



QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

**PRELIMINARY FINAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

ABN 16 009 661 901

ASX CODE: QAN

QANTAS AIRWAYS LIMITED
ABN: 16 009 661 901

PRELIMINARY FINAL REPORT
YEAR ENDED 30 JUNE 2010

Table of Contents

ASX Appendix 4E – Preliminary Final Report

Results for Announcement to the Market	1
Other Information	2
Consolidated Income Statement	3
Consolidated Statement of Comprehensive Income	4
Consolidated Balance Sheet	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	8
Notes to the Preliminary Final Report	9

Additional Information	17
-------------------------------	-----------

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Qantas Airways Limited (Qantas) and its controlled entities (the Qantas Group or Group) Results for Announcement to the Market are detailed below.

	June 2010 \$M	June 2009 \$M	Change \$M	Change %
Sales and other income	13,772	14,552	(780)	(5.4)
Underlying profit before income tax expense	377	100	277	277.0
Statutory profit after tax	116	123	(7)	(5.7)
Statutory profit after tax attributable to members of Qantas	112	117	(5)	(4.3)

DIVIDENDS

No interim dividend was paid in relation to the half-year ended 31 December 2009.

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

EXPLANATION OF RESULTS

Please refer to the separately lodged Media Release for the explanation of the results.

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

OTHER INFORMATION

	June 2010 \$	June 2009 \$
Net Tangible Assets per ordinary share	2.35	2.25

Entities over which accounting control was gained or lost during the year:

The remaining 33 per cent interest in Travel Software Solutions Pty Limited (TSS) and its controlled entities was acquired by the Qantas Group on 30 June 2010.

The Qantas Group incorporated the following entities during the year:

QF BOC 2009-1 Pty Limited (now known as Jetstar Leasing Pty Limited) was incorporated on 10 August 2009.
 Ready Travel Pty Limited was incorporated on 10 September 2009.

The Qantas Group lost control over the following entities during the year:

Document Parcel Express Korea Ltd was voluntarily deregistered on 28 December 2009.
 BD No 1 Limited and Kurrajong Limited were voluntarily dissolved on 5 May 2010.

On the 25 June 2010, ASIC gave notice of the voluntary deregistration of the following entities:

Denmell Pty. Limited
 Denmint Pty. Limited
 Denold Pty. Limited
 Denpen Pty. Limited
 Denpet Pty. Limited
 Denpost Pty. Limited
 Denrac Pty. Limited
 Densseed Pty. Limited
 Qanfad Pty Limited
 Thai Air Cargo Holdings Pty Limited

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2010

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

Underlying PBT (Non-Statutory Measure)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

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

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2010

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

\$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	-	-	-	-	-	112	4	116
Other comprehensive income								
Transfer of hedge reserve to Income Statement, net of tax	-	-	-	122	-	-	-	122
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	120	-	-	-	120
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(135)	-	-	-	(135)
Foreign currency translation of controlled entities	-	-	-	-	(3)	-	-	(3)
Foreign currency translation of associates	-	-	-	-	(10)	-	-	(10)
Hedge reserve movement of associates, net of tax	-	-	-	7	-	-	-	7
Total other comprehensive income	-	-	-	114	(13)	-	-	101
Total comprehensive income for the year	-	-	-	114	(13)	112	4	217
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Own shares acquired	-	(16)	-	-	-	-	-	(16)
Share-based payments	-	-	21	-	-	-	-	21
Shares vested to employees	-	20	(20)	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	(4)	(4)
Total contributions by and distributions to owners	-	4	1	-	-	-	(4)	1
Change in ownership 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

\$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 2008	3,976	(61)	53	421	(24)	1,366	4	5,735
Total comprehensive income for the year								
Statutory profit	-	-	-	-	-	117	6	123
Other comprehensive income								
Transfer of hedge reserve to Income Statement, net of tax	-	-	-	(81)	-	-	-	(81)
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	(61)	-	-	-	(61)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(300)	-	-	-	(300)
Foreign currency translation of controlled entities	-	-	-	-	8	-	-	8
Hedge reserve movement of associates, net of tax	-	-	-	(8)	-	-	-	(8)
Total other comprehensive income	-	-	-	(450)	8	-	-	(442)
Total comprehensive income for the year	-	-	-	(450)	8	117	6	(319)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Shares issued	517	-	-	-	-	-	-	517
Own shares acquired	-	(58)	-	-	-	-	-	(58)
Share-based payments	-	-	59	-	-	-	-	59
Shares vested to employees	-	61	(60)	-	-	(1)	-	-
Dividends declared	236	-	-	-	-	(439)	(5)	(208)
Total contributions by and distributions to owners	753	3	(1)	-	-	(440)	(5)	310
Change in ownership interests in subsidiaries								
Non-controlling interest in controlled entities acquired	-	-	-	-	-	-	39	39
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	39	39
Total transactions with owners	753	3	(1)	-	-	(440)	34	349
Balance as at 30 June 2009	4,729	(58)	52	(29)	(16)	1,043	44	5,765

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

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

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

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2010

Note 1. Statement of significant accounting policies

(a) Statement of Compliance

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited consolidated Annual Financial Report. The Preliminary Final Report has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Report also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The Preliminary Final Report is presented in Australian dollars and has been prepared on the basis of historical cost except where assets and liabilities are stated at their fair values in accordance with relevant accounting policies.

The consolidated Annual Financial Report is in the process of being audited and is expected to be made available on 3 September 2010. This Report should also be read in conjunction with any public announcements made by Qantas during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

(b) Significant Accounting Policies

The accounting policies applied by the Qantas Group in this Report are the same as those applied by the Qantas Group in the consolidated Annual Financial Report for the year ended 30 June 2009, except as noted below.

The following standards were applied by the Qantas Group for the first time with effect from 1 July 2009:

- Revised AASB 101: *Presentation of Financial Statements (2007)* and consequential amendments in AASB 2009-6: *Amendments to Australian Accounting Standards*. A separate Consolidated Statement of Comprehensive Income has been presented in the Preliminary Final Report as a result of the adoption of this standard. The statement presented changes in equity during a period other than those changes resulting from transactions with owners.
- AASB 8: *Operating Segments* and consequential amendments in AASB 2009-5: *Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project* (which was early adopted). There are no changes resulting from the adoption of these standards except for disclosure of segment assets and liabilities.

(c) Comparatives

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

(d) Estimates

The preparation of this Report requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Report, the significant judgements made by Management in applying the Qantas Group's accounting policies and the key sources of uncertainty in estimation were the same as those applied to the Annual Financial Report for the year ended 30 June 2009, except for:

Change in accounting estimates – passenger aircraft residual value

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

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

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2010

Note 1. Statement of Significant Accounting Policies (continued)

(d) Estimates (continued)

As disclosed in the consolidated Annual Financial Report for the year ended 30 June 2009, the accounting estimates described below were revised effective 1 January 2009:

Change in accounting estimates – software

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

Change in accounting estimates – Qantas Frequent Flyer

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

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

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2010

Note 2. Underlying PBT and Operating Segments

(a) Underlying PBT

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

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

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

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

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

Underlying PBT is calculated as follows:

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

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

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

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

The calculation of Underlying EBIT and Underlying PBT is detailed in the table on the following page.

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2010

Note 2. Underlying PBT and Operating Segments (continued)

Note	June 2010 \$M	June 2009 \$M
Statutory profit before income tax expense and net finance costs (Statutory EBIT)	253	203
Ineffectiveness and non-designated derivatives relating to other reporting periods:		
Exclude current year derivative mark-to-market movements relating to underlying exposures in future years	51	(61)
Exclude current year derivative mark-to-market movements relating to capital expenditure	77	(110)
Include prior years derivative mark-to-market movements relating to underlying exposures in the current year	29	(2)
Include adjustment to depreciation expense relating to excluded capital expenditure mark-to-market movements	(1)	-
	<u>156</u>	<u>(173)</u>
Non-recurring items:		
- gain on sale of Qantas Holidays	-	(86)
- revenue from direct earn conversion	-	(84)
- accelerated depreciation and impairment losses, net of impairment reversals		
Property, plant and equipment and related provisions for costs to sell	48	152
Investments	-	(4)
Goodwill and other intangible assets	-	22
- redundancies, restructuring and other provisions	11	106
	<u>59</u>	<u>106</u>
Underlying EBIT	2(c) 468	136
Underlying net finance costs:		
Statutory net finance costs	(75)	(22)
Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs	(16)	(14)
	<u>2(c) (91)</u>	<u>(36)</u>
Underlying PBT	2(c) 377	100

(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 an investment in Jetstar Pacific;
3. Qantas Freight – representing the air cargo and express freight businesses;
4. Qantas Frequent Flyer – representing the Qantas Frequent Flyer customer loyalty program; and
5. Jetset Travelworld Group – representing the Group's investment in the Jetset Travelworld Group.

Costs associated with the centralised management and governance of the Qantas Group, together with certain items which are not allocated to business segments are reported in 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 and the financial impact on the segment receiving the revenue. Ancillary and support services are allocated to segments on a cost only basis.

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2010

Note 2. Underlying PBT and Operating Segments (continued)

(c) Analysis by operating segment

June 2010 \$M	Qantas	Jetstar	Qantas Freight	Qantas Frequent Flyer	Qantas Group	Jetset Travelworld Group	Corporate/ Unallocated	Eliminations	Consolidated Underlying
Sales and other income									
External segment revenue	9,588	2,012	1,003	1,038	104	17	10	13,772	
Intersegment revenue	1,021	185	4	70	31	14	(1,325)	-	
Total segment revenue	10,609	2,197	1,007	1,108	135	31	(1,315)	13,772	
Share of net (loss)/profit of associates and jointly controlled entities	(13)	(3)	12	-	-	-	-	(4)	
EBITDAR¹	1,415	463	61	330	20	(103)	9	2,195	
Non-cancellable operating lease rentals	(279)	(315)	(6)	-	-	-	73	(527)	
Depreciation and amortisation ²	(1,069)	(17)	(13)	(2)	(6)	(20)	(73)	(1,200)	
Underlying EBIT	67	131	42	328	14	(123)	9	468	
Underlying net finance costs								(91)	
Underlying PBT								377	

¹ Profit before income tax expense, depreciation, amortisation, non-cancellable operating lease rentals and net finance costs (EBITDAR) includes \$153 million (Qantas Frequent Flyer \$152 million and Eliminations \$1 million) representing the full year impact of the change in accounting estimate described in Note 1(d).

² Depreciation and amortisation includes \$50 million (Qantas \$48 million and Corporate/Unallocated \$2 million) representing the six month impact of the change in residual value estimate for passenger aircraft described in Note 1(d).

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2010

Note 2. Underlying PBT and Operating Segments (continued)

June 2009 \$M	Qantas	Jetstar	Qantas Freight	Qantas Frequent Flyer	Qantas Group	Jetset Travelworld Group	Corporate/ Unallocated	Eliminations	Consolidated Underlying
Sales and other income									
External segment revenue	10,532	1,653	1,077	1,019	117	(23)	7	14,382	
Intersegment revenue	1,092	198	3	30	28	16	(1,367)	-	
Total segment revenue¹	11,624	1,851	1,080	1,049	145	(7)	(1,360)	14,382	
Share of net (loss)/profit of associates and jointly controlled entities	(13)	(15)	13	-	-	-	-	(15)	
EBITDAR²	1,363	373	25	226	22	(205)	33	1,837	
Non-cancellable operating lease rentals	(253)	(251)	(6)	-	-	-	60	(450)	
Depreciation and amortisation	(1,106)	(15)	(12)	-	(6)	(52)	(60)	(1,251)	
Underlying EBIT	4	107	7	226	16	(257)	33	136	
Underlying net finance costs								(36)	
Underlying PBT								100	

¹ Consolidated underlying revenue differs from Consolidated revenue as a result of the gain on sale of Qantas Holidays (\$86 million) and the revenue from direct earn conversion (\$84 million). Both of these items are reported in the Consolidated Income Statement as other revenue.

² Of the net change in accounting estimates of \$164 million in relation to frequent flyer accounting as described in Note 1(d), EBITDAR includes \$80 million (Qantas Frequent Flyer \$63 million and Eliminations \$17 million) representing the six month impact of the change in accounting estimate.

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2010

Note 3. Other revenue and expenditure

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

Note 4. Investments accounted for using the equity method

	June 2010	June 2009
	\$M	\$M
Investment in associates	65	76
Investment in jointly controlled entities		
- Star Track Express Holdings Pty Limited	266	270
- Other	47	41
	378	387

	Ownership interest	
	June 2010	June 2009
	%	%
Air Pacific Limited	46	46
Australian air Express Pty Ltd	50	50
Fiji Resorts Limited	21	21
Hallmark Aviation Services L.P.	49	49
Harvey Holidays Pty Ltd	50	50
HT & T Travel Philippines, Inc.	28	28
Holiday Tours and Travel (Thailand) Ltd.	37	37
Holiday Tours and Travel Vietnam Co. Ltd	37	37
Jetstar Pacific Airlines Aviation Joint Stock Company	27	27
LTQ Engineering Pty Limited	50	50
PT Holidays Tours & Travel	37	37
Star Track Express Holdings Pty Limited	50	50
Tour East (T.E.T) Ltd.	37	37

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2010

Note 5. Dividends

No interim dividend was paid in relation to the half-year ended 31 December 2009.

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

Note 6. Post Balance Date Events

There has not arisen in the interval between 30 June 2010 and the date of this Report any event that would have had a material effect on the Financial Statements as at 30 June 2010.

OPERATIONAL STATISTICS

For the year ended 30 June 2010

		Year ended June 2010	Year ended June 2009	Change
QANTAS DOMESTIC - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	16,640	16,379	1.6%
Revenue passenger kilometres (RPK)	m	24,092	23,781	1.3%
Available seat kilometres (ASK)	m	29,795	30,013	(0.7)%
Revenue seat factor	%	80.9	79.2	1.7 pts
QANTASLINK - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	4,323	4,120	4.9%
Revenue passenger kilometres (RPK)	m	2,936	2,918	0.6%
Available seat kilometres (ASK)	m	4,369	4,281	2.1%
Revenue seat factor	%	67.2	68.2	(1.0) pts
JETSTAR DOMESTIC - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	8,367	8,110	3.2%
Revenue passenger kilometres (RPK)	m	9,456	9,060	4.4%
Available seat kilometres (ASK)	m	11,615	11,197	3.7%
Revenue seat factor	%	81.4	80.9	0.5 pts
QANTAS INTERNATIONAL - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	5,900	7,243	(18.5)%
Revenue passenger kilometres (RPK)	m	49,979	54,337	(8.0)%
Available seat kilometres (ASK)	m	60,608	66,871	(9.4)%
Revenue seat factor	%	82.5	81.3	1.2 pts
JETSTAR INTERNATIONAL - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	3,910	2,123	84.2%
Revenue passenger kilometres (RPK)	m	11,037	8,412	31.2%
Available seat kilometres (ASK)	m	14,316	11,355	26.1%
Revenue seat factor	%	77.1	74.1	3.0 pts
JETSTAR ASIA¹				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	2,288	463	n/a
Revenue passenger kilometres (RPK)	m	3,227	668	n/a
Available seat kilometres (ASK)	m	4,014	878	n/a
Revenue seat factor	%	80.4	76.0	n/a
QANTAS GROUP OPERATIONS				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	41,428	38,438	7.8%
Revenue passenger kilometres (RPK)	m	100,727	99,176	1.6%
Available seat kilometres (ASK)	m	124,717	124,594	0.1%
Revenue seat factor	%	80.8	79.6	1.2 pts
Aircraft in service at end of period	#	254	240	14 aircraft
<u>FINANCIAL</u>				
Yield (passenger revenue per RPK)	c	10.61	11.43	(7.2)%
<u>EMPLOYEES</u>				
Average full-time equivalent employees	#	32,489	33,966	(4.3)%
RPK per employee	000	3,100	2,920	6.2%
ASK per employee	000	3,839	3,668	4.7%

¹ For the year ended 30 June 2009, Jetstar Asia Traffic and Capacity Statistics only include the period from 8 April 2009 to 30 June 2009.

CONSOLIDATED DEBT, GEARING AND CAPITALISATION OF NON-CANCELLABLE OPERATING LEASES

As at 30 June 2010

	June 2010 \$M	June 2009 \$M~
Balance sheet equity	5,981	5,765
Less: hedge reserve	85	(29)
Equity excluding hedge reserve	5,896	5,794
On balance sheet debt		
Current interest-bearing liabilities	619	608
Non-current interest-bearing liabilities	5,099	4,895
Cash and cash equivalents	(3,704)	(3,617)
Aircraft security deposits	(13)	(41)
Fair value of hedges relating to debt ¹	208	78
Net on balance sheet debt	2,209	1,923
Off balance sheet debt		
Non-cancellable operating leases ²	3,961	3,773
Net debt including off balance sheet debt	6,170	5,696
Net debt to net debt and equity (including off balance sheet debt excluding hedge reserve)	51 : 49	50 : 50

Notes:

- Fair value of hedges related to debt are included in Other Financial Assets and Liabilities on the Balance Sheet in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*.
- Non-cancellable operating leases are a representation assuming assets are owned and debt funded and is not consistent with the disclosure requirements of AASB 117: *Leases*.

ADJUSTED NET BORROWING COSTS

For the year ended 30 June 2010

	June 2010 \$M	June 2009 \$M~
Borrowing costs		
Finance income	(181)	(207)
Finance costs	256	229
Unwind of discount on non-current provisions	(40)	(24)
Unwind of discount on non-current receivables	19	33
Capitalised interest	44	83
Implied interest on non-cancellable operating leases	381	336
Adjusted net borrowing costs	479	450
Average net debt including off balance sheet debt	6,168	5,788
Adjusted net borrowing costs as a percentage of average net debt including off balance sheet debt	7.8%	7.8%

- Comparatives have been restated to include the impact of Jetstar Asia Group operating leases.