense for VH-OQA is nil.

Notes to the Financial Statements continued

for the year ended 30 June 2011

16. Property, Plant and Equipment continued

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 $6,653 million (2010: $5,693 million).

17. Intangible Assets

	Qantas Group 2011 $M	Qantas Group 2010 $M
Goodwill		
At cost	164	219
Total goodwill	**164**	**219**
Airport landing slots		
At cost	35	35
Total airport landing slots	**35**	**35**
Software		
At cost	770	678
Less: accumulated amortisation	396	350
Total software at net book value	**374**	**328**
Brand names and trademarks		
At cost	20	30
Total brand names and trademarks	**20**	**30**
Customer contracts/relationships		
At cost	–	66
Less: accumulated amortisation	–	10
Total customer contracts/relationships at net book value	**–**	**56**
Total intangible assets	**593**	**668**

Qantas Group 2011 $M	Opening Net Book Value	Additions[1]	Acquisition of Controlled Entity	Disposal of Controlled Entity[2]	Transfers	Transferred to Assets Classified as Held for Sale	Amortisation	Other[3]	Closing Net Book Value
Reconciliations									
Goodwill	219	–	12	(66)	–	–	–	(1)	164
Airport landing slots	35	–	–	–	–	–	–	–	35
Software	328	94	–	–	3	–	(51)	–	374
Brand names and trademarks	30	–	–	(9)	–	–	–	(1)	20
Customer contracts/relationships	56	–	–	(55)	–	–	(1)	–	–
Total intangible assets	**668**	**94**	**12**	**(130)**	**3**	**–**	**(52)**	**(2)**	**593**
2010 $M									
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**

1. Additions include capitalised interest of $5 million (2010: $3 million).
2. Disposal of Controlled Entity includes controlled entity reclassified to associate.
3. Other includes foreign exchange movements.

Notes to the Financial Statements continued

for the year ended 30 June 2011

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	
	2011 $M	2010 $M
Goodwill		
Qantas[1]	35	23
Jetstar	129	130
Jetset Travelworld Group	–	66
	164	**219**
Airport landing slots		
Qantas	35	35
	35	**35**
Brand names and trademarks		
Jetstar	20	21
Jetset Travelworld Group	–	9
	20	**30**

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 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	A pre-tax discount rate of 10.5 per cent per annum has been used in discounting the projected cash flows of Qantas and Jetstar CGUs, reflecting a market estimate of the weighted average cost of capital of the Qantas Group (2010: 10.5 per cent per annum for Qantas and Jetstar and 16.0 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 risk of the specific CGU.
Market Share	Qantas Group's domestic market share is expected to remain between 64 and 65 per cent (2010: 64 and 65 per cent) and international market share remains between 27 and 28 per cent (2010: 27 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$124 and US$136 per barrel (2010: US$103 and US$112) and was set with regard to the forward fuel curve and commodity analyst expectations.
Currency	The US$: A$ exchange rate is assumed to be between $1.01 and $1.06 (2010: 92 and 93 cents).
Fleet Age	The average fleet age is forecast to be between 8.1 and 8.8 years (2010: between 8.3 and 8.6 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 2011

18. Deferred Tax Liabilities

	Qantas Group 2011 $M	Qantas Group 2010 $M
Deferred tax liabilities	767	715
Total deferred tax liabilities	**767**	**715**

Qantas Group 2011 $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Acquisition of Controlled Entity	Disposal of Controlled Entity[1]	Closing Balance
Reconciliations						
Inventories	(12)	(4)	–	–	–	(16)
Property, plant and equipment and intangible assets	(1,532)	(190)	–	(1)	–	(1,723)
Payables	47	12	–	–	–	59
Revenue received in advance	621	(24)	–	–	–	597
Interest-bearing liabilities	(19)	(80)	–	–	–	(99)
Other financial assets/liabilities	(150)	97	3	–	20	(30)
Provisions	251	28	–	–	–	279
Other items	(178)	–	–	–	(3)	(181)
Tax value of recognised tax losses	257	90	–	–	–	347
Total deferred tax liabilities	**(715)**	**(71)**	**3**	**(1)**	**17**	**(767)**

2010 $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Acquisition of Controlled Entity	Disposal of Controlled Entity[1]	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)**

1. Disposal of Controlled Entity includes controlled entity reclassified to associate.

At 30 June 2011 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 (2010: 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 2011 $M	Qantas Group 2010 $M
Tax losses – New Zealand operations	17	15
Tax losses – Singapore operations	10	25
Total unrecognised deferred tax assets – tax losses	**27**	**40**

Notes to the Financial Statements continued

for the year ended 30 June 2011

19. Payables

	Qantas Group 2011 $M	2010 $M
Trade creditors		
Associates and jointly controlled entities	1	6
Other parties	596	594
	597	**600**
Other creditors and accruals	1,141	1,150
Total payables	**1,738**	**1,750**

20. Revenue Received in Advance

	2011 $M	2010 $M
CURRENT		
Unavailed passenger revenue	2,320	2,271
Unredeemed Frequent Flyer revenue	747	896
Total current revenue received in advance	**3,067**	**3,167**
NON-CURRENT		
Unredeemed Frequent Flyer revenue	1,111	1,067
Total non-current revenue received in advance	**1,111**	**1,067**

21. Interest-bearing Liabilities

	2011 $M	2010 $M
CURRENT		
Bank loans – secured	446	502
Other loans – unsecured	80	74
Lease and hire purchase liabilities – secured (refer to Note 28)	51	54
Total current interest-bearing liabilities	**577**	**630**
NON-CURRENT		
Bank loans – secured	3,131	2,717
Bank loans – unsecured	874	740
Other loans – unsecured	1,042	1,203
Lease and hire purchase liabilities – secured (refer to Note 28)	407	455
Total non-current interest-bearing liabilities	**5,454**	**5,115**

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 to Note 16).

Notes to the Financial Statements continued

for the year ended 30 June 2011

22. Provisions

	Qantas Group 2011 $M	Qantas Group 2010 $M
CURRENT		
Employee benefits		
— Annual leave	319	317
— Long service leave	43	40
— Redundancies, restructuring and other employee benefits	58	5
Onerous contracts	2	3
Make good on leased assets	3	18
Insurance, legal and other	31	65
Total current provisions	**456**	**448**
NON-CURRENT		
Employee benefits		
— Long service leave	318	311
Onerous contracts	5	6
Make good on leased assets	139	100
Insurance, legal and other	185	143
Total non-current provisions	**647**	**560**

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

Qantas Group 2011 $M	Opening Balance	Provisions Made	Provisions Utilised	Unwind of Discount	Other[1]	Closing Balance	Current	Non-Current	Total
Reconciliations									
Onerous contracts	9	2	(4)	–	–	7	2	5	7
Make good on leased assets	118	23	(10)	2	9	142	3	139	142
Insurance, legal and other	208	61	(96)	6	37	216	31	185	216
Total	**335**	**86**	**(110)**	**8**	**46**	**365**	**36**	**329**	**365**

2010 $M	Opening Balance	Provisions Made	Provisions Utilised	Unwind of Discount	Other[1]	Closing Balance	Current	Non-Current	Total
Reconciliations									
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	190	49	(44)	6	7	208	65	143	208
Total	**299**	**90**	**(70)**	**11**	**5**	**335**	**86**	**249**	**335**

1. Other includes foreign exchange movements and movements in provisions impacting 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 2011

23. Capital and Reserves

	Qantas Group	
	2011 $M	2010 $M
ISSUED CAPITAL		
Issued and paid-up capital: 2,265,123,620 (2010: 2,265,123,620) ordinary shares, fully paid	4,729	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 2011, 23,861,937 (2010: 15,640,025) shares were held in trust and classified as treasury shares.

RESERVES		
Employee compensation reserve	65	53
Hedge reserve (refer to Note 25(B))	80	85
Foreign currency translation reserve	(60)	(29)
Total reserves	**85**	**109**

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.

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 made prior to 30 June 2010. There have been no modifications to the DSP Terms and Conditions during the year.

Equity benefits to Executives made after 1 July 2010 are governed by the Employee Share Plan (ESP) Trust Deed, the Short Term Incentive Plan (STIP) Terms and Conditions and the Long Term Incentive Plan (LTIP) Terms and Conditions which were approved by the Qantas Remuneration Committee Chairman under Board Delegation on 12 August 2010.

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 $59 million (2010: $21 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 performance hurdles. Dividends are not payable on the Rights.

	Number of Rights	
Performance Rights Reconciliation	2011	2010
Rights outstanding as at 1 July	8,844,886	6,916,092
Rights granted	4,957,000	3,925,000
Rights forfeited	(1,246,681)	(865,690)
Rights lapsed	(108,114)	(242,400)
Rights exercised	(234,022)	(888,116)
Rights outstanding as at 30 June	**12,213,069**	**8,844,886**
Rights exercisable as at 30 June	**401,648**	**510,902**

Notes to the Financial Statements continued

for the year ended 30 June 2011

24. Share-based Payments continued

During the year 4,957,000 Rights were granted, of which 3,751,000 Rights were granted on 12 August 2010 and 1,206,000 Rights were granted on 29 October 2010 (2010: 3,925,000 Rights were granted on 9 September 2009). 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.

Performance hurdles in relation to the outstanding Rights at 30 June 2011 were tested subsequent to 30 June 2011. As a result, 99,256 Rights will lapse from the 2006/2007 award and 2,382,000 Rights will lapse from the 2008/2009 award in 2011/2012 (2010: 108,114 Rights from the 2005/2006 award will lapse in 2010/2011).

During the year 234,022 Rights were exercised (2010: 888,116).

At 30 June 2011, 26,271 Rights are available to be exercised at the request of the Executive under the 2004/2005 award, 90,129 Rights under the 2005/2006 award and a further 285,248 Rights under the 2006/2007 award (2010: 26,271 Rights under the 2004/2005 award, 96,040 Rights under 2005/2006 award and 388,591 Rights under the 2006/2007 award). For more information on the operation of the LTIP, see page 37.

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 $1.56 (2010: $2.05).

	2011		2010
Inputs into the Models	**29 October 2010**	**12 August 2010**	**9 September 2009**
Weighted average share value	$2.84	$2.48	$2.54
Expected volatility	30%	30%	45%
Dividend yield	3.7%	4.3%	2.8%
Risk-free interest rate	4.9%	4.5%	4.7%

The expected volatility for the 2010/2011 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.

(B) SHORT TERM INCENTIVE PLAN (STIP)

The following awards were made under the STIP during the year ended 30 June 2011:

	2011		2010	
Shares Granted	**Number of Shares**	**Weighted Average Fair Value $**	**Number of Shares**	**Weighted Average Fair Value $**
Performance shares granted – 12 August 2010	25,471,518	2.56	–	–

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 restriction period. For further detail on the operation of the STIP, see page 37.

(C) PERFORMANCE SHARE PLAN (PSP)

There were no awards made under the PSP during the year ended 30 June 2011 (2010: 6,108,538 shares were granted on 19 August 2009 at a weighted average fair value of $2.65 per share).

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 45.

Notes to the Financial Statements continued

for the year ended 30 June 2011

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 2011 $M	Qantas Group 2010 $M
NET OTHER FINANCIAL LIABILITIES		
Derivatives		
Designated as cash flow hedges	(98)	(54)
Designated as fair value hedges	(415)	(153)
De-designated derivatives	(53)	(23)
Not qualifying for hedge accounting	64	92
Net other financial liabilities	**(502)**	**(138)**
Net other financial liabilities included in the Consolidated Balance Sheet		
Other financial assets – current	318	233
Other financial assets – non-current	70	102
Other financial liabilities – current	(397)	(242)
Other financial liabilities – non-current	(493)	(231)
Net other financial liabilities	**(502)**	**(138)**

(B) HEDGE RESERVE

At 30 June 2011 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 is 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 2011 $M	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Contracts to hedge				
Future foreign currency receipts and payments	2	174	–	176
Future aviation fuel payments	130	–	–	130
Future interest payments	(3)	(29)	–	(32)
Future capital expenditure payments	(131)	(29)	–	(160)
	(2)	**116**	**–**	**114**
Tax effect				(34)
Total net gain included within hedge reserve				**80**

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**

Notes to the Financial Statements continued

for the year ended 30 June 2011

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 Consolidated Income Statement for the financial period as it does not form part of a hedging relationship.

	Qantas Group	
	2011 $M	2010 $M
INEFFECTIVE AND NON-DESIGNATED DERIVATIVES		
Ineffective portion of cash flow hedges	25	15
Components of derivatives not hedge accounted (including time value of options)	(145)	(188)
Ineffective and non-designated derivatives expense	**(120)**	**(173)**

26. Notes to the Cash Flow Statement

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

	2011	2010
Statutory profit for the year	**249**	**116**
Add: depreciation and amortisation	1,249	1,199
Add: dividends received from associates and jointly controlled entities	21	16
Add: share-based payments	59	21
Add: amortisation of deferred financing fees	18	15
Add: net impairment of property, plant and equipment	44	48
Add: net loss on disposal of investments and related transaction costs	20	–
Add: net loss on disposal of property, plant and equipment	1	15
Add: changes in fair value of financial instruments	124	478
Less: amortisation of deferred lease benefits	(11)	(17)
Less: interest payments on liabilities held at fair value	(113)	(94)
Add/(less): realised hedging loss/(gain) on operating cash flows	60	(292)
(Less)/add: share of net (profit)/loss of associates and jointly controlled entities	(22)	4
Add/(less): other items	9	(51)
Movements in operating assets and liabilities:		
— (Increase)/decrease in receivables	(35)	58
— Increase in inventories	(51)	(69)
— Decrease in current tax receivables	–	128
— Increase in other assets	(6)	(64)
— Increase/(decrease) in payables	48	(83)
— Decrease in revenue received in advance	(5)	(107)
— Increase/(decrease) in provisions	51	(32)
— Increase in deferred tax liabilities	72	62
Net cash from operating activities	**1,782**	**1,351**

Notes to the Financial Statements continued

for the year ended 30 June 2011

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	
	2011 $M	2010 $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	300	500
Amount of facility used	–	–
Amount of facility unused	**300**	**500**
Committed secured funding		
Facility available	130	–
Amount of facility used	(19)	–
Amount of facility unused	**111**	**–**
Committed unsecured funding		
Facility available	102	200
Amount of facility used	(15)	(30)
Amount of facility unused	**87**	**170**
Commercial paper and medium-term notes (subject to Dealer Panel participation)		
Facility available	1,000	1,000
Amount of facility used	–	–
Amount of facility unused	**1,000**	**1,000**

1. The syndicated standby facility will mature on 26 May 2013.

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 2011

27. Acquisitions and Disposals of Controlled Entities, Associates and Jointly Controlled Entities

(A) ACQUISITIONS

(i) Network Aviation Group

On 11 February 2011 the Qantas Group acquired 100 per cent of the Network Aviation Group. The purchase consideration, net of cash acquired, was $21 million. The fair value of the net assets acquired includes property, plant and equipment of $26 million, interest-bearing liabilities of $18 million and net working capital and operating assets of $1 million. Goodwill arising from this acquisition was $12 million (on a provisional basis).

The Network Aviation Group contributed approximately $19 million in revenue and other income and a break-even profit before tax. If the transaction had occurred on 1 July 2010, the Network Aviation Group would have contributed $45 million in revenue and other income and a break-even profit before tax.

(ii) 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.

(B) DISPOSALS OR RESTRUCTURING

(i) DPEX Group

On 9 August 2010 the Qantas Group disposed of its ownership in the DPEX Group, which was part of the Qantas Freight operating segment. On the completion of the transaction, the Qantas Group recognised a gain of $5 million before tax. The assets of the DPEX disposal group represented goodwill of $16 million and receivables and other assets of $6 million. The liabilities of the DPEX disposal group represented payables of $4 million.

(ii) Jetset Travelworld Group

On 30 September 2010 the Jetset Travelworld Group merged with Stella Travel Services. The merger resulted in the Qantas Group's shareholding in Jetset Travelworld Group reducing to 29 per cent from 58 per cent. Consequently, Jetset Travelworld Group ceased to be a controlled entity and was deconsolidated from the Qantas Group. From 1 October 2010 the investment is accounted for as an associate. The Qantas Group recognised a net loss arising from this transaction of $29 million before tax.

(iii) Harvey Holidays Pty Ltd

On 30 June 2011 the Qantas Group disposed of its 50 per cent ownership in Harvey Holidays Pty Ltd (a jointly controlled entity). The Group recognised a gain on disposal of $4 million before tax.

(iv) AUX Investment Pty Limited

In October 2010 the Group's investments in Australian air Express Pty Ltd and Star Track Express Holdings Pty Limited were transferred to AUX Investment Pty Limited in exchange for a 50 per cent shareholding in this entity. No gain or loss arose from the restructure of these investments.

Gain/loss on disposal or restructuring of investments

The net loss on disposal of the above investments of $20 million was included in other expenditure in the Consolidated Income Statement.

Notes to the Financial Statements continued

for the year ended 30 June 2011

28. Commitments

(A) FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

	Qantas Group	
	2011 $M	2010 $M
AS LESSEE		
Finance lease and hire purchase liabilities included in the Consolidated Financial Statements at the present value of future rentals		
Aircraft and engines – payable:		
Not later than one year	46	44
Later than one year but not later than five years	427	482
Later than five years	–	–
	473	**526**
Less: future lease and hire purchase finance charges and deferred lease benefits	15	17
Total finance lease and hire purchase liabilities	**458**	**509**
Finance lease and hire purchase liabilities included in the Consolidated Financial Statements		
Current liabilities (refer to Note 21)	51	54
Non-current liabilities (refer to Note 21)	407	455
Total finance lease and hire purchase liabilities	**458**	**509**

The Qantas Group leases aircraft under finance leases with expiry dates between one and five 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

	2011 $M	2010 $M
AS LESSEE		
Non-cancellable operating lease commitments not provided for in the Consolidated Financial Statements		
Aircraft – payable:		
Not later than one year	632	698
Later than one year but not later than five years	1,718	2,212
Later than five years	450	705
	2,800	**3,615**
Non-aircraft – payable:		
Not later than one year	171	152
Later than one year but not later than five years	527	433
Later than five years	404	344
	1,102	**929**
Less: provision for potential under-recovery of rentals on unused premises available for sub-lease (included in onerous contract provision – refer to Note 22)	7	9
	1,095	**920**
Total operating lease commitments not provided for in the Consolidated Financial Statements	**3,895**	**4,535**

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.

Notes to the Financial Statements continued

for the year ended 30 June 2011

28. Commitments continued

	Qantas Group 2011 $M	Qantas Group 2010 $M
AS LESSOR		
Operating lease receivables not recognised in the Consolidated Financial Statements		
Receivable:		
Not later than one year	12	12
Later than one year but not later than five years	47	47
Later than five years	32	44
Total operating lease receivables not recognised in the Consolidated Financial Statements	**91**	**103**

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

(C) CAPITAL EXPENDITURE COMMITMENTS

	2011 $M	2010 $M
Capital expenditure commitments contracted but not provided for in the Consolidated Financial Statements		
Aircraft	11,378	14,505
Building works	41	95
Other	149	228
	11,568	**14,828**
Payable:		
Not later than one year	2,421	2,553
Later than one year but not later than five years	7,893	9,854
Later than five years	1,254	2,421
Total capital expenditure commitments contracted but not provided for in the Consolidated Financial Statements	**11,568**	**14,828**

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.

	2011 $M	2010 $M
Performance guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties	5	5
General guarantees in the normal course of business	187	188
Contingent liabilities relating to current and threatened litigation	3	3
	195	**196**

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 AND PASSENGER THIRD PARTY CLASS ACTIONS

Qantas is a party to a number of third party class actions relating to its freight and passenger divisions. Qantas continues to have a number of defences to these class actions. Qantas expects the outcome of these class actions will be known over the course of the next few years.

Notes to the Financial Statements continued

for the year ended 30 June 2011

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 $18 million (2010: $8 million). As at 30 June 2010 the plan assets also included an investment in a trust of $16 million which owned a 50 per cent interest in property occupied by the Qantas Group. This investment was sold in July 2010.

	Qantas Group	
	2011 $M	2010 $M
CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION		
Opening defined benefit obligation	2,210	2,098
Current service cost	152	158
Past service cost	(3)	–
Interest cost	102	106
Actuarial (gains)/losses	(41)	174
Exchange differences on foreign plans	(18)	(23)
Benefits paid	(128)	(303)
Closing defined benefit obligation	**2,274**	**2,210**
CHANGES IN THE FAIR VALUE OF PLAN ASSETS		
Opening fair value of plan assets	1,964	1,944
Expected return	144	147
Actuarial (losses)/gains	(7)	36
Exchange differences on foreign plans	(15)	(16)
Contributions by employer	120	133
Contributions by plan participants	23	23
Benefits paid	(128)	(303)
Closing fair value of plan assets	**2,101**	**1,964**
EXPENSE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		
Current service cost	133	140
Past service cost	(3)	–
Interest cost	102	106
Contributions by plan participants	(23)	(23)
Expected return on plan assets	(144)	(147)
Actuarial losses	26	15
Increase in allowance for contributions tax on net liability	13	13
Expenses	6	5
Total included in manpower and staff related expenditure	**110**	**109**
ACTUAL RETURN GAIN ON PLAN ASSETS		
Actual return gain on plan assets	**137**	**183**
	%	%
MAJOR CATEGORIES OF PLAN ASSETS AS A PERCENTAGE OF TOTAL PLAN ASSETS		
Equity instruments (Australian and overseas)	50	55
Fixed interest, cash and indexed bonds (Australian and overseas)	30	20
Property	5	9
Alternative assets	15	16
	$M	$M
RECONCILIATION TO THE CONSOLIDATED BALANCE SHEET		
Fair value of plan assets	2,101	1,964
Present value of defined benefit obligation	2,274	2,210
Deficit	**(173)**	**(246)**
Less: unrecognised actuarial losses	(431)	(494)
Recognised prepayments in the Consolidated Balance Sheet (refer to Note 14)	**258**	**248**

Notes to the Financial Statements continued

for the year ended 30 June 2011

30. Superannuation continued

	Qantas Group				
	2011 $M	2010 $M	2009 $M	2008 $M	2007 $M
HISTORICAL AMOUNTS					
Fair value of plan assets	2,101	1,964	1,944	2,142	2,353
Present value of defined benefit obligation	2,274	2,210	2,098	1,846	1,691
(Deficit)/surplus	**(173)**	**(246)**	**(154)**	**296**	**662**
Experience adjustments (loss)/gain on plan assets	(7)	36	(343)	(271)	27
Experience adjustments gain/(loss) on plan liabilities	40	(81)	(37)	(138)	112

	Qantas Group	
	2011 %	2010 %
PRINCIPAL ACTUARIAL ASSUMPTIONS (EXPRESSED AS WEIGHTED AVERAGES PER ANNUM)		
Discount rate	5.3	5.3
Expected return on plan assets	7.2	7.4
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 $105 million will be paid by Qantas for employees accruing defined benefits for the year ended 30 June 2012 (2010: $108 million for the year ended 30 June 2011).

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 2011 Qantas has contributed $50 million of the additional funding (2010: $35 million).

Defined contribution fund

The Qantas Group's results include $154 million (2010: $142 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
Peter Cosgrove, AC, MC, Non-Executive Director
Patricia Cross, Non-Executive Director
Richard Goodmanson, Non-Executive Director
Garry Hounsell, Non-Executive Director
Corinne Namblard, Non-Executive Director (appointed 16 June 2011)
Paul Rayner, Non-Executive Director
John Schubert, AO, Non-Executive Director
James Strong, AO, Non-Executive Director
Barbara Ward, AM, 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
Jayne Hrdlicka, Group Executive Strategy and Technology (appointed as KMP effective 1 February 2011)
Lyell Strambi, Group Executive Qantas Operations

Notes to the Financial Statements continued

for the year ended 30 June 2011

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	
	2011 $000	2010 $000
Short-term employee benefits	9,236	9,058
Post-employment benefits	688	705
Other long-term benefits	188	175
Termination benefits	–	871
Share-based payments	5,374	2,060
	15,486	**12,869**

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 Directors' fees to purchase shares.

(i) Short Term Incentive Plan (STIP)

Key Management Personnel		Opening Balance	Number Granted	Number Forfeited	Number Vested and Transferred	Closing Balance
Alan Joyce	2011 Total	–	1,166,000	–	–	1,166,000
	2010 Total	–	–	–	–	–
Bruce Buchanan	2011 Total	–	259,000	–	–	259,000
	2010 Total	–	–	–	–	–
Gareth Evans	2011 Total	–	178,000	–	–	178,000
	2010 Total	–	–	–	–	–
Rob Gurney	2011 Total	–	238,000	–	–	238,000
	2010 Total	–	–	–	–	–
Simon Hickey	2011 Total	–	243,000	–	–	243,000
	2010 Total	–	–	–	–	–
Lyell Strambi	2011 Total	–	303,000	–	–	303,000
	2010 Total	–	–	–	–	–

The shares were granted on 12 August 2010 (2010: nil) at a fair value of $2.56 (2010: nil). No amount has been paid, or is payable, by the Executive in relation to these deferred shares.

(ii) Long Term Incentive Plan (LTIP)

Alan Joyce	2011 Total	633,750	1,084,000	(7,400)	–	1,710,350
	2010 Total	390,750	250,000	(7,000)	–	633,750
Bruce Buchanan	2011 Total	209,500	111,000	–	–	320,500
	2010 Total	92,100	119,000	(1,600)	–	209,500
Gareth Evans	2011 Total	153,575	119,000	(1,924)	–	270,651
	2010 Total	101,075	55,000	(2,500)	–	153,575
Rob Gurney	2011 Total	184,384	97,000	(1,924)	–	279,460
	2010 Total	101,075	104,000	(2,500)	(18,191)	184,384
Simon Hickey	2011 Total	256,625	104,000	(2,220)	–	358,405
	2010 Total	146,225	112,000	(1,600)	–	256,625
Lyell Strambi	2011 Total	201,000	119,000	–	–	320,000
	2010 Total	75,000	126,000	–	–	201,000
Colin Storrie[1]	2010 Total	189,000	90,000	(124,640)	(45,249)	109,111

1. Ceased to be KMP during 2009/2010.

During the year 1,634,000 Rights were granted, of which 550,000 Rights were granted on 12 August 2010 and 1,084,000 Rights were granted on 29 October 2010 (2010: 856,000 Rights were granted on 9 September 2009). All Rights were granted with a nil exercise price. 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 $1.56 (2010: $2.05). 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 2011

31. Related Parties continued

(iii) 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	2011 Total	420,863	–	–	–	**420,863**	86,681	334,182
	2010 Total	247,500	173,363	–	–	**420,863**	223,363	197,500
Bruce Buchanan	2011 Total	82,720	–	–	(25,500)	**57,220**	25,500	31,720
	2010 Total	31,720	51,000	–	–	**82,720**	63,533	19,187
Gareth Evans	2011 Total	64,143	–	–	(13,761)	**50,382**	13,761	36,621
	2010 Total	36,621	27,522	–	–	**64,143**	27,522	36,621
Rob Gurney	2011 Total	49,663	–	–	(17,000)	**32,663**	17,000	15,663
	2010 Total	41,042	34,000	–	(25,379)	**49,663**	41,832	7,831
Simon Hickey	2011 Total	143,213	–	–	(26,500)	**116,713**	26,500	90,213
	2010 Total	90,213	53,000	–	–	**143,213**	77,500	65,713
Lyell Strambi	2011 Total	112,000	–	–	(18,500)	**93,500**	18,500	75,000
	2010 Total	75,000	37,000	–	–	**112,000**	112,000	–
Colin Storrie[1]	2010 Total	84,768	54,270	(80,270)	(58,768)	**–**	–	–

1. Ceased to be KMP during 2009/2010.

No shares were granted during the year (2010: 19 August 2009 at a fair value of $2.65). No amount has been paid, or is payable, by the Executive in relation to these deferred shares.

(iv) Retention Plan (RP)

Alan Joyce	2011 Total	750,000	–	–	–	**750,000**	–	750,000
	2010 Total	750,000	–	–	–	**750,000**	–	750,000
Simon Hickey	2011 Total	400,000	–	–	–	**400,000**	–	400,000
	2010 Total	400,000	–	–	–	**400,000**	–	400,000
Colin Storrie[1]	2010 Total	550,000	–	(38,333)	(511,667)	**–**	–	–

1. Ceased to be KMP during 2009/2010.

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

(v) 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 – Non-Executive Directors	Interest in Shares as at 30 June 2009	Other Change[1]	Interest in Shares as at 30 June 2010	Other Change[1]	Interest in Shares as at 30 June 2011
Leigh Clifford	51,622	–	51,622	–	51,622
Peter Cosgrove	10,006	5,245	15,251	10,381	25,632
Patricia Cross	5,474	–	5,474	5,000	10,474
Richard Goodmanson	20,000	–	20,000	–	20,000
Garry Hounsell	43,449	–	43,449	–	43,449
Corinne Namblard	n/a	n/a	n/a	–	–
Paul Rayner	21,622	–	21,622	–	21,622
John Schubert	41,375	–	41,375	–	41,375
James Strong	44,717	–	44,717	–	44,717
Barbara Ward	17,597	–	17,597	–	17,597

1. Other change includes shares acquired through the DRP, salary sacrifice, purchased or sold.

Notes to the Financial Statements continued

for the year ended 30 June 2011

31. Related Parties continued

Key Management Personnel – Executives	Interest in Shares as at 30 June 2009	Awarded as Remuner-ation[1]	Rights Converted to Shares	Other Change[2]	Interest in Shares as at 30 June 2010[3]	Awarded as Remuner-ation[4]	Rights Converted to Shares	Other Change[2]	Interest in Shares as at 30 June 2011[3]
Alan Joyce	1,135,755	173,363	–	–	1,309,118	1,166,000	–	–	2,475,118
Bruce Buchanan	38,366	51,000	–	–	89,366	259,000	–	–	348,366
Gareth Evans	37,342	27,522	–	–	64,864	178,000	–	–	242,864
Rob Gurney	41,042	34,000	18,191	(43,570)	49,663	238,000	–	–	287,663
Simon Hickey	507,488	53,000	–	–	560,488	243,000	–	–	803,488
Jayne Hrdlicka	n/a	n/a	n/a	n/a	n/a	–	–	–	–
Lyell Strambi	75,000	37,000	–	–	112,000	303,000	–	(18,300)	396,700
Colin Storrie	636,013	54,270	45,249	(118,603)	616,929	n/a	n/a	n/a	n/a

1. Refer to details of the PSP on page 45.
2. Other change includes shares acquired through the Dividend Reinvestment Plan, salary sacrifice, purchased, sold or lapsed.
3. Where appropriate, the number shown is at the date the person ceased to be KMP.
4. Refer to details of the STIP on page 37.

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 2011 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. Toolangi Vineyards' wine has been selected by an independent wine panel for use on Qantas Business Class services. All transactions were conducted on normal commercial arms length terms and the value of the transactions throughout the year was $79,290

(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 codeshares on certain Air Pacific services for which it pays for seats utilised

— The Qantas Group provides ramp handling services to AUX Investment Pty Limited and its controlled entities (AUX Investment Group)

— The Qantas Group leases aircraft and domestic freight capacity and sub-leases certain property to the AUX Investment Group

— The Qantas Group receives certain domestic freight and document delivery services from the AUX Investment Group

— The Qantas Group receives interest from the AUX Investment Group on an investment loan

— The Qantas Group receives engine maintenance services from LTQ Engineering Pty Limited

— The Qantas Group provides airline seats on domestic and international routes to the Jetset Travelworld Group for sale through its travel agency network

— The Qantas Group sells Frequent Flyer points to the Jetset Travelworld Group and redeems Qantas Holidays vouchers on the Frequent Flyer store

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

		Qantas Group	
	Notes	2011 $M	2010 $M
Revenue and other income		272	186
Finance income	5	10	10
Expenditure		65	44
Current receivables	11	39	33
Non-current receivables	11	128	128
Current payables	19	1	6

Notes to the Financial Statements continued

for the year ended 30 June 2011

32. Controlled Entities

Controlled Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 2011 %	Qantas Group Ownership Interest 2010 %
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
Regional Airlines Charter Pty Limited	1, 2	21 147 543 806	Australia	100	–
Network Aviation Pty Ltd	1, 3	082 007 350	Australia	100	–
The Network Trust	1, 3		n/a	100	–
Network Aviation Holdings Pty Ltd	1, 3	081 505 008	Australia	100	–
The Network Holding Trust	1, 3		n/a	100	–
Network Holding Investments Pty Ltd	1, 3	110 179 818	Australia	100	–
Network Turbine Solutions Pty Ltd	1, 3	20 110 180 008	Australia	100	–
Osnet Jets Pty Ltd	1, 3	99 128 559 419	Australia	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 Group Pty Limited	1, 4	64 003 901 353	Australia	100	100
Jetstar Holidays Co. Ltd.			Japan	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, 5	24 008 636 093	Australia	–	100
Denmint Pty. Limited	1, 5	22 008 636 084	Australia	–	100
Denold Pty. Limited	1, 5	64 008 636 262	Australia	–	100
Denpen Pty. Limited	1, 5	66 008 636 271	Australia	–	100
Denpet Pty. Limited	1, 5	60 008 636 244	Australia	–	100
Denpost Pty. Limited	1, 5	58 008 636 235	Australia	–	100
Denrac Pty. Limited	1, 5	56 008 636 226	Australia	–	100
Denseed Pty. Limited	1, 5	39 008 636 155	Australia	–	100
Australian Airlines Limited	1	85 099 625 304	Australia	100	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		81 138 783 169	Australia	100	100
Q H Tours Ltd	1	81 001 262 433	Australia	100	100
Holiday Tours & Travel Pte. Ltd.			Singapore	75	75
H Travel Sdn Bhd	6		Malaysia	75	–
Holiday Tours & Travel Limited			Hong Kong	75	75
Holiday Tours & Travel Ltd			Taiwan	75	75
Holiday Tours & Travel (Korea) Limited			Korea	56	56

Notes to the Financial Statements continued

for the year ended 30 June 2011

32. Controlled Entities continued

Controlled Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 2011 %	2010 %
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
Hangda Consulting (Shanghai) Co. Ltd	7		China	75	75
Tour East Singapore (1996) Pte Ltd			Singapore	75	75
Jetset Travelworld Ltd	8	60 091 214 998	Australia	–	58
A.B.N. 23 124 732 136 Pty Limited	8	23 124 732 136	Australia	–	58
Business Select Pty Limited	8	115 334 855	Australia	–	58
Jetset Pty Ltd	8	30 098 029 362	Australia	–	58
JTG Corporate Pty Limited	8	128 834 588	Australia	–	58
JTG Services Pty Limited	8	85 124 719 508	Australia	–	58
JTG Travel Insurance Pty Limited	8	59 105 702 136	Australia	–	58
National Cruise Centre Pty Limited	8	86 135 179 485	Australia	–	58
National Ticket Centre Pty Ltd	8	47 108 306 243	Australia	–	58
Orient Pacific Holidays Pty Limited	8	128 812 788	Australia	–	58
Qantas Holidays Limited	8	24 003 836 459	Australia	–	58
Qantas Business Travel Pty Limited	8	50 128 382 187	Australia	–	58
Ready Travel Pty Limited	8	72 139 386 520	Australia	–	58
Traveland Pty Limited	8	115 329 112	Australia	–	58
Travelworld Pty Ltd	8	81 074 285 224	Australia	–	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, 5	071 955 578	Australia	–	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
Aerial Operations Services Pty Limited		52 123 140 152	Australia	100	100
QDS Richmond Pty Ltd	1	58 092 691 140	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.	11		Singapore	–	100
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	32 003 890 328	Australia	100	100
Qantas Freight Holdings Pty Limited	9, 10	68 125 573 113	Australia	–	100
Qantas Freight Asia Holdings Pte. Limited	10		Singapore	–	100
Asia Express Holdings Pte. Ltd.	10		Singapore	–	100
DPEX Transport Group Pte. Ltd.	10		Singapore	–	100
DPEX Worldwide Express Pte. Ltd.	10		Singapore	–	100
DPEX Worldwide Express Ltd	10		Hong Kong	–	100
Kilda Express Pte Ltd	10		Singapore	–	69
DPEX Worldwide Co. Ltd	10		China	–	52

Notes to the Financial Statements continued

for the year ended 30 June 2011

32. Controlled Entities continued

Controlled Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 2011 %	2010 %
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
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 B738 2011 No.1 Pty Limited	12	76 151 556 393	Australia	100	–
QF B738 2011 No.2 Pty Limited	12	95 151 556 473	Australia	100	–
QF B738 2011 No.3 Pty Limited	12	97 151 556 482	Australia	100	–
QF B738 2011 No.4 Pty Limited	12	23 151 556 544	Australia	100	–
QF B738 2011 No.5 Pty Limited	12	27 151 556 562	Australia	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 Dash 8 Leasing No. 5 Pty Limited	13	31 149 204 713	Australia	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
QF ECA A380 2010 No.1 Pty Limited	14	14 145 079 312	Australia	100	–
QF ECA A380 2010 No.2 Pty Limited	14	78 145 079 205	Australia	100	–
QF ECA A380 2010 No.3 Pty Limited	14	61 145 079 134	Australia	100	–
QF ECA A380 2010 No.4 Pty Limited	14	42 145 079 054	Australia	100	–
QF ECA A380 2011 No.1 Pty Limited	14	11 145 078 931	Australia	100	–
QF ECA A380 2011 No.2 Pty Limited	14	19 146 437 774	Australia	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	5	19 112 083 584	Australia	–	100
Travel Software Solutions Pty Limited		36 005 407 465	Australia	100	100
CargoNet Pty Limited	15	79 063 504 978	Australia	–	100
SCDS Holdings Pty. Ltd.	15	52 007 368 121	Australia	–	100
Travel Technologies Pty. Limited	15	15 077 822 603	Australia	–	100
Traveltrack Solutions Pty Limited	15	72 075 185 536	Australia	–	100

Notes to the Financial Statements continued

for the year ended 30 June 2011

32. Controlled Entities continued

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. Regional Airlines Charter Pty Limited became a party to the Deed of Cross Guarantee with effect from 25 November 2010 and Network Aviation Pty Ltd, The Network Trust, Network Aviation Holdings Pty Ltd, The Network Holdings Trust, Network Holdings Investments Pty Ltd, Network Turbine Solutions Pty Ltd and Osnet Jets Pty Ltd became parties to the Deed of Cross Guarantee on 4 April 2011.
2. A.C.N. 147 543 806 Pty Limited was incorporated on 25 November 2010 and on 11 April 2011 changed its name to Regional Airlines Charter Pty Limited.
3. On 11 February 2011 Qantas Airways Limited acquired 100 per cent interest in Network Aviation Pty Ltd, The Network Trust, Network Aviation Holdings Pty Ltd, The Network Holding Trust, Network Holdings Investments Pty Ltd, Network Turbine Solutions Pty Ltd and Osnet Jets Pty Ltd.
4. Team Jetstar Pty Limited changed its name to Jetstar Group Pty Limited on 24 August 2010.
5. These companies were voluntarily deregistered on 25 August 2010.
6. On 28 January 2011 a 75 per cent interest was acquired in H Travel Sdn Bhd.
7. Holiday Tours & Travel Pte. Ltd. 75 per cent ownership in Hangda Consulting (Shanghai) Co. Ltd was transferred to Tour East (Hong Kong) Limited on 1 November 2010.
8. On 30 September 2010 Jetset Travelworld Ltd merged with Stella Travel Services Holdings Pty Limited and the Qantas Group's holding reduced from 58 per cent to 29 per cent. From this date these companies ceased to be consolidated and commenced to be equity accounted.
9. On 9 August 2010 a Revocation Deed was lodged with ASIC to remove Qantas Freight Holdings Pty Limited from the Deed of Cross Guarantee.
10. On 9 August 2010 Toll International Investments Pty Limited acquired the following companies: Qantas Freight Holdings Pty Limited, Qantas Freight Asia Holdings Pte. Limited, Asia Express Holdings Pte. Ltd., DPEX Transport Group Pte. Ltd., DPEX Worldwide Express Pte. Ltd., DPEX Worldwide Express Ltd, Kilda Express Pte Ltd and DPEX Worldwide Co. Ltd.
11. 200100819H Pte. Ltd. was voluntarily deregistered on 9 May 2011.
12. On 17 June 2011 these companies were incorporated QF B738 2011 No.1 Pty Limited, QF B738 2011 No.2 Pty Limited, QF B738 2011 No.3 Pty Limited, QF B738 2011 No.4 Pty Limited and QF B738 2011 No.5 Pty Limited.
13. QF Dash 8 Leasing No. 5 Pty Limited was incorporated on 8 February 2011.
14. On 20 September 2010 these companies were incorporated QF ECA A380 2010 No.1 Pty Limited, QF ECA A380 2010 No.2 Pty Limited, QF ECA A380 2010 No.3 Pty Limited, QF ECA A380 2010 No.4 Pty Limited, QF ECA A380 2011 No.1 Pty Limited and QF ECA A380 2011 No.2 Pty Limited.
15. These companies were voluntarily deregistered on 21 February 2011.

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 Statements 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, 16 June 2010, 25 November 2010 and 4 April 2011.

The Condensed Consolidated Income Statement and Consolidated Balance Sheet, comprising Qantas and its controlled entities which are a party to the Deed, is set out on the following page. The principles of consolidation are as follows:

- Transactions, balances and unrealised gains and losses on transactions between entities, which are a party to the Deed, are eliminated
- Investments in controlled entities, which are not parties to the Deed, are carried at cost less any accumulated impairment
- Investments in associates and jointly controlled entities are carried at cost less any accumulated impairment
- Dividends received from the investments are recognised as income in the Condensed Consolidated Income Statement

Notes to the Financial Statements continued

for the year ended 30 June 2011

33. Deed of Cross Guarantee continued

	Consolidated 2011 $M	Consolidated 2010 $M
CONDENSED INCOME STATEMENT		
Statutory profit before income tax expense	**249**	**199**
Income tax expense	(74)	(66)
Statutory profit for the year	**175**	**133**
Retained earnings as at 1 July	1,121	1,005
Impact of entities joining/leaving the Deed	–	(17)
Retained earnings as at 30 June	**1,296**	**1,121**
BALANCE SHEET		
Current assets		
Cash and cash equivalents	3,262	3,385
Receivables	1,207	1,467
Other financial assets	318	232
Inventories	372	319
Assets classified as held for sale	20	69
Investments classified as held for sale	–	38
Other	380	365
Total current assets	**5,559**	**5,875**
Non-current assets		
Receivables	2,220	2,074
Other financial assets	70	102
Investments in controlled entities which are not parties to the Deed	223	386
Investments in associates and jointly controlled entities	408	298
Other investments	3	3
Property, plant and equipment	13,641	12,502
Intangible assets	535	477
Other	1	4
Total non-current assets	**17,101**	**15,846**
Total assets	**22,660**	**21,721**
Current liabilities		
Payables	1,755	1,716
Revenue received in advance	2,997	3,057
Interest-bearing liabilities	728	1,013
Other financial liabilities	398	242
Provisions	446	422
Total current liabilities	**6,324**	**6,450**
Non-current liabilities		
Revenue received in advance	1,111	1,067
Interest-bearing liabilities	7,244	6,777
Other financial liabilities	496	231
Provisions	614	557
Deferred tax liabilities	774	704
Total non-current liabilities	**10,239**	**9,336**
Total liabilities	**16,563**	**15,786**
Net assets	**6,097**	**5,935**
Equity		
Issued capital	4,729	4,729
Treasury shares	(72)	(54)
Reserves	144	139
Retained earnings	1,296	1,121
Total equity	**6,097**	**5,935**

Notes to the Financial Statements continued

for the year ended 30 June 2011

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, governed by a set of policies approved by the Board. Qantas Group's 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 inflows, 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 2011 $M	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
FINANCIAL LIABILITIES				
Trade creditors	597	–	–	**597**
Bank loans – secured[1]	631	2,180	1,745	**4,556**
Bank loans – unsecured[1]	61	1,031	–	**1,092**
Other loans – unsecured[1]	89	1,163	–	**1,252**
Lease and hire purchase liabilities[1]	46	427	–	**473**
Derivatives – inflows	(191)	(1,442)	(33)	**(1,666)**
Derivatives – outflows	247	2,045	37	**2,329**
Net other financial assets/liabilities – outflows	28	30	–	**58**
Total financial liabilities	**1,508**	**5,434**	**1,749**	**8,691**

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

Qantas Group 2010 $M				
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]	44	482	–	**526**
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	**1,286**	**4,273**	**2,050**	**7,609**

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

Notes to the Financial Statements continued

for the year ended 30 June 2011

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. 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, USD, JPY, NZD 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 2011 interest-bearing liabilities amounted to $6,031 million (2010: $5,745 million). The fixed/floating split is 17 per cent and 83 per cent respectively (2010: 30 per cent and 70 per cent). Other financial assets and liabilities include financial instruments related to debt totalling $446 million (liability) (2010: $208 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 $nil (2010: $28 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 10 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 2011, 39 per cent (2010: 70 per cent) of forecast operational and capital expenditure foreign exchange exposures less than one year and 12 per cent (2010: 14 per cent) of exposures greater than one year but less than three years have been hedged. As at 30 June 2011, total unrealised exchange gains on hedges of net revenue designated to service long-term debt were $234 million (2010: $214 million).

For the year ended 30 June 2011, other financial assets and liabilities include derivative financial instruments used to hedge foreign currency, including hedging of future capital and operating expenditure payments, totalling $226 million (net liability) (2010: $29 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 exposure to movements in the price of aviation fuel. Hedging is conducted in accordance with Qantas Group policy. Up to 80 per cent of estimated fuel consumption out to 12 months and up to 40 per cent in the subsequent 12 months may be hedged, with any hedging outside these parameters requiring approval by the Board. As at 30 June 2011, 53 per cent (2010: 48 per cent) of forecast fuel exposure less than one year and 9 per cent (2010: 3 per cent) of forecast fuel exposures greater than one year but less than three years have been hedged. For the year ended 30 June 2011, other financial assets and liabilities include fuel derivatives totalling $170 million (asset) (2010: $41 million (asset)). These are recognised at fair value in accordance with AASB 139.

(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 (2010: 20 per cent) USD depreciation and USD appreciation
- 20 per cent (2010: 20 per cent) increase and decrease in all relevant fuel indices
- Sensitivity analysis assumes hedge designations and effectiveness testing results as at 30 June 2011 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 2011

34. Financial Risk Management continued

	Qantas Group			
	Profit before tax		Equity (Before tax)	
	2011 $M	2010 $M	2011 $M	2010 $M
100bps increase in interest rates				
Variable rate interest-bearing instruments (net of cash)	(21)	(7)	–	–
Derivatives designated in a cash flow hedge relationship	–	–	7	8
Derivatives and fixed rate debt in a fair value hedge relationship	11	5	–	–
100bps decrease in interest rates				
Variable rate interest-bearing instruments (net of cash)	21	7	–	–
Derivatives designated in a cash flow hedge	–	–	7	(9)
Derivatives and fixed rate debt in a fair value hedge relationship	(12)	(5)	–	–
20% movement in foreign currency pairs				
20% (2010: 20%) USD depreciation	(7)	1	(306)	(479)
20% (2010: 20%) USD appreciation	68	(2)	425	938
20% movement in fuel indices				
20% (2010: 20%) increase per barrel in fuel indices	14	60	290	110
20% (2010: 20%) decrease per barrel in fuel indices	(61)	(26)	(148)	(89)

(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 2011 trade debtor amounted to $839 million (2010: $817 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 2011, $10 million (2010: $13 million) was held as collateral by the 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 2011:

		Qantas Group	
	Notes	2011 $M	2010 $M
On Consolidated Balance Sheet			
Cash and cash equivalents	10	3,496	3,704
Trade debtors	11	839	817
Sundry debtors	11	483	550
Other loans	11	128	128
Other financial assets	25	388	335
Off Consolidated Balance Sheet			
Operating leases as lessor	28	91	103
Total		**5,425**	**5,637**

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 2011 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 $3,607 million (2010: $4,114 million) and was spread over a number of regions, including Australia, Asia, Europe and the United States. Excluding associated entities, the 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 2011

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	2011 $M	2010 $M	2011 $M	2010 $M
Financial assets					
Cash and cash equivalents	10	3,496	3,704	3,517	3,725
Trade debtors	11	839	817	839	817
Sundry debtors	11	483	550	483	550
Other loans	11	128	128	128	128
Other financial assets	25	388	335	388	335
Other investments		3	3	3	3
		5,337	**5,537**	**5,358**	**5,558**
Financial liabilities					
Trade creditors	19	597	600	597	600
Other creditors and accruals	19	1,141	1,150	1,141	1,150
Bank loans – secured	21	3,577	3,219	3,701	3,369
Bank loans – unsecured	21	874	740	934	793
Other loans – unsecured	21	1,122	1,277	1,139	1,317
Other financial liabilities	25	890	473	890	473
Lease and hire purchase liabilities	21	458	509	458	509
		8,659	**7,968**	**8,860**	**8,211**
Net financial liabilities		**3,322**	**2,431**	**3,502**	**2,653**

(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 2011 $M	Level 1	Level 2	Level 3	Total
Derivative financial assets	–	388	–	388
Derivative financial liabilities	–	(890)	–	(890)
Net financial instruments measured at fair value	**–**	**(502)**	**–**	**(502)**

2010 $M				
Derivative financial assets	–	335	–	335
Derivative financial liabilities	–	(473)	–	(473)
Net financial instruments measured at fair value	**–**	**(138)**	**–**	**(138)**

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 2011

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 2011 the Qantas Group invested $2.4 billion (2010: $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 2012 the Qantas Group estimates it will spend $2.5 billion on net 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 2011.

The Board monitors the level of returns relative to the assets employed in the business measured by the Return on Invested Capital (ROIC). The target is for ROIC to exceed cost of capital over the long term while growing the business.

35. Events Subsequent to Balance Date

(A) QANTAS INTERNATIONAL BUSINESS ANNOUNCEMENT

On 16 August 2011 the Group announced the outcome of the strategic review of Qantas International.

The key pillars of the review are:

1. Continuing focus and investment in the customer experience
2. Deepening presence in Asia
3. Deepening and broadening alliance relationships
4. Ongoing underlying business improvement

Significantly, as a result of the review, the Group has announced it will restructure its route network and restructure the Joint Services Agreement with British Airways. As a result, six A380 aircraft will be deferred by between five and six years and will deliver from 2018/2019 to coincide with the retirement of the last B747 aircraft. In addition, four B747 aircraft will be retired earlier than previously planned.

The Group also announced that it would establish a premium airline based in Asia.

Whilst the financial impact is still being finalised, it is anticipated that Non-Recurring expenditure of between $350 million and $450 million will be incurred with less than half of this resulting in cash outflows in the period.

On 16 August 2011 the Group announced the purchase of between 106 and 110 A320 aircraft with 194 purchase rights and options.

Included in the 110 aircraft are 32 "classic" A320 aircraft and 78 A320neo, being Airbus' new engine option for the A320 family to enter service in 2015. It incorporates latest generation engines and large "Sharklet" wing tip devices, which together will deliver 15 per cent in fuel and CO_2 emission savings per aircraft.

Eight of the A320 aircraft will be allocated to the new airline based in Asia.

In addition the Group announced that it had reached agreement with Japan Airlines and Mitsubishi to establish a low cost carrier based in Japan in 2012. The new venture will be known as Jetstar Japan. Whilst each partner will have equal voting rights, the Qantas Group will have 42 per cent economic interest. As such the business will be accounted for as an Investment in Associates using the equity accounting method. Of the 32 A320s purchased, 24 will be allocated to this venture and will not be funded by the Qantas Group. Qantas' equity investment in this business is expected to total approximately $64 million over 3 years.

The net effect on capital expenditure in 2011/2012 of deferring six A380 aircraft (and associated refund of pre-delivery payments), and the sign on fees and pre-delivery payments expected in 2011/2012 as a result of the purchase agreement is a net reduction in the Group's capital expenditure of approximately $45 million.

(B) OTHER MATTERS

On 1 September 2011 the Federal Court of Australia upheld the Qantas Group's appeal against a decision of the Administrative Appeals Tribunal in respect of the GST treatment of domestic fares where the passenger did not travel. The Australian Taxation Office has 28 days to seek special leave to appeal the Federal Court decision to the High Court.

Except for the matters disclosed above, there has not arisen in the interval between 30 June 2011 and the date of this Report any event that would have had a material effect on the Financial Statements as at 30 June 2011.

Notes to the Financial Statements continued

for the year ended 30 June 2011

36. Parent Entity Disclosures for Qantas Airways Limited (Qantas)

(A) CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Qantas	
	2011 $M	2010 $M
CONDENSED INCOME STATEMENT		
Revenue and other income	10,765	10,082
Expenditure	(10,672)	(10,071)
Statutory profit before income tax expense and net finance cost	**93**	**11**
Net finance costs	(107)	(101)
Statutory loss before income tax expense	**(14)**	**(90)**
Income tax benefit	36	32
Statutory profit/(loss) for the year	**22**	**(58)**
CONDENSED STATEMENT OF COMPREHENSIVE INCOME		
Statutory profit/(loss) for the year	**22**	**(58)**
Effective portion of changes in fair value of cash flow hedges, net of tax	(53)	(168)
Transfer of hedge reserve to the Income Statement, net of tax	(82)	122
Recognition of effective cash flow hedges on capitalised assets, net of tax	142	120
Total other comprehensive income for the year	**7**	**74**
Total comprehensive income for the year	**29**	**16**
CONDENSED BALANCE SHEET		
Current assets		
Cash and cash equivalents	3,388	3,466
Receivables	1,366	2,776
Inventories	311	262
Other	699	664
Total current assets	**5,764**	**7,168**
Non-current assets		
Receivables	2,213	1,934
Property, plant and equipment	12,302	11,172
Intangible assets	365	323
Other	915	872
Total non-current assets	**15,795**	**14,301**
Total assets	**21,559**	**21,469**
Current liabilities		
Payables	1,806	2,448
Revenue received in advance	2,562	2,632
Interest-bearing liabilities	725	1,011
Other	764	596
Total current liabilities	**5,857**	**6,687**
Non-current liabilities		
Revenue received in advance	1,111	1,070
Interest-bearing liabilities	7,234	6,778
Other	1,821	1,426
Total non-current liabilities	**10,166**	**9,274**
Total liabilities	**16,023**	**15,961**
Net assets	**5,536**	**5,508**
Equity		
Issued capital	4,729	4,729
Treasury shares	(72)	(54)
Reserves	143	119
Retained earnings	736	714
Total equity	**5,536**	**5,508**

Notes to the Financial Statements continued

for the year ended 30 June 2011

36. Parent Entity Disclosures for Qantas Airways Limited (Qantas) continued

	Qantas	
	2011 $M	2010 $M
CONDENSED CASH FLOW STATEMENT		
Net cash from operating activities	2,135	1,187
Net cash used in investing activities	(2,062)	(1,506)
Net cash (used)/from financing activities	(147)	381
Net (decrease)/increase in cash and cash equivalents held	**(74)**	**62**
Cash and cash equivalents held at the beginning of the year	3,466	3,404
Effects of exchange rate changes on cash and cash equivalents	(4)	–
Cash and cash equivalents at the end of the year	**3,388**	**3,466**

(B) CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments contracted but not provided for in the Financial Statements		
Aircraft	11,050	14,505
Building works	41	95
Other	95	227
	11,186	**14,827**
Payable		
Not later than one year	2,226	2,552
Later than one year but not later than five years	7,706	9,854
Later than five years	1,254	2,421
	11,186	**14,827**

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:

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	300	500
Amount of facility used	–	–
Amount of facility unused	**300**	**500**
Committed secured funding		
Facility available	130	–
Amount of facility used	(19)	–
Amount of facility unused	**111**	**–**
Committed unsecured funding		
Facility available	102	200
Amount of facility used	(15)	(30)
Amount of facility unused	**87**	**170**
Commercial paper and medium-term notes (subject to Dealer Panel participation)		
Facility available	1,000	1,000
Amount of facility used	–	–
Amount of facility unused	**1,000**	**1,000**

1. The syndicated standby facility will mature on 26 May 2013.

Notes to the Financial Statements continued

for the year ended 30 June 2011

36. Parent Entity Disclosures for Qantas Airways Limited (Qantas) continued

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.

(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	
	2011 $M	2010 $M
Performance guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties	5	5
General guarantees in the normal course of business	187	188
Contingent liabilities relating to current and threatened litigation	3	3
	195	**196**

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 and Passenger Third Party Class Actions

Qantas is a party to a number of third party class actions relating to its freight and passenger divisions. Qantas continues to have a number of defences to these class actions. Qantas expects the outcome of these class actions will be known over the course of the next few years.

(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 $7,959 million (2010: $7,789 million) of which $3,970 million (2010: $3,543 million) represents lease and hire purchase liabilities payable to controlled entities. Of the $3,989 million (2010: $4,246 million) payable to other parties, $1,979 million (2010: $2,204 million) represents secured bank loans and lease liabilities with the remaining balance representing unsecured loans and deferred lease benefits.

Directors' Declaration

for the year ended 30 June 2011

1. In the opinion of the Directors of Qantas Airways Limited (Qantas):
   (a) The Consolidated Financial Statements and Notes, and the Remuneration Report set out on pages 36 to 46 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 2011 and of its performance for the financial year ended on that date
   (b) The Consolidated Financial Statements and Notes also comply 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 2011.

Signed in accordance with a Resolution of the Directors:

Leigh Clifford
Chairman
5 September 2011

Alan Joyce
Chief Executive Officer
5 September 2011

Independent Auditor's Report

to the Members of Qantas Airways Limited

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying Financial Report of Qantas Airways Limited (Qantas), which comprises the Consolidated Balance Sheet as at 30 June 2011, 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, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising Qantas and the entities it controlled at the year's end or from time to time during the financial year (Qantas Group).

Directors' Responsibility for the Financial Report

The Directors of Qantas are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Report that is free from material misstatement whether due to fraud or error. In note 1(A), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the Financial Statements of the Group comply 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 of the Financial Report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the 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 2011 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 2011. The Directors of Qantas 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 2011 complies with Section 300A of the Corporations Act 2001.

KPMG
Sydney
5 September 2011

Martin Sheppard
Partner

Shareholder Information

for the year ended 30 June 2011

The shareholder information set out below was applicable as at 25 August 2011.

TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares Held	% of Issued Shares
1. J P Morgan Nominees Australia	514,714,244	22.72
2. HSBC Custody Nominees (Australia) Limited	428,322,920	18.91
3. National Nominees Limited	413,707,968	18.26
4. Citicorp Nominees Pty Limited	253,053,991	11.17
5. Cogent Nominees Pty Limited	61,453,682	2.71
6. Australia Reward Investment	26,218,238	1.16
7. Queensland Investment Corporation	23,839,514	1.05
8. Pacifica Group Plans Ltd	18,643,539	0.82
9. Tasman Asset Management Ltd	16,207,553	0.72
10. AMP Life Limited	14,876,875	0.66
11. Bond Street Custodians Limited	14,263,539	0.63
12. USB Wealth Management Australia Nominees Pty Ltd	8,106,591	0.36
13. The Senior Master of the Supreme Court	6,112,703	0.27
14. USB Nominees Pty Ltd	4,242,348	0.19
15. UCA Growth Fund Limited	3,500,000	0.15
16. ARGO Investments Limited	3,464,661	0.15
17. Suncorp Custodian Services Pty Ltd	2,680,629	0.12
18. Share Direct Nominees Pty Ltd	2,602,275	0.11
19. Woodross Nominees Pty Ltd	2,234,783	0.10
20. RBC Dexia Investor Services Limited	1,939,433	0.09
Total	**1,820,185,486**	**80.36**

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shareholders by size of shareholding:

Number of Shares	Ordinary Shares Held	Number of Shareholders	% of Issued Shares
1–1,000[1]	23,253,834	51,449	1.03
1,001–5,000	159,187,333	63,734	7.03
5,001–10,000	81,938,158	11,665	3.62
10,001–100,000	132,212,892	6,304	5.84
100,001 and over	1,868,531,403	240	82.49
Total	**2,265,123,620**	**133,392**	**100.00**

1. 3,189,523 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
National Australia Bank Limited[1]	114,301,097	5.05
Commonwealth Bank of Australia[2]	171,298,307	7.56
Franklin Resources, Inc[3]	202,442,206	8.94
Balanced Equity Management Pty Limited[4]	183,766,868	8.11
The Capital Group Companies, Inc[5]	154,926,282	6.84
Westpac Banking Corporation Group[6]	115,135,358	5.08

1. Substantial shareholder notice dated 25 August 2011
2. Substantial shareholder notice dated 4 August 2011
3. Substantial shareholder notice dated 11 July 2011
4. Substantial shareholder notice dated 17 June 2011
5. Substantial shareholder notice dated 1 March 2011
6. Substantial shareholder notice dated 28 January 2010

Sustainability Statistics and Notes

SUSTAINABILITY REPORTING APPROACH

The Qantas Group continues to adopt an investor definition of sustainability, which involves embracing opportunities and managing risks to achieve sustainable growth in returns to shareholders. This includes a commitment to managing and reporting on Environmental, Social and Governance (ESG) performance.

This is the Group's fifth Sustainability Report, which 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 ESG section in the Qantas Data Book 2011, which is specifically tailored to an investor audience.

The Group's sustainability strategy is embedded in the Group's business strategy. The selection of content and key performance indicators reflects the approach of embedding sustainability within the Group's strategy and the focus on those indicators which support the goal of sustainable growth in returns to shareholders. As such, the Group has refined the selection of key performance indicators to ensure they are aligned to its business strategy.

Key performance indicators in this Sustainability Report are divided into the following categories:

1. Safety and Health
2. Customer
3. People
4. Environment
5. Financial
6. Community

While the Group continues to seek guidance from a range of voluntary sustainability frameworks, such as the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines (www.globalreporting.org), the approach of the Group's sustainability reporting is to demonstrate to stakeholders the integration of sustainability into the Group's strategy and operations. Where selected indicators match the performance indicators recommended by GRI, a GRI indicator reference is provided.

SUSTAINABILITY REPORTING SCOPE

The definition and scope of each indicator is provided in the Definitions and Scopes section on pages 117 and 118.

Where sustainability information and performance statistics relate exclusively to Australian operations, as a measure of scale, approximately 91.2 per cent 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 Qantas Data Book 2011 is encouraged. Please contact the Qantas Group by writing to sustainability@qantas.com.au.

ASSURANCE

KPMG's independent limited assurance report on the Sustainability Statistics and Notes section can be found on page 119.

Sustainability Statistics and Notes continued

1. Safety and Health

The Qantas Group's commitment to providing a safe workplace demonstrates care for our people. Safety and health programs across the business target the prevention of workplace injuries and the promotion of health and well-being.

The Group's Safety and Health strategic vision is "to be recognised as the world's leading airline group in air, ground and people safety and health".

SAFETY

Total Recordable Injury Frequency Rate (TRIFR) and Lost Work Case Frequency Rate (LWCFR) are the new measures of the Group's injury prevention performance. These new measures encourage even greater focus on injury prevention and management, and improve visibility of workplace incidents. TRIFR and LWCFR performance forms part of the scorecard for incentive plans under the Group's Executive remuneration framework.

The Group's operations, work environments and work tasks are diverse and varied. As a result, segments have tailored the Occupational Health and Safety (OHS) aspects of their safety management system to their risk profiles.

The Group is dedicated to continuous improvement in the prevention of injuries, illness, accidents and incidents through effective safety systems, quality processes and a strong safety culture.

HEALTH

Absenteeism is a lagging indicator which reflects organisation health and well-being and the level of staff engagement and productivity. Additionally, low injury rates and absenteeism are generally linked to positive trends in staff morale and productivity.

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Occupational health and safety		Rate			LA7	In 2010/2011 the Group introduced two new metrics of OHS performance: Total Recordable Injury Frequency Rate (TRIFR) and Lost Work Case Frequency Rate (LWCFR). The Group achieved a 15 per cent improvement in TRIFR and a 3 per cent improvement in LWCFR from 2009/2010. These results reflect the Group's dedication to continuous improvement in the prevention of injuries, illnesses, accidents and incidents. There were no aviation fatalities or OHS fatalities in 2010/2011 or 2009/2010.
Total Recordable Injury Frequency Rate (TRIFR) (Australia)			**35.3**	41.5		
Lost Work Case Frequency Rate (LWCFR) (Australia)			**9.6**	9.9		
Absenteeism	2	Days			LA7	The rate of absenteeism for the Qantas Group in 2010/2011 is consistent with 2009/2010.
Qantas			**9.8**	9.7		
Jetstar			**6.2**	6.6		
Qantas Freight			**8.0**	8.4		
Qantas Frequent Flyer			**3.7**	3.4		
Jetset Travelworld Group	3		**–**	9.7		
Corporate			**3.6**	4.3		
Qantas Group			**9.3**	9.3		

Sustainability Statistics and Notes continued

2. Customer

On-time performance is one of the Group's most important operational measures and has a significant impact on efficiency, cost, customer experience and customer satisfaction. This operational measure is especially important for Qantas Airlines and QantasLink, whose services are targeted at premium customers.

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Australian domestic on-time departures		%			PR5	The domestic on-time performance and level of cancellations for all Australian domestic airlines were adversely impacted during 2010/2011 by natural disasters such as the Queensland floods, Cyclone Yasi and disruptions resulting from the Chilean volcanic ash cloud.
Qantas Airlines			**83.8**	87.7		
QantasLink			**78.5**	86.8		
Jetstar			**77.1**	82.1		
Qantas Group			**80.4**	86.2		
Australian domestic on-time arrivals		%			PR5	Despite these challenging operating conditions over the full year, Qantas Airlines continued to out-perform Virgin Australia and Tiger Australia in all three domestic on-time performance measures and Jetstar outperformed Tiger Australia in all three domestic on-time performance measures. (Source: Australian airlines' on-time performances published in the Bureau of Infrastructure, Transport and Regional Economics website: www.bitre.gov.au)
Qantas Airlines			**83.1**	87.4		
QantasLink			**74.8**	83.7		
Jetstar			**77.3**	82.9		
Qantas Group			**78.9**	85.2		
Australian domestic cancellations		%			PR5	
Qantas Airlines			**1.5**	0.8		
QantasLink			**1.9**	0.7		
Jetstar			**1.4**	1.1		
Qantas Group			**1.6**	0.8		

3. People

The Qantas Group's strategy is underpinned by a diverse and talented workforce.

The Group supports its employees by providing a safe and healthy working environment and provides specific initiatives and support in the areas of diversity, equality of opportunity and fair remuneration and freedom of association.

GENDER DIVERSITY

The Group values the benefits that a diverse workforce brings to the organisation. The Group is committed to equal opportunity in a workplace by providing all employees with equal access to the opportunities that are available at work, especially in the area of gender diversity.

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Percentage of women		%	**41.1**	41.7	LA13	The female representation in the Group workforce decreased by 0.6 percentage points from 2009/2010. The female representation has remained between 41 per cent and 42 per cent over the last five years. Women in senior positions have increased by 7.8 percentage points due to new hires and promotions into senior management positions. The appointment of an additional female Director in June 2011 increased the female Board representation to 27.3%.
Percentage of women in senior positions	4	%	**29.9**	22.1	LA13	
Percentage of women Directors on the Qantas Board		%	**27.3**	20.0	LA13	
Number of women Directors on the Qantas Board		#	**3**	2	LA13	

Sustainability Statistics and Notes continued

3. People continued

AGE DIVERSITY

The Group values the wide range of experience and expertise brought to the Group by the diverse aged workforce.

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Employee by age group (permanent employees)		%			LA13	The percentage of employees representing the age groups of 45 years and above has increased, demonstrating a gradually ageing workforce. The trend is primarily evident within Qantas' Engineering, Airports, QCatering and Cabin Crew business units. The Group is actively managing the succession and continuity of the knowledge and experience of this valuable group of employees as they approach retirement.
16–24 Years			**4.2**	4.5		
25–34 Years			**20.2**	20.6		
35–44 Years			**31.2**	32.3		
45–54 Years			**30.4**	29.9		
55–64 Years			**13.1**	12.0		
65+			**0.9**	0.7		

WORKPLACE FLEXIBILITY

The Group values flexible workplace arrangements including part-time work arrangements and other well-being initiatives. Part-time work arrangements are an attractive offering for parents with younger children and older employees who may not want to or be able to work full-time but can bring a wealth of skills, experience and expertise to the Group. It also increases the Group's ability to respond to change and peaks of demand, and is an important driver of staff engagement and retention of talent.

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Percentage of part-time employees		%	**13.4**	13.1		The percentage of part-time employees continued to increase as the Group seeks to provide enhanced workplace flexibility.

CULTURAL DIVERSITY

As Australia's largest employer in the aviation sector and a national icon, Qantas has a responsibility to ensure our business reflects the values of inclusion and diversity. The Group has formed a diverse community made up of 96 nationalities who speak 55 languages and are from 155 different countries of origin.

A focus in recent years has been to increase the number of Indigenous Australians in the workforce. Through the Qantas Reconciliation Action Plan, the Group is undertaking a range of initiatives to support the Indigenous Australian community and to promote shared pride in Indigenous people and cultures.

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Number of Indigenous Australian employees	5	#	**338**	304	LA13	The number of Indigenous Australian employees increased by 34, or 11 per cent compared to 2009/2010. The Group has exceeded the June 2011 milestone of employing 330 Indigenous employees.

NUMBER OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES

The size of a workforce is representative of the economic presence and contribution of an organisation. The number of FTEs also gives context to absenteeism and diversity indicators.

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Number of full-time equivalent (FTE) employees as at 30 June 2011	6	#			LA1	The Group FTEs increased by 205 from 2009/2010, mainly driven by growth in Jetstar and Qantas Freight, offset by the deconsolidation of Jetset Travelworld Group.
Qantas			**27,405**	27,149		
Jetstar			**3,714**	3,098		
Qantas Freight			**880**	779		
Qantas Frequent Flyer			**92**	82		
Jetset Travelworld Group	3		**–**	730		
Corporate			**604**	652		
Qantas Group			**32,695**	32,490		

Sustainability Statistics and Notes continued

4. Environment

The growth of global aviation and the present reliance on traditional aviation fuel means growing industry carbon emissions during a period when emissions reductions are being mandated across the globe.

Fuel optimisation is the cornerstone of the Group's environmental strategy. Improving fuel efficiency is one of the Group's greatest opportunities to manage its environmental impact. Fuel optimisation also enables the Group to reduce costs and mitigate its exposure to fluctuations in oil prices.

AVIATION FUEL AND CARBON EMISSIONS

The Group is committed to reducing its greenhouse gas emissions. Led by the International Air Transport Association (IATA), the global aviation industry has set ambitious targets for improving fuel efficiency and lowering emissions: an average 1.5 per cent annual improvement in fuel efficiency (measured as litres of fuel per Revenue Tonne Kilometre – RTK) through to 2020 against the 2008/2009 baseline. The Group has adopted this global aviation industry target.

The Group is investing in newer, more fuel efficient aircraft. This is a highly effective way of improving fuel efficiency. The fuel efficiency and lower emissions technology of newer aircraft will contribute significantly to the Group achieving the fuel efficiency target by 2020.

This investment is being complemented by a range of fuel optimisation activities in the air and on the ground, including:

- Aircraft weight reductions (using lighter equipment and optimising the amount of items carried per passenger)
- Implementation of advanced navigational aircraft technology, enabling procedures such as Required Navigation Performance (RNP) to find the most fuel efficient flight path
- Reduction of Auxiliary Power Unit (APU) usage
- Ongoing improvement of flight planning and scheduling
- Optimised loading
- Improved aerodynamic performance through innovative technologies, regular aircraft and engine compressor washes, and flight control rigging checks
- Collaboration with air service navigation providers to improve airspace inefficiencies which impact the industry's overall fuel efficiency

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Aviation fuel and carbon emissions						
Aviation fuel consumption		'000 Litres	**4,790,143**	4,570,556	EN3	Aviation fuel consumption was five per cent higher than 2009/2010. This was driven by the increase in the Group's ASKs (excluding Jetstar Asia) of 5.6 per cent.
CO_2-e emissions from aviation (Group)		Tonnes	**12,270,660**	11,708,155	EN16	Consistent with aviation fuel consumption, the Group carbon emissions from aviation (excluding Jetstar Asia) were 5 per cent higher than 2009/2010. Australian domestic carbon emissions were 4.3 million tonnes (2010: 3.9 million tonnes). This increase is in line with the increase in domestic ASKs of 9 per cent.
Aviation fuel and carbon efficiency						
Fuel per 100 RTKs (Group)		Litres	**38.7**	38.6	EN5	Aviation fuel and carbon efficiency has slightly deteriorated from 2009/2010, driven by a small decrease in revenue seat factor whilst additional capacity was introduced. Revenue seat factor impacts fuel and carbon efficiency, but a reduction in revenue seat factor does not result in a proportionate reduction in both fuel consumption and RTKs. The 2010/2011 performance was a strong result during a year which saw the Group manage an increasingly competitive operating environment, as well as disruptions caused by natural disasters such as the Queensland floods, Cyclone Yasi and the Chilean volcanic ash cloud.
CO_2-e per 100 RTKs (Group)		Kilograms	**99.1**	98.8	EN5	

Sustainability Statistics and Notes continued

4. Environment continued

AUSTRALIAN ELECTRICITY USE, WATER USE AND WASTE TO LANDFILL

The Qantas Group is committed to being an environmentally responsible organisation across all levels and functions of the business. A set of Group-wide begreen targets for electricity use, water use and waste reduction has brought together a wide range of activities across all business areas, from corporate offices to ground operations. Tracking this consumption facilitates the monitoring of operational efficiency and cost savings.

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Electricity (Australia)	7	MWh	**231,763**	234,989	EN3	The Group progressed well towards meeting its 2010/2011 electricity, water and waste reduction targets, achieving 8, 19 and 21 per cent reductions respectively, against the Group targets which have been set on a 2006/2007 baseline. Whilst these results fall short of the Group's original targets of 10, 25 and 25 per cent reductions respectively (set with a zero growth assumption), they are excellent results in a period of continued business growth. The Group achieved a reduction of waste to landfill by 11 per cent compared to 2009/2010. This was driven by an initiative to divert general waste in Sydney to an Advance Waste Treatment (AWT) facility, which commenced in November 2010. Approximately 400 tonnes of waste is diverted from landfill each month. The AWT facility sorts recyclable material and composts organic waste, allowing almost all general waste from Sydney to be recycled.
Water (Australia)	7	'000 Litres	**971,151**	977,931	EN8	
Waste to landfill (Australia)	7	Tonnes	**25,149**	28,105	EN22	

5. Financial

The utmost objective of the Group's sustainability strategy is to achieve financial sustainability and provide sustainable returns to its shareholders. The Group's sustainability performance in the areas of health and safety, customer, people, environment and community are all linked to long-term financial sustainability. The Group focuses on the following key financial sustainability measures:

UNDERLYING PROFIT BEFORE TAX (PBT):

Underlying PBT is the primary reporting measure used by the Qantas Group's Executive Committee and the Board of Directors for the purpose of assessing the Group's financial performance.

Underlying PBT		$M	**552**	377	EC1	Underlying PBT increased by 46 per cent from 2009/2010.

NET UNDERLYING UNIT COST:

Minimising unit cost is a key management indicator of financial performance and the sustainability of the Qantas Group. It involves constantly finding ways to minimise costs while maintaining the highest standards of safety and customer experience. Unit cost performance forms part of the scorecard for incentive plans under the Group's Executive remuneration framework.

Net Underlying Unit Cost		Cents per ASK	**5.60**	5.55	EC1	Net Underlying Unit Cost increased by 0.05 cents per ASK from 2009/2010.

AVERAGE FLEET AGE:

Long-term fleet planning is essential to aviation success. Investing in new aircraft drives improvements in safety, passenger comfort, cost, fuel efficiency, noise, emissions, freight capacity and range capability. Monitoring the average passenger fleet age assists the Group to manage its long-term capital requirement. The Group's priority is renewal of its scheduled passenger aircraft fleet, which will directly improve customer experience and fuel efficiency. The Group's fleet strategy supports the Group's objectives of two strong complementary brands and provides for long-term fleet renewal, simplification and growth.

Average fleet age – scheduled passenger fleet		Years	**8.6**	8.6		The Group's fleet renewal during the year absorbed the impact of a passing year and maintained the average fleet age at the 2009/2010 level. The Group took delivery of four Airbus A380-800s, three Airbus A330-200s, 10 Airbus A320-200s, five Boeing 737-800s and one Bombardier Q400, and retired one Boeing B747-400, one Boeing B767-300ER and two Boeing B737-400s.

Sustainability Statistics and Notes continued

6. Community

The Group makes a direct contribution to national export revenue by bringing overseas visitors into Australia and to domestic and regional tourism by carrying passengers within Australia. The Group also makes an indirect contribution to the Australian economy in the form of flow-on effect on all sectors in the economy.

Key Performance Indicators	Notes	Unit	2011	2010	GRI Indicator	2011 Performance
Tourism spending by Qantas Group passengers		$M				
National export revenue			**5,534**	5,406	EC1	In 2010/2011, the Group made a direct contribution to national export revenue of $5.5 billion, 2 per cent higher than 2009/2010. This improvement is driven by an increase in the number of international visitors brought to Australia by the Group.
Domestic traveller expenditure	8		**19,644**	19,035	EC1	The Group's contribution to domestic traveller expenditure was 3 per cent higher than 2009/2010. This improvement is driven by an 8 per cent increase in the number of domestic passengers carried by Qantas Group carriers, offset by a 4 per cent decrease in the average expenditure per visitor.
Indirect		$M				
Economic output			**31,277**	28,921	EC9	The Group's indirect contribution to the Australian economy was $31 billion, 8 per cent higher than 2009/2010.

Notes

1. On 11 February 2011 the Qantas Group acquired 100 per cent of the Network Aviation group entities. Network Aviation data is only included in Aviation fuel consumption, CO_2-e emissions from aviation (Group) and Australian domestic carbon emissions.
2. Absenteeism categories have been revised from those reported in 2009/2010 to reflect the Qantas Group operating segments. In addition, the 2009/2010 absenteeism for the Qantas Group has been revised from 9.2 to 9.3 to reflect the revised Jetstar reporting scope which now includes Australian and New Zealand-based employees.
3. This performance indicator also includes Jetset Travelworld Group for the period it was a controlled entity of the Qantas Group. The merger of Jetset Travelworld Group with Stella Travel Services on 30 September 2010 resulted in the Qantas Group's shareholding in Jetset Travelworld Group reducing from 58 per cent to 29 per cent. As a result, from 1 October 2010 Jetset Travelworld Group is no longer a controlled entity of the Qantas Group and is accounted for as an associate.
4. Senior positions was redefined to include Executive Job Grade 4 and above (as detailed in the Definitions and Scopes section). The 2009/2010 data for the percentage of women in senior positions has been restated to reflect this new definition.
5. The Group's Reconciliation Action Plan (RAP) employment target was reset during 2010/2011. The new target, 330 by 30 June 2011 and 450 by 31 December 2013, has been communicated to and accepted by Reconciliation Australia.
6. Full-time equivalent (FTE) employee categories have been revised from those reported in 2009/2010 to reflect the Qantas Group operating segments.
7. Electricity, water and waste to landfill for 2009/2010 have been updated to reflect final invoices received from suppliers, where previously based on accruals. The restatement resulted in a decrease in electricity consumption of 0.13 per cent, water consumption of 1.32 per cent and waste to landfill of 0.49 per cent.
8. Domestic traveller expenditure for 2009/2010 has been restated to reflect the domestic passenger number for the 12 months to 30 June 2010. Previously due to availability of information, the passenger number for the 12 months to 31 May 2010 was used.

Sustainability Statistics and Notes continued

Definitions and Scopes

SAFETY AND HEALTH

Total Recordable Injury Frequency Rate (TRIFR) (Australia)

The total number of injuries or illnesses during work hours (1 July to 30 June) with an accepted workers compensation claim per million hours worked. This metric includes embedded contractors who work exclusively for the Qantas Group and perform work that is considered to be core business, e.g. contractors provided by labour hire companies permanently to engineering or ramp services. Calculation is based on workers compensation claim status as at 14 July 2011 (2010: 14 July 2010).

Scope:
Australian-based employees and embedded contractors of the wholly-owned entities of the Qantas Group excluding Network Aviation.

Lost Work Case Frequency Rate (LWCFR) (Australia)

The total number of injuries or illnesses during work hours (1 July to 30 June) with an accepted workers compensation claim which resulted in total incapacity, per million hours worked. Total incapacity is defined as a workers compensation claim with an authorised unfit for work medical certificate. This metric includes embedded contractors (as described above). Calculation is based on workers compensation claim status as at 14 July 2011 (2010: 14 July 2010).

Scope:
Australian-based employees and embedded contractors of the wholly-owned entities of the Qantas Group excluding Network Aviation.

Absenteeism

The average number of annualised days taken as sick leave (including carer's leave) per employee from 1 July to 30 June for employees who are employed as at 30 June.

Scope:
Qantas, Qantas Freight, Qantas Frequent Flyer and Corporate – all Australian-based employees of each segment, excluding Network Aviation.

Jetstar – all Australian and New Zealand-based employees of the Jetstar segment, excluding Jetstar Asia.

Qantas Group – all employees included within the scope of the segment measures as detailed above.

CUSTOMER

Scope:
Australian domestic scheduled services.

Australian domestic on-time departures

The percentage of Australian domestic on-time departures from 1 July to 30 June. A flight departure is counted as on time if it departs from the gate within 15 minutes of the scheduled departure time for sectors flown. Neither diverted nor cancelled flights count as being on time, as per the definition by the Bureau of Infrastructure, Transport and Regional Economics (BITRE).

Australian domestic on-time arrivals

The percentage of Australian domestic on-time arrivals from 1 July to 30 June. A flight arrival is counted as on time if it arrives at the gate within 15 minutes of the scheduled arrival time for sectors flown. Neither diverted nor cancelled flights count as being on time, as per the definition by BITRE.

Australian domestic cancellations

The percentage of Australian domestic cancellations from 1 July to 30 June. A flight is counted as cancelled if it is cancelled less than seven days prior to its scheduled departure time, as per the definition by BITRE.

PEOPLE

Scope:
Wholly-owned entities of the Qantas Group.

Percentage of women

The percentage of female employees of the wholly-owned entities of the Qantas Group in Australia and overseas by the Group as at 30 June.

Percentage of women in senior positions

The percentage of female employees in senior management positions in the wholly-owned entities of the Qantas Group in Australia and overseas as at 30 June. During 2010/2011 senior positions was redefined to include Executive Job Grade 4 and above, which is considered to be equivalent to a job whose Hay points, as measured by Hay Job Grading Scheme points factor methodology, are 733 and above. This methodology is a job grading approach commonly adopted by Australian companies to establish comparability of job profiles.

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.

Employee by age group (permanent employees)

The percentage by age group of permanent employees of the wholly-owned entities of the Qantas Group in Australia and overseas as at 30 June.

Percentage of part-time employees

The percentage of part-time positions in the wholly-owned entities of the Qantas Group in Australia and overseas as at 30 June. Part-time positions include permanent and temporary part-time positions. Part-time employees is defined as those whose assigned working hours (as per contract) are lower than the position's standard working hours.

Number of Indigenous Australian employees

The number of self-identified Aboriginal and Torres Strait Islander employees across the Qantas Group as at 30 June.

Number of full-time equivalent employees

The total number of full-time equivalent (FTE) employees as at 30 June, reported in total for each segment 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.

ENVIRONMENT

Aviation fuel consumption

The total volume of aviation kerosene consumed by the Qantas Group's flying businesses from 1 July to 30 June.

Scope:
Aviation fuel consumption includes Qantas, Jetstar (excluding Jetstar Asia), QantasLink, Jetconnect and Qantas Freight, for both domestic and international operations. Aviation fuel consumption does not include consumption by codeshare partners. Aviation fuel consumption by Network Aviation is included for the period from 11 February 2011 to 30 June 2011.

Sustainability Statistics and Notes continued

for the year ended 30 June 2011

Definitions and Scopes continued

CO_2-e emissions from aviation (Group)

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 and Energy Efficiency National Greenhouse Accounts (NGA) Factors, emissions incorporated into the calculation include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). The Qantas Group applies the NGA Factors conversions and methodology for the calculation of CO_2-e.

Scope:
As per the scope of Aviation fuel consumption.

Australian domestic carbon emissions

The amount of greenhouse gas emissions within Australia measured in CO_2-e tonnes generated from aviation fuel consumption (as defined above) from 1 July to 30 June that is reportable under the National Greenhouse and Energy Reporting Act 2007 (NGER Act).

Scope:
Emissions from aviation fuel consumption by domestic flights of Qantas, Jetstar, QantasLink, Network Aviation (included in 2010/2011 only), the Group's aircraft wetleased to Australian air Express and the Group's aircraft operated by Cobham Aviation Services Australia.

For 2010/2011 the full year aviation fuel consumption by Network Aviation is included as required by the NGER Act.

Fuel per 100 Revenue Tonne Kilometres (RTKs) (Group)

Aviation fuel consumption per 100 RTKs from 1 July to 30 June. Revenue tonne kilometres (RTKs) is the total number of tonnes of paying passengers, freight and mail carried, multiplied by the number of kilometres flown.

Scope:
Wholly-owned entities of the Qantas Group excluding Network Aviation.

CO_2-e per 100 RTKs (Group)

Fuel per 100 RTKs (as defined above) converted to CO_2-e tonnes by the NGA Factors.

Scope:
Wholly-owned entities of the Qantas Group excluding Network Aviation.

Electricity (Australia)

The total amount of electricity consumed as measured in MWh (megawatt hours) where electricity is separately billed for the period 1 July to 30 June.

Scope:
Qantas Group sites within Australia, excluding Network Aviation.

Water (Australia)

The total amount of water consumed as measured in kilolitres where water is separately billed for the period 1 July to 30 June.

Scope:
Qantas Group sites within Australia, excluding Network Aviation.

Waste to landfill (Australia)

The total solid waste and quarantine waste generated as measured in tonnes where the Qantas Group 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.

Scope:
Qantas Group sites within Australia, excluding Network Aviation.

FINANCIAL

Underlying Profit Before Tax (PBT)

Underlying PBT is a non-statutory measure, which excludes certain impacts of AASB 139: Financial Instruments: Recognition and Measurement (AASB 139) and non-recurring items that management consider to be outside the ordinary course of business operations. Qantas removes these items to provide more useful information that more accurately reflects the underlying performance of the Group. Refer to Note 2 of the Financial Report for further details.

Scope:
The controlled entities of the Qantas Group.

Net Underlying Unit Cost

The Net Underlying Unit Cost of the Group, which is the net underlying expenditure, excluding fuel and Frequent Flyer change in accounting estimate, divided by the Group's Available Seat Kilometres (ASKs). Net underlying expenditure is derived from total passenger revenue less Underlying PBT.

Scope:
The controlled entities of the Qantas Group.

Average fleet age – scheduled passenger fleet

The average age of the Group's scheduled passenger fleet based on manufacturing dates.

Scope:
The scheduled passenger fleet (excluding dedicated freighters and Network Aviation fleet) of the Qantas Group, including both owned and leased aircraft. These include Jetstar Asia fleet, but exclude Jetstar Pacific fleet.

COMMUNITY

National export revenue

National export revenue is calculated as the number of inbound visitors brought to Australia by Qantas and Jetstar (including Jetstar Asia) for the 12 months to 31 May (latest available data as at 30 June (Source: Australian Bureau of Statistics)) multiplied by the estimated average visitor expenditure of $3,315. (Source: Tourism Australia's March 2011 International Visitor Survey (latest available data)) (2010: $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 the Qantas Group from overseas sources. These also represent export revenue.

Domestic traveller expenditure

Domestic traveller expenditure is calculated as the number of Qantas Group domestic passengers for the financial year multiplied by the estimated average expenditure per visitor of $620 (Source: Tourism Australia's March 2011 National Visitor Survey (latest available data)) (2010: $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 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'.

Economic output

This measure is calculated as the Qantas Group total revenue multiplied by a Qantas Group economic multiplier of 2.1 (as calculated by Access Economics in 2008). 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 effect outside of the Qantas Group for every $1 million of revenue is $1.1 million.

Independent Limited Assurance Report

to Qantas on the Sustainability Statistics and Notes section in the Qantas Airways Limited Annual Report 2011

INTRODUCTION

We have been engaged by Qantas Airways Limited (Qantas) to provide limited assurance in respect of the Sustainability Statistics and Notes section (the Sustainability Section) of the Qantas Annual Report (the Report) for the year ended 30 June 2011.

DIRECTORS' AND MANAGEMENT'S RESPONSIBILITIES FOR THE SUSTAINABILITY SECTION

The Directors and Management of Qantas are responsible for the preparation and presentation of the Sustainability Section. This responsibility includes establishing and maintaining internal control systems to enable the preparation of the Sustainability Section that is free from material misstatement whether due to fraud or error.

There are no mandatory requirements for the preparation, publication or assurance on the Sustainability Section. Qantas applies its own internal reporting guidelines for sustainability reporting (the Criteria), which can be found in the Definitions and Scopes of the Sustainability Section of the Report.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion to Qantas on the preparation and presentation of the Sustainability Section.

The internal control structure which Management has established and from which the Sustainability Section has 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.

ISAE 3000 requires us to comply with the requirements of the International Ethics Standards Board for Accountants (IESBA), and plan and perform the engagement to obtain limited assurance about whether the Sustainability Section is free from material misstatement.

A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the management, monitoring and preparation of the Sustainability Section, and applying analytical and other evidence-gathering procedures, as appropriate.

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 Sustainability Section has not been prepared and presented, in all material respects, in accordance with the Criteria established by Management.

These procedures comprised:

- Inquiries and walkthroughs with Management and relevant staff to gain an understanding of the design and implementation of Qantas' processes for developing, calculating, collecting, reporting, and aggregating the reported information in the Sustainability Section
- Visits to specific sites and contractors, which were selected on the basis of a risk analysis including the consideration of both qualitative and quantitative criteria
- Comparing the information presented in the Sustainability Section to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been appropriately included in the Sustainability Section
- Reading the information presented in the Sustainability Section to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Qantas, obtained as part of our limited assurance engagement

A limited assurance engagement is substantially less in scope, based on the extent of evidence-gathering, than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing and Assurance Engagements, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance or audit opinion.

This report has been 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.

INDEPENDENCE

In conducting our limited assurance engagement, we have complied with the ethical requirements, including independence requirements of the International Ethics Standards Board for Accountants and the Australian Accounting Professional and Ethical Standards Board.

CONCLUSION

Based on the procedures performed as described above, nothing has come to our attention that would lead us to believe that the Sustainability Statistics and Notes Section of the Qantas Annual Report for the year ended 30 June 2011 has not, in all material respects, been prepared and presented in accordance with the Criteria established by Management.

KPMG
Sydney
5 September 2011

Financial Calendar and Additional Information

2011	
17 February	Half year result announcement
30 June	Year end
24 August	Preliminary final result announcement
28 October	Annual General Meeting

2012	
16 February	Half year result announcement
7 March	Record date for interim dividend*
5 April	Interim dividend payable*
30 June	Year end
23 August	Preliminary final result announcement
11 September	Record date for final dividend*
11 October	Final dividend payable*
2 November	Annual General Meeting

* Subject to a dividend being declared by the Board.

2011 ANNUAL GENERAL MEETING

The 2011 AGM of Qantas Airways Limited will be held at 11:00am on Friday 28 October in Sydney.

Further details are available in the Corporate Governance section on the Qantas website (www.qantas.com)

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Company Secretary Cassandra Hamlin

An online version of this Annual Report is available at www.qantas.com

Designed by Yello. www.yellobrands.com

Qantas Airways Limited
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