The Transformation Continues

QANTAS ANNUAL REPORT 2013

ANNUAL REVIEW

ANNUAL REPORT

"Qantas is in a period of transformation as we make our business better and stronger."

Qantas Group CEO Alan Joyce

Chairman's Report

Group Performance

The Qantas Group reported statutory profit after tax of $6 million and underlying profit before tax of $192 million* for the 2012/2013 financial year – a result that demonstrates the strength of our portfolio and the progress we have made with our strategy in a challenging aviation market.

Three of our four major operating segments were profitable and we took important steps to strengthen the Group further. We maintained a clear market-leading position with our domestic business. Jetstar continued to build in Asia through the launch of Jetstar Japan. And our loyalty business reported another record result.*

Having reached an inflection point in 2011/2012, the turnaround of Qantas International is on track.

Securing and launching a partnership with Emirates was a superb achievement, giving Qantas International a global network via Dubai. It will deliver benefits not just for Qantas International but for the Group as a whole, and Alan Joyce and his team deserve great credit for putting together such a significant agreement in a short period of time.

We also strengthened the Group's financial position in 2012/2013, reducing debt and capital expenditure*. Liquidity at 30 June was $3.4 billion, comprising $2.8 billion in cash and $630 million in undrawn debt facilities.

Crucially, the Group is becoming more efficient and productive through the ongoing Qantas Transformation program.

Looking Forward

The very competitive operating conditions facing the Group are unlikely to ease during 2013/2014. Productivity and cost-competitiveness will be vital for the Australian economy as a whole, and Qantas in particular.

While we are making progress, there is still a great deal of work to do. However, the Group is well positioned for future success. The actions we took during 2012/2013 are delivering results. And we have a clear strategy to build long-term shareholder value.

Qantas Board Changes

As we look to the future I'd like to pay tribute to the late James Strong, a singular figure in Qantas' history. His record as Qantas CEO, on the Qantas Board and in many other fields of business and culture was remarkable. James will be greatly missed.

We always seek to ensure that we have a plan in place to renew the Board and, accordingly, Patricia Cross will step down at the AGM in October. Patricia has served on the Board for a total of nine years, as well as chairing Qantas Superannuation between 2002 and 2005. She has brought great experience and judgement as a Director and I thank her for her significant contribution.

I would also like to acknowledge Corinne Namblard, who left the Board in February.

At the same time, we welcome two new Directors, appointed in August 2013. Maxine Brenner and Jacqueline Hey are excellent additions to the Board and I look forward to working with them.

This result demonstrates the strength of our portfolio and the progress we have made with our strategy.

Australia's National Carrier

It's important to remember the role Qantas plays in Australian life. Many nations no longer have a flagship carrier. Yet Qantas continues to support Australian business – at home and overseas – promote Australian tourism and trade, work with charities and provide resources for our government and emergency services.

Our strategy for a strong, sustainable and successful Qantas Group will ensure that this unique role continues long into the future.

The Group's many achievements in 2012/2013 are a tribute to the skill and dedication of our more than 30,000 employees. I thank them sincerely for their contribution.

*For explanations of non-statutory measures see the Review of Operations section in this report.

CEO's Report

After a year of achievement the Qantas Group is in a strong position.

During 2012/2013 we launched a ground-breaking partnership with Emirates and a new Jetstar airline in Japan; we strengthened our network in every part of the globe; we continued to renew our fleet; and we secured the Group's financial position through the prudent management of capital, costs and debt.

A Strong Group Performance

Qantas Domestic, Jetstar and Qantas Loyalty are all strong and profitable, while Qantas International improved its performance significantly.

In the domestic market, we are winning against the competition on every measure, with the best airline in each category.

Qantas and Jetstar maintained the Group's profit-maximising 65 per cent share of the domestic market. With total domestic underlying EBIT* of more than $450 million, we remain the clear profit leader domestically.

We also retained an 85 per cent share of the domestic corporate travel market and added important new accounts. And, for the fourth consecutive year, we were superior to the competition for on-time performance.

Our strong domestic business is the foundation for the global network we are building with Qantas International. The Emirates partnership is great news for customers, opening up 65 destinations across Europe, the Middle East and North Africa, plus unique frequent flyer benefits. Bookings and customer satisfaction with the partnership have been outstanding.

At the same time, the Emirates partnership has enabled us to strengthen our network in Asia and in the trans-Pacific and trans-Tasman markets. Offering almost 900 destinations around the world through our gateway strategy, Qantas International has a network advantage over every other airline serving Australia.

Jetstar continues to build its presence in Australia, New Zealand and Asia. In 2012/2013 it reached 100 million passengers and 100 aircraft, making it bigger than Ryanair or Easyjet at the same age.

With Jetstar Japan off to a strong start and Jetstar Hong Kong working towards approval, Jetstar is positioned for long term success in Asia, the world's biggest aviation market and a region critical to Australia's economic future.

Qantas Loyalty continues to go from strength to strength, reaching 9.4 million members in 2012/2013 – at an average rate of 2,000 new members per day. It now has hundreds of program partners, including Woolworths, David Jones, Optus and all major Australian banks, and we continue to add value to the program through network expansion and innovations such as the new Qantas Cash membership card.

Qantas in Transformation

The Qantas Transformation program delivered substantial strategic benefits in 2012/2013. We have withdrawn from loss-making routes, retired aircraft, consolidated operations and improved the economics of our fleet.

Overall, we reduced Group-wide comparable unit costs* by 5 per cent (including a 5 per cent reduction for Qantas International).

The Group's fleet modernisation program continues to improve the customer experience and increase operational efficiency. Thanks to the strong investment we have already made in new aircraft, our average scheduled passenger aircraft age has reached 7.9 years: its lowest level in two decades.

This, in turn, has allowed us to reduce planned capital expenditure and achieve our goal of positive net free cash flow.

We must continue to manage our costs prudently given the headwinds we face – with fuel costs, in particular, still at near-record levels.

Satisfied Customers, Engaged Employees

I am very proud of the record customer satisfaction scores the Group is receiving. These reflect investment in aircraft, lounges, and technology – but, most importantly, they reflect the world-class service that our people provide.

It is not just customers who are noticing this Group-wide focus on service. Employee engagement scores are up by 8 percentage points across the business, a significant improvement, with record engagement among customer-facing staff.

There is a new energy at Qantas that makes it an exciting time to be working for this great company.

We are laying the foundations for the Qantas Group to succeed and grow in the 21st century aviation industry, representing the best of Australia wherever we fly.

Qantas Domestic, Jetstar and Qantas Loyalty are all strong and profitable, while Qantas International improved its performance significantly.

*For explanations of non-statutory measures see the Review of Operations section in this report.

Financial Overview
A Year of Transformation

For the year ended 30 June 2013, the Qantas Group reported underlying* profit before tax of $192 million, statutory profit before tax of $17 million and statutory profit after tax of $6 million.

The Group made good progress in its strategy against a challenging backdrop, with high fuel costs, excess capacity in the domestic market and intense competition in the international market.

Qantas Domestic, Jetstar and Qantas Loyalty were all profitable. Qantas International, though still loss-making, improved its underlying* performance by 49 per cent.

Comparable unit cost* was improved by 5 per cent, reflecting cost reduction and productivity improvements across the Group. Qantas Transformation initiatives delivered $171 million of strategic benefits in 2012/2013, and a further $257 million of benefits from ongoing cost management.

The Group has strengthened its financial position, with positive net free cash flow* of $372 million at 30 June and liquidity* of $3.4 billion, including $2.8 billion in cash. Gross debt was reduced by $1 billion during the year.

Net capital expenditure was reduced by $200 million to $1.4 billion in 2012/2013, below previous guidance. Planned capital expenditure has been reduced by $300 million to $1.2 billion in FY14 and is expected to be $1.5 billion in FY15. After a period of accelerated fleet renewal, the Group's average passenger aircraft age is now 7.9 years — the lowest in two decades.

Segment Performance*

QANTAS DOMESTIC

$365m

DOWN 21 PER CENT

QANTAS INTERNATIONAL

-$246m

IMPROVEMENT OF 49 PER CENT

JETSTAR

$138m

DOWN 32 PER CENT

QANTAS LOYALTY

$260m

UP 13 PER CENT

Financial Position

POSITIVE NET FREE CASH FLOW*

$372m

LIQUIDITY*

$3.4b

GROSS DEBT REDUCED BY

$1b

STRATEGIC QANTAS TRANSFORMATION BENEFITS

$171m

*For explanations of non-statutory measures see the Review of Operations section in this report.

In 2012/2013 the Qantas Group maintained its profit-maximising 65 per cent domestic market share.

Qantas Group Strategy Update

The Qantas Group's strategy is based on four priorities:

» Building on the strong Qantas and Jetstar domestic businesses
» Turning around Qantas International
» Positioning Jetstar for success in Asia
» Broadening Qantas Loyalty

The Qantas airlines are going through their biggest transformation since privatisation in 1995, while Jetstar and Qantas Loyalty continue to expand their horizons.

In 2012/2013 we delivered against all our strategic goals, laying the foundations for sustainable, long-term growth and success.

Strong Domestic Business

The Qantas Group's domestic business is strong and balanced.

Qantas and Jetstar remain the market leaders in the corporate and leisure sectors. With our dual brand strategy, we offer our customers the best scale, network and frequency, whatever their reason for travel.

Despite a highly competitive market, the Group maintained its profit-maximising 65 per cent market share in 2012/2013, and customer satisfaction reached record highs.

Highlights of 2012/2013:

- Qantas Domestic retained an 84 per cent share of the corporate travel market and was the best major airline for on-time performance.
- Significant investment in Western Australia, with Airbus 330s introduced on all Perth-Sydney and Perth-Melbourne weekday services, plus an expanded Qantas Club at Perth Airport. Intra-WA capacity has also been increased.
- Continued growth and fleet renewal in regional Australia for QantasLink and the Network Aviation fly-in, fly-out operation. New regional lounges opened in Devonport and Tamworth.
- All Qantas Domestic A330s to be refreshed from late 2014, with older Boeing 737-400s to be retired by early 2014 and B767s to be phased out by mid-2015.
- All 18 of Qantas Domestic's B717s are being upgraded with new interiors, including five with business class.

The Group's regional fleet continues to grow to meet demand, with 28 Q400s and 13 B717s at 30 June 2013.

Qantas International

Our turnaround plan for Qantas International is based on four pillars which complement one another and contribute to broader Group strategy.

» Flying to global gateways
» Best for global travellers
» Growing with Asia
» Building a strong, viable business

The launch of the Qantas/Emirates partnership (see feature on page 24) and a number of important transformation initiatives saw us make strong progress during 2012/2013.

Qantas aircraft first flew to England in the 1930s. Today Qantas operates 14 A380 services per week on the 'Kangaroo Route' to London, via our new hub in Dubai.

Flying to global gateways

- New Dubai hub connecting Qantas customers to more than 65 destinations across Europe, the Middle East and North Africa.
- Routes to Los Angeles, Dallas/Fort Worth and Santiago performing well and strong partnerships with American Airlines and LAN in place.
- Fourteen services to Johannesburg per week, in partnership with South African Airways.

Best for global travellers

- Nine Boeing 747s now upgraded with A380-standard Marc Newson interiors.
- Emirates partnership opening up lounge access, frequent flyer opportunities and reciprocal benefits for premium customers.
- Business class experience redesigned with the introduction of a 'sleep service' and new on-board amenities.
- Chauffeur drive service introduced for flights between Australia and Dubai, London, Los Angeles and Dallas/Fort Worth.
- New premium Singapore lounge opened, with new lounges in Hong Kong and Los Angeles to follow.

Growing with Asia

- Increasing capacity, improving connections and strengthening partnerships across Asia (see feature on page 34).
- Emirates partnership removes need to fly to Europe via Asia – greater focus on connections to and within Asia.
- 130 direct services per week from Australia to 11 destinations (on Qantas and with partner airlines).
- Expanded codeshare with China Eastern.

Building a strong, viable business

- Engineering – closed down one of three heavy maintenance bases; updating maintenance practices to reflect modern fleet and regulatory standards.
- Catering – sold Sydney Riverside and Cairns catering centres; new, high-tech centre opened in Brisbane.
- Freight consolidation – sold stake in road freight business StarTrack to Australia Post; brought Australian air Express in-house under Qantas Freight brand.
- Improving the economics of our fleet, as we work towards a simpler and more efficient mix of aircraft.

Dubai International Airport handles 60 million passengers per year and is within eight hours' flying time of 75 per cent of the world's population.

Jetstar

In Australia and New Zealand, Jetstar is one half of the Qantas Group's successful dual brand strategy. In Asia, Jetstar is building the scale necessary for long-term success, with the goal of becoming the region's leading low-cost carrier.

Including Jetstar's operations in Australia and New Zealand, its airlines now fly to more than 60 destinations, with 3,600 weekly services across 16 countries and territories.

Like Jetstar in Australia, Jetstar in Asia is opening up new travel opportunities and bringing down air fares for consumers, as the region's fast-growing economies drive tourism growth (see feature on page 36).

Highlights for the Jetstar Group in 2012/2013:

» Carried its 100 millionth passenger since launching in 2004.
» Took delivery of its 100th aircraft.
» Successfully launched Jetstar Japan.
» Welcomed a third investor, Shun Tak Holdings Limited, to Jetstar Hong Kong, as the airline continues to move through the regulatory approval process.
» Reached $5.5 billion in revenue.
» Entered final preparations to receive its first Boeing 787 Dreamliner, which will see it become the first low-cost carrier in the Asia Pacific to operate the aircraft.

In Asia, Jetstar is building the scale necessary for long-term success.

Clockwise from top left: Engineers Stephen Collins (left) and Erik Lolohea (right); Jetstar A320 captain Alison Bray; Cabin Crew Kristy Bourke; and Jetstar Heavy Maintenance Apprentice Joey Parsons.

Qantas Loyalty

Qantas Loyalty is the glue binding the Qantas Group, a major asset that generates profit and adds value for customers.

During 2012/2013, Qantas Frequent Flyer membership reached 9.4 million people, more than a third of the Australian population.

The success of Qantas Frequent Flyer is based on the strength of Qantas Domestic, Qantas International and Jetstar, and on close partnerships with 36 airlines and hundreds of other program partners, including major brands like Woolworths, Optus, David Jones and all major Australian banks.

As we expand the scale of the program, and develop growth opportunities, we are also adding exclusive new services for our frequent flyers, such as the Qantas epiQure food and wine community.

The next innovation for Qantas Frequent Flyer is Qantas Cash, a pre-paid facility with a membership card that can be used to check in for flights, make purchases, take out cash and earn points by spending your own money.

Highlights of 2012/2013:

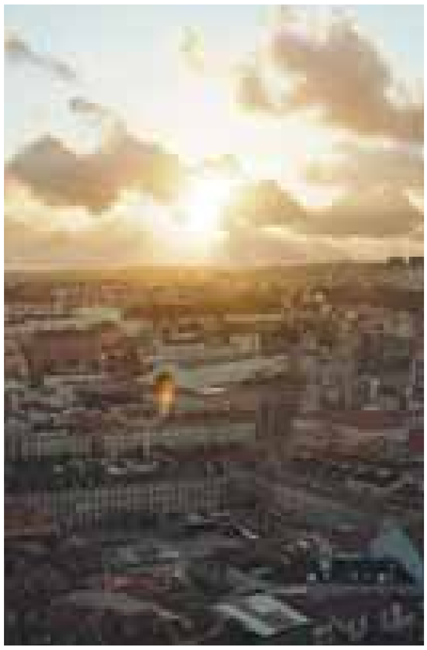
- Opened up new benefits for frequent flyers through the Emirates partnership, with redemptions on partner airlines more than doubling as a result.
- Achieved a record Net Promoter Score (which measures customer satisfaction).
- Strengthened Qantas Frequent Flyer's partnership with Jetstar, increasing opportunities for members to earn and spend points across Jetstar's pan-Asian network.

Qantas Frequent Flyer's advertising campaign features a replica of NASA's Mars rover, 'Curiosity', encouraging members to experience the many benefits the program has to offer.

The new-look Qantas Frequent Flyer membership card will feature Qantas Cash™ technology, allowing Australia-based members to pre-load money onto their card to spend in Australia and overseas, in multiple currencies.

Members will be able to use the card wherever MasterCard® is accepted – at over 35 million locations in over 210 countries worldwide.

The new card will also be chip enabled so that members can take advantage of Qantas' Faster, Smarter Check-in system when travelling domestically.



Top five international destinations for Qantas Frequent Flyers redeeming points in the first half of 2013:

1. Nadi, Fiji
2. Auckland, New Zealand
3. Los Angeles, USA
4. Johannesburg, South Africa
5. Hawaii, USA

The Qantas Transformation program is about providing better service, operating more efficiently and harnessing new technology.

Qantas in Transformation

Qantas is going through its biggest transformation since privatisation in 1995.

This transformation is taking place in all areas of our business. It is integral to meeting our strategic goals and ensuring that we are competitive in a rapidly changing aviation industry.

The following pages highlight some of Qantas' most important achievements during 2012/2013, as well as strategic developments in other parts of the Group.

The Emirates Partnership

Partnership with Emirates will deliver major benefits over many years.

It is the most significant partnership Qantas has ever established with another airline, based on a clear vision: a comprehensive shared network; an excellent, consistent experience for customers; global recognition for frequent flyers; and industry-leading rewards for customer loyalty.

The partnership gives Qantas customers access to Emirates' vast network in Europe, the Middle East and North Africa, and gives Emirates customers access to Qantas' unmatched Australian domestic and regional network. We are also working together on trans-Tasman and Asian routes.

Qantas' position in the highly competitive market between Australia and Europe is far stronger in partnership with Emirates. At the same time, moving our hub for European flights from Singapore to Dubai has enabled us to strengthen our focus on Asia (see feature on page 34).

Since the partnership was launched, the reception from our frequent flyers, employees and the tourism industry has been outstanding.

Network benefits

- 14 return flights per day, or 98 flights per week, between Australia and Dubai.
- Over 65 destinations across Europe, the Middle East and North Africa available via Dubai, including more than 30 in Europe.
- Over 50 destinations in Australia available to Emirates customers.
- Total travel time from Sydney and Melbourne to Europe is, on average, 2 hours and 15 minutes shorter via Dubai compared with Qantas' previous network.

Frequent flyer benefits

- Qantas Frequent Flyer members can use their points on any part of the Emirates network.
- Extensive lounge access for eligible Qantas and Emirates customers.
- Chauffeur drive service for first and business class customers (flights over 12 hours long).

Travel and tourism benefits

- Bookings by Qantas customers on Emirates' services to Europe are running at twice the level of Qantas' previous codeshare network.
- Bookings by Emirates customers on Qantas' domestic services are running at three times the level of Qantas' previous codeshare network.

The Dubai hub

- Dubai is the world's fourth largest airport by passenger numbers, handling 60 million passengers and 2.5 million tonnes of freight per year. It is expected to handle 100 million passengers per year by 2020.
- Dubai is located within an eight-hour flight of 75 per cent of the world's population.
- Qantas flies to Concourse A at Dubai International Airport, Emirates' new, state-of-the-art facility with 20 gates dedicated to A380 operations and 29,000 square metres of lounge space.

Stockholm
St Petersburg
Glasgow
Newcastle
Copenhagen
Moscow
Dublin
Manchester
Hamburg
Birmingham
Amsterdam
Warsaw
Dusseldorf
London
Frankfurt
Prague
Munich
Paris
Zurich
Lyon
Geneva
Milan
Nice
Istanbul
Madrid
Barcelona
Rome
Athens
Beirut
Amman
Cairo
Dammam
Bahrain
Riyadh
Dubai
Muscat
Jeddah
Accra
Nairobi

Qantas/Emirates Network

Over 65 destinations across Europe, the Middle East and North Africa available via Dubai, including over 30 in Europe.

Our People and Customers

As we transform our business and deliver our strategy, we are investing in our 30,000-plus people through training and new technology.

During 2012/2013 Qantas' customer satisfaction ratings reached record levels on both our international and domestic networks, a great testament to the hard work put in by our people in all areas of the business.

We also saw a significant improvement in our employee engagement scores, including the highest ever score for customer-facing employees.

» 14,000 Qantas front-line staff have completed intensive customer service training with a focus on delivering more personalised and responsive service in the airport and on board.

» In the annual Skytrax awards, which are judged by 18 million travellers, Qantas was named best airline in Australia/New Zealand and Jetstar was named best low-cost carrier in Australia/New Zealand. Qantas was also named one of the world's top 10 airlines and Jetstar was named the world's second-best low-cost carrier.

» *Australian Traveller* magazine named Qantas Best Major Australian Airline and Best Regional Airline in its annual readers' choice awards.

» The quality of Qantas' wines was once again recognised at the annual Cellars in the Sky Awards, where we won more categories than any other airline (including Best Overall Wine Cellar). Qantas invests $19 million in the Australian wine industry each year.

» We launched a new uniform, created by the acclaimed Australian designer Martin Grant, to be worn by our customer-facing employees from early 2014.

» New Qantas iPhone and Passbook apps were introduced, making it easier than ever for customers to manage their journey from their phone (while freight customers have a dedicated app of their own).

» Jetstar became the first airline in Australia to introduce live chat customer service, as part of a customer service drive looking at all parts of the airline's operations.

Eligible Qantas customers can access more than 50 lounges in Australia and around the world.

Clockwise from top left: Cabin Crew Alana Hockley; Q Catering Brisbane Helen Sorensen; Captain Christopher Doyle; Jetstar Cabin Crew Shana Delaney; Brisbane Heavy Maintenance Mechanic Craig Bickerton; and Sydney Domestic Terminal Ramp pushback driver Kevin Barraclough.

Qantas' New Uniform

From early 2014, Qantas' new uniform will help our customer-facing employees do their job in style and comfort.

APPROXIMATELY

400,000

GARMENTS WILL BE PRODUCED, AND

350,000

METRES OF FABRIC WILL BE USED.

35

STYLES HAVE BEEN DESIGNED FOR MEN AND WOMEN.

15

FABRICS HAVE BEEN SELECTED, INCLUDING PREMIUM AUSTRALIAN MERINO WOOL IN THE SUITING.

12

MEMBERS OF THE QANTAS EMPLOYEE UNIFORM PANEL WORKED CLOSELY WITH MARTIN GRANT ON THE DESIGN.

UNIFORMS WILL BE DELIVERED TO

85

DIFFERENT LOCATIONS IN

21

COUNTRIES.

“My inspiration for the uniform came from Qantas’ striking logo: the powerful red triangle and the flying kangaroo.”

Martin Grant

Innovation and Technology

Qantas has always been a leader in aviation technology: from the early days of commercial flight when we became the first non-US airline to operate the Boeing 707, to more recent innovations in cockpit and check-in technology.

Now technology is at the centre of our drive to transform our business, operate more efficiently and provide better service for our customers.

» Around 3,000 cabin crew and pilots were equipped with iPads to enable them to store customer and flight information, reducing the need to carry cumbersome paperwork.

» Our 'Select on Q-Eat' tool allows business class customers to pre-order their meal online, guaranteeing meal selection or letting crew know that they want to sleep first and eat later.

» Qantas Freight employees and truck drivers are also using iPads, helping them manage our supply chain more efficiently.

» Our Maintenix system, accessible from laptops or mobile devices, gives our engineers up-to-the minute information about an aircraft's maintenance history and allows them to receive maintenance instructions, locate and order spare parts, and certify their work. It has now been introduced for all Qantas' Airbus and Boeing aircraft (around 170 aircraft).

» In June we launched one of Australia's largest commercial trigeneration power plants, which supplies Qantas' Sydney infrastructure with clean energy for electricity, heating and cooling.

Customers can use iPads to stream inflight entertainment on 15 upgraded Qantas B767s.

Qantas has always been a leader in aviation technology.

Qantas employees in a range of roles are using iPads for quicker, easier access to the information they need.

Growing with Asia

The Qantas Group has a stronger presence in Asia than at any time in its history.

We have been flying to Asia since the 1930s, supporting Australia's increasingly close trade, tourism and cultural relationships with the diverse countries of the region. In 2013 we celebrate 75 years of services to Singapore.

Today, in addition to our regional hubs of Singapore and Hong Kong, Qantas serves the major business cities of Shanghai, Tokyo, Manila and Jakarta, working with a network of partner airlines.

The Jetstar brand is well-established as one of Asia's largest low cost carriers. Jetstar's pan-Asian network now includes five businesses and more than 60 destinations.

We know that Asia will play a profoundly important role in Australia's future, and we have a long term strategy for success in the region.

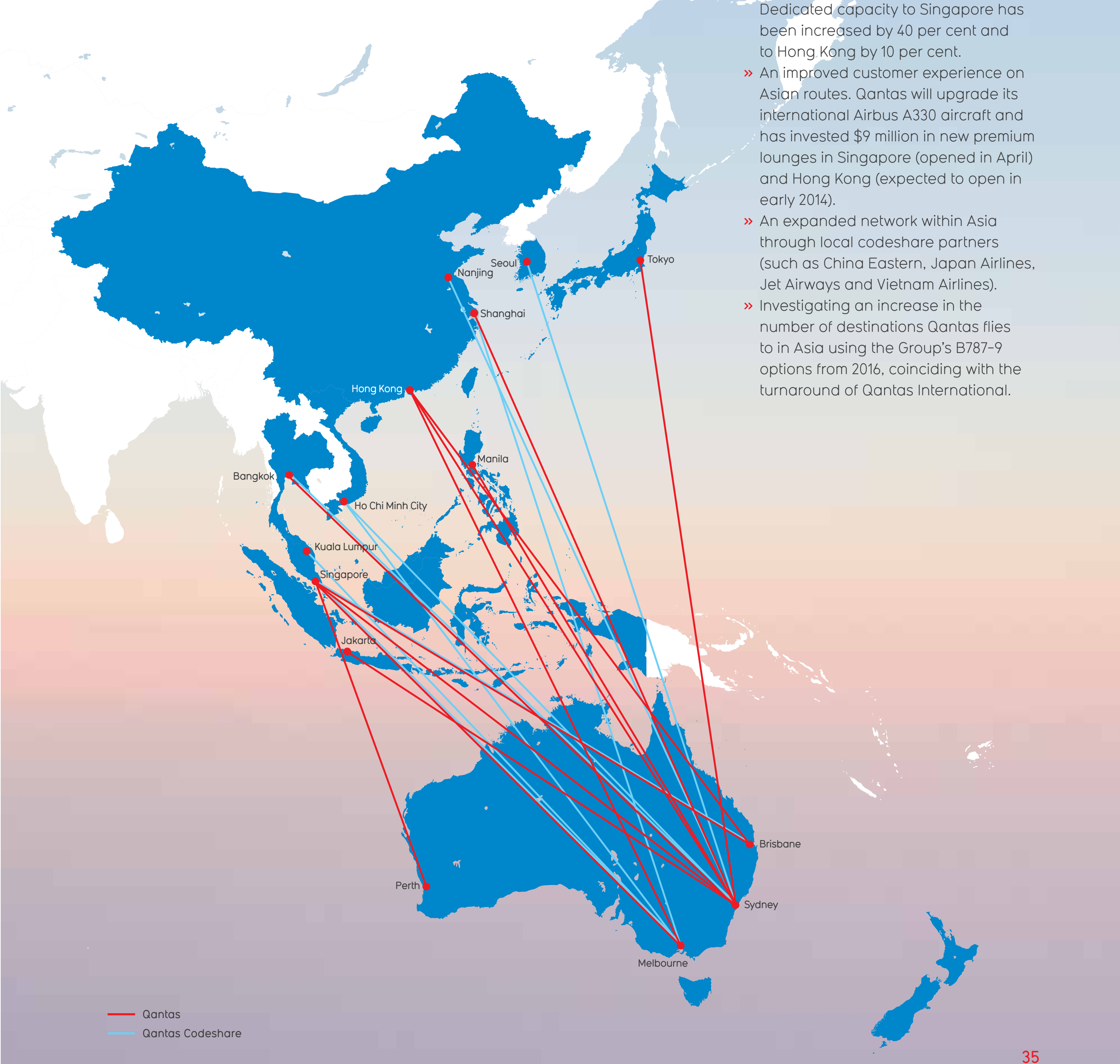
During 2012/2013, the Group took two major steps forward with this strategy: the restructure of Qantas' network following the launch of the Emirates partnership; and the launch and rapid growth of Jetstar Japan.

Qantas has extended its Australian lounge collaboration with Rockpool and Sofitel to the new Singapore lounge.

Qantas' Asian Network Restructure

In February Qantas announced a phased strategy in Asia, with the goal of offering the best customer service of any carrier between Australia and the region.

- Stronger links to the key hubs of Singapore and Hong Kong (better frequency and timings as well as increased dedicated capacity). Dedicated capacity to Singapore has been increased by 40 per cent and to Hong Kong by 10 per cent.
- An improved customer experience on Asian routes. Qantas will upgrade its international Airbus A330 aircraft and has invested $9 million in new premium lounges in Singapore (opened in April) and Hong Kong (expected to open in early 2014).
- An expanded network within Asia through local codeshare partners (such as China Eastern, Japan Airlines, Jet Airways and Vietnam Airlines).
- Investigating an increase in the number of destinations Qantas flies to in Asia using the Group's B787-9 options from 2016, coinciding with the turnaround of Qantas International.



Jetstar's Pan-Asian Network

Jetstar Japan

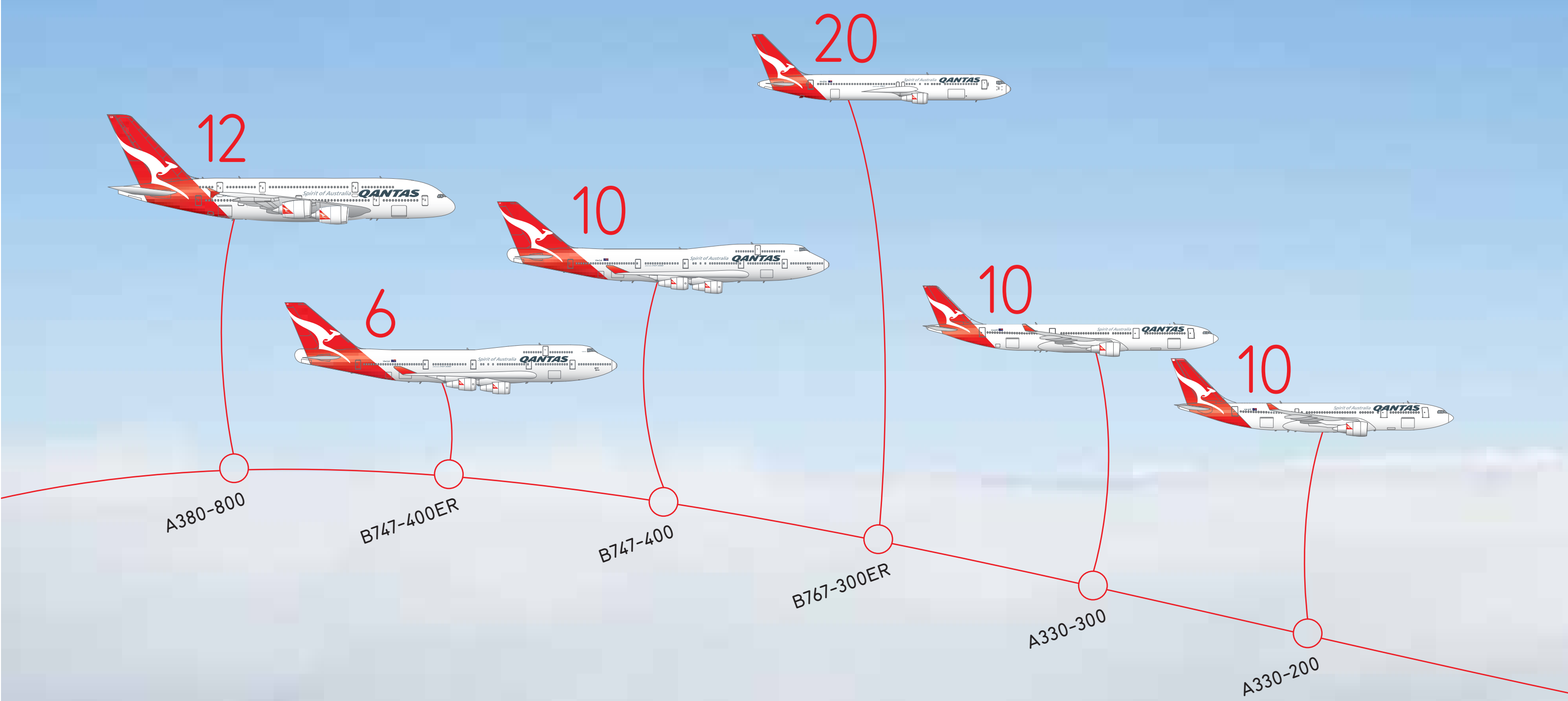
Jetstar Japan is pioneering domestic low-cost air travel in Japan, one of the world's largest aviation markets.

- » Joint venture with strong local partners: Japan Airlines, Mitsubishi and Tokyo Century Leasing Company.
- » Fleet has grown from an initial three aircraft to 13 in June 2013.
- » Network has grown from an initial two destinations to nine in June 2013.
- » Load factors, on-time performance and customer feedback have been excellent, with Jetstar Japan's Net Promoter Score – which measures customer satisfaction – the best anywhere on the Jetstar network.
- » The Japanese market is six times larger than the Australian domestic market, representing a huge growth opportunity for Jetstar Japan.

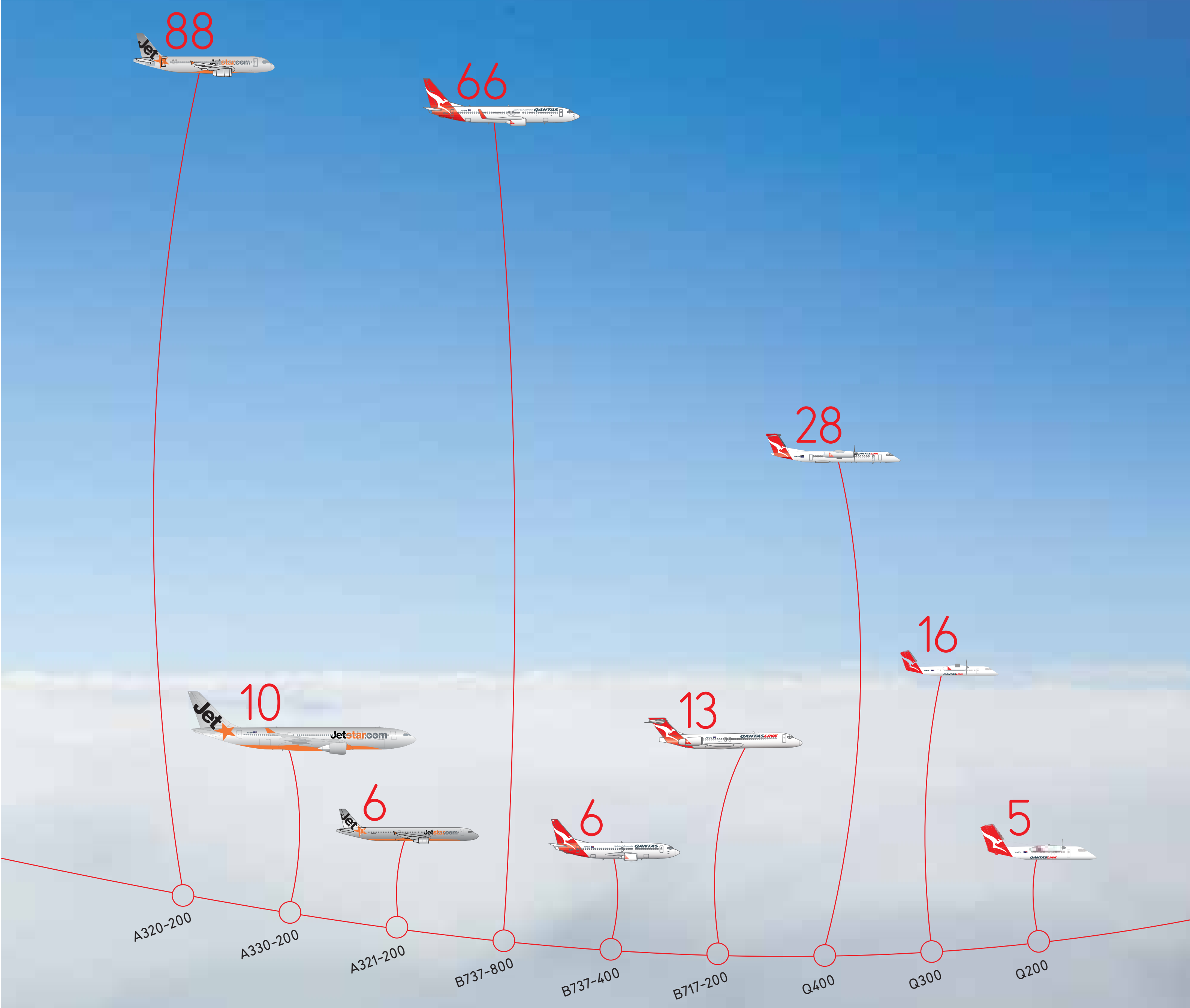
Jetstar's pan-Asian network now spans 16 countries and territories across the world's fastest growing region for air travel.

Qantas Group Passenger Fleet Map

In 2012/2013 the Qantas Group's average passenger aircraft age reached 7.9 years, the lowest in two decades.



Excludes Freighters and Network Aviation
Correct as at 30 June 2013



Jetstar A320s include Jetstar Asia, Jetstar Japan and Jetstar Pacific.

Qantas' 12 A380s are named after Australia's aviation pioneers, including Charles Ulm, who flew with Charles Kingsford Smith on the first crossing of the Pacific by air.

Australia's National Carrier

Qantas occupies a special place in Australian national life.

We are proud of our 93-year history and the contribution we make today as an employer of Australians, supporter of tourism and small business, buyer and promoter of Australian products, and partner for a diverse range of community organisations.

Our strategy to build a strong, sustainable Qantas Group over the long term will enable us to continue making this unique contribution to Australia's economy and community.

Australian Tourism's Biggest Supporter

No company is more invested in Australian tourism than the Qantas Group.

- Qantas and Jetstar passengers spent more than $28 billion as tourists in 2012/2013.
- We publicise Australian tourism destinations on all our flights, through advertising and marketing, and through social media and PR.
- We sponsor major events such as G'Day USA, the Australian Tourism Awards and the Australian Tourism Exchange.
- We continue to support major one-off initiatives that showcase Australian tourism, such as Ellen DeGeneres' visit to Australia.

On top of this fundamental commitment, we are forging new partnerships.

In March we announced a new $30 million, three-year marketing agreement with Destination New South Wales, the biggest tourism partnership we have ever signed with a state government. With 50 per cent of all international tourists to Australia visiting NSW, Qantas and Destination NSW will work together to promote the state in international and domestic markets.

We have also strengthened our tourism marketing relationships with Queensland – a $12 million agreement – and the Northern Territory.

With the Emirates partnership in place, Qantas' global sales force is now promoting Australia in more destinations than ever. And we will be collaborating with Emirates to promote inbound tourism – not just from the traditional markets of Europe, but from new markets in the Middle East and North Africa.

We are partnering with state tourism agencies to promote Australia around the world, including a $12 million agreement with Tourism Queensland.

The Ellen DeGeneres Show

- Two episodes of *The Ellen DeGeneres Show* featured Ellen's visit to Sydney and Melbourne, screening to a global audience of 16 million people in 23 countries.
- The Qantas/Destination NSW 'Dance Your Way Down Under' campaign increased inbound ticket sales by 22 per cent.
- The campaign earned 31 million impressions on Qantas websites and almost 100,000 total sales leads for businesses and services in NSW alone.
- Visitors from the United States who booked their travel with Qantas via the campaign plan to stay 12 nights in NSW on average.

The Ellen DeGeneres Show gave Qantas, and Australian tourism, unique exposure in the United States and around the world.

Working with our Defence Forces

As the national carrier, Qantas is a strategic asset for Australia.

Our relationship with national defence and emergency services, and the scale of our network and fleet, allow us to provide essential logistical support during natural disasters or other crises, such as the Queensland floods or Cairo protests of 2011.

In the past year, we have further strengthened these partnerships with Defence through an agreement governing reservists in the Qantas workforce and through participation in the new Strategic Aviation Forum — a channel for wide-ranging discussion between the Australian Defence Force and commercial airlines.

In April 2013, Qantas loaned the war service medals of co-founder Paul McGinnes (DCM, DFC) to the Shrine of Remembrance in Melbourne for five years, where they will be on public display.

In 2013/2014, Qantas will be working closely with Defence as Australia prepares to commemorate Australia's role and sacrifice in the First World War.

Environmental Responsibility

Environmental sustainability is a guiding principle for the Qantas Group.

We are committed to reducing our energy use, cutting emissions from our flights and property, and making a positive contribution to the environment through our own actions and partnership with environmental groups.

Fuel efficiency is a priority, given that jet fuel is the Qantas Group's single largest cost and is responsible for 95 per cent of our emissions. Our average aircraft age is now 7.9 years, the lowest since privatisation, as we renew our fleet with more efficient aircraft. Qantas and Jetstar are also leading the way in the development of cockpit technology that can help reduce fuel burn.

Looking to the future, we are investigating the next generation of sustainable aviation fuels. In collaboration with the Federal Government and Shell, we are conducting a feasibility study into the prospects for aviation biofuel in Australia.

On the ground, a highlight of 2012/2013 was the launch of a trigeneration plant to power our Sydney office and operations complex.

Qantas' environment strategy was recognised in 2012 with a prestigious Banksia Award in the corporate leadership category, and we are represented on a range of international sustainability indices.

Trigeneration in Sydney

» Trigeneration is a low-carbon form of energy production that is more than twice as efficient as traditional coal-fired generation.

» An engine powered by natural gas generates electricity, and the excess heat from the process – which would otherwise be lost – is captured and redirected to provide hot water, refrigeration and air conditioning.

» Qantas' Sydney facility is expected to help cut carbon emissions by around 14,000 tonnes per year – the equivalent of taking 3,500 cars off the road.

» More than 4,000 employees work in the buildings that will be powered by the facility – Qantas' corporate office buildings, catering centre, jet base and domestic terminal.

» The facility is Australia's largest commercial trigeneration plan and is expected to help increase the green energy rating of Qantas' Sydney headquarters from one-and-a-half to five stars.

Qantas is researching the potential for aviation biofuels to cut carbon emissions.

Reconciliation

Qantas was one of Australia's first major companies to introduce a Reconciliation Action Plan, in 2007, and we have made great progress since then.

We have a unique capacity to promote education, training, and employment for Indigenous Australians, as well as to raise awareness of Indigenous culture across Australia and around the world.

Our dedicated Indigenous careers team identifies job opportunities within the Qantas Group, and in partnership with the Australian Indigenous Education Foundation and the Clontarf Foundation we provide travel, work experience and job opportunities for promising young Indigenous people. Under our new agreement with Career Trackers, we are taking on 20 Indigenous interns over the next two years.

At the same time, we are engaging Group employees in our Indigenous programs and helping them better understand Indigenous culture, whether through formal training or by facilitating visits to Indigenous communities.

Highlights of 2012/2013:

- Established a mentoring program, 'Malu mentoring', so that we can better support our Indigenous workforce, with participants gaining certification in Mentoring Diverse Cultures.
- Launched an Indigenous Employee Portal, Daramu, on the Qantas Intranet to assist and communicate with our Indigenous employees.
- Introduced online cultural awareness training for Qantas employees and opened up training opportunities to more employees across the network.
- Continued to strengthen our supplier diversity program by more closely engaging our procurement team and other business areas, with the largest Qantas Group representation to date at the annual Supply Nation conference.
- Two students from the Clontarf Foundation joined our Indigenous School-Based Traineeship Program.

We are engaging Group employees in our Indigenous programs and helping them better understand Indigenous culture.

Clockwise from top left: Qantas CFO Gareth Evans speaking to Indigenous employees at the 2013 NAIDOC event; David Williams performing at the Qantas/Emirates Gala Dinner; Senior Adviser Indigenous Recruitment and Engagement Jason Timor and Adviser Indigenous Partnership Tiffanie Ireland with Northern Territory-based employees at the Reconciliation Week Roadshow in Darwin; and Qantas CEO Alan Joyce with Clontarf Foundation Chief Executive Officer Gerard Neesham at the Clontarf Aboriginal College in Perth.

Community Investment

The Qantas Group works with partner organisations dedicated to making a real difference to national challenges: poverty and social inclusion (especially among young Australians), disability awareness, health and environmental sustainability.

This effort is wide-ranging, encompassing financial contributions, collaborations on major events and initiatives, employee volunteering and the Group's charitable trust, the Qantas Foundation.

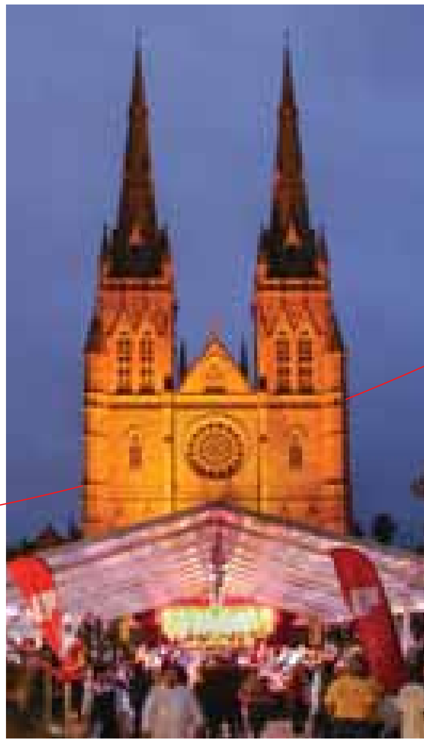
We also continue to support Australian excellence in the arts, sport, food and wine, recognising their importance to our national life.

Qantas in the community in 2012/2013:

- Launched a partnership with the Make-a-Wish Foundation to grant wishes by providing flights for young Australians with life-threatening illnesses.
- New partnership with Mission Australia's Youth Beat service in Tasmania, which reaches out to vulnerable young people, checking on their health and providing support where needed.
- Partnered with OzHarvest on the second annual CEO CookOff, where chefs and executives cook meals for more than 1,000 people in need – raising awareness of homelessness and more than $1 million in funds to help address it.
- Broad support for the cause of prostate cancer research and awareness, including the Prostate Cancer Foundation of Australia, Movember and the Australian Prostate Cancer World Conference, held in Melbourne in August.
- Helped talented young Australian artists and designers in 11 disciplines advance their career through the Spirit of Young Australia awards program – now in its eight year, with the winners securing funding and mentorship opportunities.
- The Jetstar 'Flying Start' Program was launched in Australia in January 2013, offering a $30,000 grant to a community group or cause. The program's first grant went to Mummy's Wish, a small charity that provides practical help for mothers affected by cancer.

Qantas is a strong advocate for the cause of men's health, including the 'Movember' initiative.

We continue to support Australian excellence in the arts, sport, food and wine, recognising their importance to our national life.



Clockwise from top left: Jetstar's Gemma Goullet in Vietnam; Make-A-Wish Foundation's Chloe Tsirizos with Qantas pilots on her way to Disneyland; 2013 CEO CookOff in front of St Mary's Cathedral in Sydney; Qantas Girls Choir at the 2013 CEO CookOff and 2013 Clean Up Australia Day.

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 Nominations Committee.

Mr Clifford is a Director of Bechtel Group, Inc. and Chairman of Bechtel Australia Pty Ltd and the Murdoch Childrens Research Institute. He is 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: 65

Alan Joyce

BApplSc(Phy)(Math)(Hon),MSc(MgtSc), MA, FRAeS, FTSE
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 and Security Committee.

Mr Joyce is a Director of a number of controlled entities of the Qantas Group.

Mr Joyce is a member of the International Air Transport Association's Board of Governors and served as Chairman from 2012 to 2013. He was the CEO of Jetstar from 2003 to 2008. Before that, Mr Joyce spent over 15 years in leadership positions with 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: 47

Maxine Brenner

BA, LLB
Independent Non-Executive Director

Maxine Brenner was appointed to the Qantas Board in August 2013.

She is a Member of the Remuneration Committee.

Ms Brenner is a Managing Director of Investment Banking at Investec Bank (Australia) Limited. She has extensive experience in corporate advisory work, particularly in relation to mergers and acquisitions, corporate restructures and general corporate activity.

Ms Brenner is a Director of Orica Limited, Growthpoint Properties Australia Limited and the State Library of NSW Foundation. She is also a Member of the Advisory Panel of the Centre for Social Impact at the University of New South Wales.

Previously Ms Brenner was the Deputy Chairman of Federal Airports Corporation and a Director of Neverfail Springwater Limited, Bulmer Australia Limited and Treasury Corporation of NSW. She also served as a Member of the Australian Government's Takeovers Panel.

Earlier, she practised as a lawyer with Freehills and was a law lecturer at the Universities of New South Wales and Sydney.

Age: 51

General Peter Cosgrove, AC, MC

FAICD
Independent Non-Executive Director

Peter Cosgrove was appointed to the Qantas Board in July 2005.

He is a Member of the Safety, Health, Environment and Security Committee and a Director of Qantas Superannuation Limited.

General Cosgrove is a Director of Cardno Limited, the Australian Rugby Union and Prince's Charities Australia. He is Chairman of the South Australian Defence Industry Advisory Board and Leading Age Services Australia and 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 International Forces were 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: 66

Patricia Cross

BSc(Hons), FAICD
Independent Non-Executive Director

Patricia Cross was appointed to the Qantas Board in January 2004.

She is Chairman of the Remuneration Committee and a Member of the Audit Committee and the Nominations Committee. In October 2013, Mrs Cross will retire from the Board after more than nine years of service.

Mrs Cross is a Director of Macquarie Group Limited, Macquarie Bank Limited, the Grattan Institute and the Australian Institute of Company Directors. She is an Ambassador for the Australian Indigenous Education Foundation.

Mrs Cross is a former Director of National Australia Bank Limited, Wesfarmers Limited, Suncorp-Metway Limited, AMP Limited, JBWere Pty Limited, and the Methodist Ladies College. She was Chairman of Qantas Superannuation Limited and Deputy Chairman of Victoria's Transport Accident Commission. She also served in honorary Government roles including the Australian Financial Centre Forum and the Financial Sector Advisory Council, as well as numerous charities.

Prior to becoming a professional company director in 1996, Mrs Cross held senior executive positions for over 15 years with Chase Manhattan Bank, Banque Nationale de Paris and National Australia Bank.

Age: 54

Richard Goodmanson

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

Richard Goodmanson was appointed to the Qantas Board in June 2008.

He is Chairman of the Safety, Health, Environment and Security Committee and a Member of the Nominations 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: 66

Jacqueline Hey

BCom, Assoc Dip (Marketing), GAICD
Independent Non-Executive Director

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

She is a Member of the Audit Committee.

Ms Hey is a Director of Bendigo and Adelaide Bank Limited and is Chairman of its Change & Technology Committee and a Member of its Audit and Risk Committees. She is also a Director of the Australian Foundation Investment Company Limited, Special Broadcasting Service and Cricket Australia.

Ms Hey is the Honorary Consul for Sweden in Victoria.

Between 2004 and 2010, Ms Hey was Managing Director of various Ericsson entities in Australia and New Zealand, the United Kingdom and Ireland and the Middle East. Her executive career with Ericsson spanned for more than 20 years in which she held finance, marketing, sales and leadership roles.

Age: 47

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 DuluxGroup Limited and Treasury Wine Estates Limited. He is also Chairman of Investec Global Aircraft Fund and a Director of Ingeus Limited.

Mr Hounsell was formerly a Director of Orica Limited and Nufarm Limited and Deputy Chairman of Mitchell Communication Group Limited. He was also a former Senior Partner of Ernst & Young, Chief Executive Officer and Country Managing Partner of Arthur Andersen and a Board Member of law firm Herbert Smith Freehills.

Age: 58

William Meaney

BScMEng, MSIA
Independent Non-Executive Director

William Meaney was appointed to the Qantas Board in February 2012.

He is a Member of the Safety, Health, Environment and Security Committee.

Mr Meaney is the President and Chief Executive Officer of Iron Mountain Inc. He is a Member of the Asia Business Council and also serves as Trustee of Carnegie Mellon University and Rensselaer Polytechnic Institute.

Mr Meaney was formerly the Chief Executive Officer of The Zuellig Group and a Director of moksha8 Pharmaceuticals, Inc. He was also the Managing Director and Chief Commercial Officer of Swiss International Airlines and Executive Vice President of South African Airways responsible for sales, alliances and network management.

Prior to these roles, Mr Meaney spent 11 years providing strategic advisory services at Genhro Management Consultancy, as the Founder and Managing Director, and as a Principal with Strategic Planning Associates.

Mr Meaney holds United States, Swiss and Irish citizenships.

Age: 53

Paul Rayner

BEc, MAdmin, FAICD
Independent Non-Executive Director

Paul Rayner was appointed to the Qantas Board in July 2008.

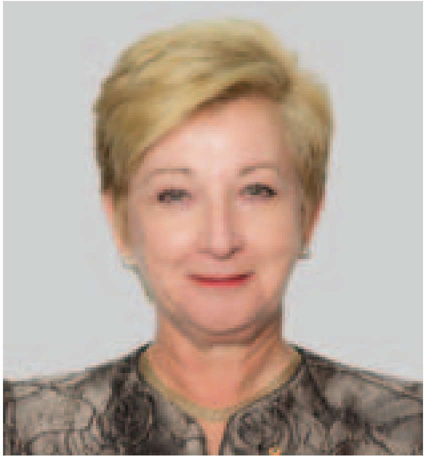
He is a Member of the Audit Committee and the Remuneration Committee.

Mr Rayner is Chairman of Treasury Wine Estates Limited and a Director of Centrica plc. He is also a Director of Boral Limited and Chairman of its Audit Committee.

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: 59



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 and Security Committee and the Audit Committee.

Ms Ward is a Director of a number of Brookfield Multiplex Group companies, O'Connell Street Associates Pty Ltd and the Sydney Children's Hospital Foundation.

She was formerly a Director of the Commonwealth Bank of Australia, Lion Nathan Limited, Brookfield Multiplex Limited, Allco Finance Group Limited, Rail Infrastructure Corporation, Delta Electricity, Ausgrid, Endeavour Energy and Essential Energy. She was also Chairman of Country Energy and NorthPower, a Board Member of Allens Arthur Robinson and on the Advisory Board of LEK Consulting.

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: 59

Review of Operations

FOR THE YEAR ENDED 30 JUNE 2013

The Qantas Group reported an improved Underlying PBT[1] of $192 million for the year ended 30 June 2013, up $97 million on last year. Statutory Profit Before Tax (Statutory PBT) is up $366 million to $17 million and Statutory Profit After Tax is up $250 million to $6 million.

HIGHLIGHTS OF THE FULL-YEAR RESULT INCLUDE:

- Underlying PBT $192 million in challenging market conditions
  - Significant net underlying unit cost improvement[2]
  - Resilient Group Domestic earnings despite yield pressure
  - Steady improvement in Qantas International
  - Record result for Qantas Loyalty[3]
- Delivering on strategic priorities
  - Strengthening the Group's Domestic position
  - Enhancing alliances, launch of Emirates partnership
  - Qantas Transformation delivering benefits
  - Growing Qantas Loyalty
  - Building Jetstar in Asia
- Securing the future with financial discipline
  - Positive net free cash flow[4] of $372 million
  - Significant debt reduction
  - Prudent capital management
  - Strong liquidity position

UNDERLYING PBT

The Qantas Group Underlying PBT increased to $192 million in challenging market conditions. The result was underpinned by a significant improvement in net underlying unit cost[2] and reflects the Group's delivery of its strategic priorities.

Group Underlying Income Statement Summary		June 2013	June 2012	Change	% Change
Net passenger revenue[5]	$M	13,673	13,625	48	–
Net freight revenue[6]	$M	935	903	32	4
Other revenue[5,6]	$M	1,294	1,196	98	8
Revenue	$M	**15,902**	**15,724**	**178**	**1**
Operating expenses (excluding fuel)[7]	$M	(9,273)	(9,200)	(73)	(1)
Share of net (loss)/profit of associates and jointly controlled entities	$M	(39)	3	(42)	>(100)
Fuel[7]	$M	(4,243)	(4,329)	86	2
Depreciation and amortisation	$M	(1,450)	(1,384)	(66)	(5)
Non-cancellable aircraft operating lease rentals	$M	(525)	(549)	24	4
Expenses	$M	**(15,530)**	**(15,459)**	**(71)**	**–**
Underlying EBIT[8]	$M	**372**	**265**	**107**	**40**
Net finance costs[7]	$M	(180)	(170)	(10)	(6)
Underlying PBT	$M	**192**	**95**	**97**	**102**

1 Underlying Profit Before Tax (PBT) is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas International, Qantas Domestic, Jetstar Group, Qantas Loyalty and Qantas Freight operating segments is Underlying EBIT as net finance costs are managed centrally. The primary reporting measure of the Corporate/Unallocated segment is Underlying PBT. Refer to page 62 for a reconciliation of Underlying PBT to Statutory PBT.

2 Net Underlying Unit Cost is the primary measure of unit cost used by the Qantas Group. It is measured as Underlying PBT less passenger revenue and fuel per ASK. Comparable unit cost is also provided as a measure of net underlying unit cost adjusted to aid comparability between reporting periods. Comparable unit cost is calculated as Net Underlying Unit Cost adjusted for the impact of industrial action (2011/2012), Boeing settlement, change in estimate of passenger revenue received in advance, carbon tax (2012/2013) and movements in average sector length.

3 Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009. The Qantas Frequent Flyer segment was renamed Qantas Loyalty during the year.

4 Net free cash flow – Operating cash flows less investing cash flows. Net free cash flow is a measure of the amount of operating cash flows that are available (i.e. after investing activities) to fund reductions in net debt or payments to shareholders.

5 Net passenger revenue has been adjusted in 2012/2013 to include associated ancillary passenger revenue, passenger service fees, charter revenue and lease revenue from codeshare previously reported as Other revenue. 2011/2012 net passenger revenue and other revenue has been restated accordingly. These items remain excluded from the calculation of yield.

6 Net Freight revenue has been adjusted in 2012/2013 to include lease revenue from codeshare previously reported as other revenue. 2011/2012 net freight revenue and other revenue has been restated accordingly.

7 Underlying operating expenses (excluding fuel), fuel and net finance costs differ from equivalent statutory expenses due to items excluded from Underlying PBT, such as adjustments for impacts of AASB 139 which relate to other reporting periods and other items identified by Management. Refer to page 62 for a reconciliation of Underlying PBT to Statutory PBT.

8 Underlying Earning Before Net Finance Costs and Tax (EBIT) is the primary reporting measure for all segments except Corporate/Unallocated.

Operating statistics		June 2013	June 2012	Change	% Change
Available Seat Kilometres (ASK)[9]	M	139,909	139,423	486	–
Revenue Passenger Kilometres (RPK)[10]	M	110,905	111,692	(787)	(1)
Passengers Carried	000	48,276	46,708	1,568	3
Revenue Seat Factor[11]	%	79.3	80.1	(0.8)	(1)
Yield (excluding FX)[12]	c/RPK	10.33	10.58	(0.25)	(2)
Net Underlying Unit Cost[2]	c/ASK	4.99	5.30	0.31	6
Comparable Unit Cost[13]	c/ASK	4.97	5.23	0.26	5

Revenue growth of one per cent was achieved despite a tough operating environment. A decline in yield was driven by excess domestic market capacity, a mixed economic environment and aggressive competitive responses to the Qantas and Emirates partnership and Jetstar's Asian strategy. Competition has been particularly aggressive in the Asia-Pacific as the region's relative economic strength and the high Australian dollar have attracted foreign carriers looking to improve yield and leverage cost advantages. However this was offset by growth in other revenue streams. Qantas Loyalty delivered continued growth in members and revenue to achieve another record result[3]. Jetstar further improved its ancillary revenues per passenger, on top of nine per cent growth in passenger numbers. Charter revenue almost doubled reflecting Qantas' market leading charter proposition.

Net passenger revenue includes a $134 million[14] benefit that follows a review of key accounting judgements and estimates for tickets which have passed the ticketed travel date. This change aligns the timing of Group revenue recognition and the measurement of revenue received in advance with ticket terms and conditions and historic experience.

Net freight revenue increased following the acquisition of Australian air Express in November 2012, offset by reductions in capacity as a result of the Qantas International network changes.

Other revenue includes a $125 million settlement following the restructuring of the Group's Boeing 787 deliveries. This amount has been equally apportioned to Qantas International, Qantas Domestic and Jetstar Group. The additional revenue was partially offset by a reduction in third party contract revenue due to the sale of catering centres.

Qantas Group Net underlying unit cost[2] improved six per cent. Comparable unit cost[13] improved five per cent despite the $56 million impact of the European hub transfer from Singapore to Dubai, a $31 million increase in losses resulting from the start-up of Jetstar-branded airlines in Asia and $26 million back-pay following finalisation of the work place agreement for long-haul pilots. The unit cost improvement reflects the benefit of Qantas Transformation delivering results, successful growth in Jetstar and the control of costs across the business. The introduction of the carbon tax drove up operating expenses by $106 million.

Fuel costs reduced two per cent on prior year. This was driven by fleet modernisation and reconfiguration initiatives completed during the year. The average fuel price remained high, in line with prior year.

The increase in net finance costs was driven by the full-year impact of the fleet renewal program[15].

Segment Performance Summary		June 2013	June 2012	Change	% Change
Qantas Domestic	$M	365	463	(98)	(21)
Qantas International	$M	(246)	(484)	238	49
Qantas Loyalty[16]	$M	260	231	29	13
Qantas Freight	$M	36	45	(9)	(20)
Qantas Brands Eliminations	$M	3	(6)	9	>100
Qantas Brands	$M	**418**	**249**	**169**	**68**
Jetstar Group	$M	138	203	(65)	(32)
Corporate/Unallocated	$M	(185)	(191)	6	3
Eliminations	$M	1	4	(3)	(75)
Underlying EBIT	$M	**372**	**265**	**107**	**40**
Net Finance Costs	$M	(180)	(170)	(10)	(6)
Underlying PBT	$M	**192**	**95**	**97**	**102**

9 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
10 RPK – total number of passengers carried, multiplied by the number of kilometres flown.
11 Revenue Seat factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.
12 Yield (excluding FX) – Passenger revenue excluding FX, divided by RPKs.
13 Comparable Unit Cost – Net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012), Boeing settlement, change in estimate of passenger revenue received in advance (2012/2013), carbon tax (2012/2013) and movements in average sector length.
14 The net passenger revenue benefit of $134 million is represented by $80 million for Qantas Domestic and $54 million for Qantas International.
15 The fleet renewal program was substantially completed in 2011/2012.
16 The Qantas Frequent Flyer segment was renamed Qantas Loyalty during the year.

All operating segments delivered profitable results, with the exception of Qantas International. The benefits from Qantas Transformation initiatives drove a steady improvement in the Qantas International Underlying EBIT toward a return to profit by 2014/2015. The Qantas and Emirates partnership announced in September 2012 and launched on 31 March 2013, will deliver substantial benefits. The Underlying EBIT result includes a $56 million adverse impact associated with transitioning Qantas' European hub to Dubai.

Qantas Domestic reported a resilient Underlying EBIT of $365 million despite intense competition and excess market capacity impacting yield and load. The Qantas Domestic result includes $77 million of carbon tax. Qantas Domestic achieved superior on-time performance[17] for the fourth consecutive year and remains the domestic airline of choice for the corporate market supported by continuing network and product enhancements.

Jetstar achieved a seven per cent increase in revenue while advancing its strategy of growth in Asia. Jetstar's full-year Underlying EBIT of $138 million reflects the impact of domestic competitive pressures, $29 million of carbon tax and $50 million in associate start-up losses to position Jetstar for success in Asia through its Jetstar-branded airlines in Jetstar Japan, Jetstar Hong Kong and Jetstar Pacific.

Overall, the Qantas Group's domestic operations contributed more than $450 million to Underlying EBIT.

Qantas Loyalty achieved a record[18] full-year Underlying EBIT of $260 million, a 13 per cent improvement on last year. Partner expansion and new award and redemption opportunities have driven program membership up nine per cent, to 9.4 million members in 2012/2013, targeting 10 million members by June 2014.

Qantas Freight Underlying EBIT of $36 million was down $9 million on last year. This was driven by reductions in Qantas International capacity, weaker domestic market conditions and the sale of StarTrack. Qantas Freight restructured its domestic business through the sale of StarTrack and the acquisition and integration of Australian air Express.

DELIVERING ON STRATEGIC PRIORITIES

The Group's objective is to deliver sustainable returns to shareholders by leveraging its portfolio of leading airline brands and loyalty program while being the first choice for customers in the markets we serve.

STRATEGIC PRIORITIES	
GROUP DOMESTIC **Dual brand (Qantas, Jetstar)**	» Best for business, premium leisure and price-sensitive customers » Most extensive network; profit maximising 65% market share » Maintain margin advantage
QANTAS INTERNATIONAL **Clear path to return to profit**	» Significant cost base transformation; improved fleet economics » Strengthening alliances; network optimisation » World-class customer offering
QANTAS LOYALTY **Leading loyalty business**	» Deepen customer and partner engagement » Driving strong growth with minimal capital » Continued innovation; new revenue streams
JETSTAR IN ASIA **Well positioned in growing market**	» Strategic local partners » Highly recognised brand » Leveraging low-cost model to realise potential
STRONG FINANCIAL DISCIPLINE	» Positive net free cash flow on a full year basis; debt reduction » Unit cost improvement » Prudential capital expenditure » Investment grade credit rating

The Qantas Group has made significant progress in delivering on its strategic priorities during the year.

» Strengthening the Group's domestic position
» Enhancing alliances, launch of Emirates partnership
» Qantas Transformation delivering benefits
» Growing Qantas Loyalty
» Building Jetstar in Asia

Strengthening the Group's domestic position

The Group has maintained its leading network advantage through its profit maximising 65% domestic market share. The dual brand strategy of Qantas and Jetstar is working effectively to provide the right product and a margin advantage across the business, premium leisure and price-sensitive markets.

17 Source: BITRE July 2009-June 2013.
18 Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009.

Enhancing alliances, launch of Emirates partnership

Qantas' world leading airline partnership with Emirates was successfully launched on 31 March 2013.

The partnership delivers on Qantas' outstanding customer product offering and enables Qantas to provide its customers with 98 weekly services between Australia and Dubai. Dubai's 24 hour hub provides seamless connections to over 175 destinations worldwide for Qantas customers. This has enabled the exit of loss making routes and the restructure of the Asian network.

The Qantas and Emirates partnership continues to expand with joint network bookings across the trans-Tasman available from August 2013. Together, we will operate around 130 services per week from Auckland, Christchurch, Wellington and Queenstown to Australian east coast cities – then onwards to more than 65 destinations in the Middle East, North Africa and Europe.

With increased dedicated capacity to Singapore and Hong Kong, enabling more same-day connectivity across Asia, Qantas International is well placed to better service the Asian market – the world's fastest growing aviation market. Ongoing enhancement to the Asian code shares, including the expansion of the China Eastern partnership, will also deliver improved connectivity and reach into Asia.

The gateway strategy extends beyond the Emirates Partnership and Asia:

» Daily flying into Dallas Fort Worth, with connections to American Airlines' US domestic network.
» Ongoing discussions with LATAM to strengthen Santiago as the gateway to South America, with TAM joining **one**world in 2014.
» Reaffirming our partnership with South African Airways, opening up southern Africa via Johannesburg.

Qantas Transformation delivering benefits

Qantas Transformation initiatives delivered benefits of $428 million in 2012/2013. This is made up of $171 million from strategic initiatives and additional benefits of $257 million through operational initiatives to offset the impact of inflation and improve unit cost.

The Qantas Transformation strategic initiatives delivered in 2012/2013 include:

» The exit of loss making routes.
» The completion of the reconfiguration program[19] to improve product quality, consistency and fleet economics of 12 A380-800 and nine B747-400 aircraft.
» The consolidation of engineering and catering facilities.

The Qantas transformation is expected to deliver cumulative strategic benefits to Underlying EBIT of $300 million in 2013/2014. The aim is for Qantas International to be profitable in 2014/2015 and Qantas Brands to sustainably achieve cost of capital in the long-term.

Growing Qantas Loyalty

Qantas Loyalty is generating its next wave of growth through the launch of Qantas Cash, loyalty services, the Qantas Frequent Flyer Toolbar and continues to leverage its existing loyalty program expertise through management of new client programs.

Building Jetstar in Asia

Jetstar has positioned its highly recognised brand to benefit from growth opportunities in the Asian market with the successful launch of Jetstar Japan, the development of Jetstar Hong Kong[20] and the completion of Jetstar Pacific's fleet renewal[21]. In March 2013 the Australian Competition and Consumer Commission granted approval to coordinate networks between the Asian-based Jetstar-branded airlines.

Jetstar Japan successfully launched in July 2012 with investors Mitsubishi, Japan Airlines and Century Tokyo Leasing Corporation. Since launch, it has carried 2 million passengers and is now the largest domestic low-cost carrier operating in Japan[22]. The fleet has grown to 13 aircraft and is expected to grow to 24 aircraft in the short to medium term. All of Jetstar Japan's aircraft have been sourced by Qantas, demonstrating the flexibility of the Group's fleet plan in supporting the Asian strategy.

Jetstar Hong Kong's application for regulatory approval is underway with China Eastern Airlines and the new local investor Shun Tak Holdings. The airline has built up a local management team, started pilot and cabin crew recruitment as well as advanced its Air Operators Certificate application. Regulatory approval is expected by end of calendar year 2013. The airline is planned to grow up to 18 aircraft within the medium term.

MATERIAL BUSINESS RISKS[23]

The aviation industry is subject to a number of inherent risks. These include, but are not limited to, exposure to changes in economic conditions, significant aviation incidents, changes in government regulations, fuel and foreign exchange volatility and other exogenous events such as natural disasters, war or epidemic.

19 Last aircraft completed in July 2013.
20 Subject to regulatory approval.
21 Completed fleet transformation replacing its 737-400 fleet with A320-200 aircraft 18 January 2013.
22 Based on fleet size and domestic ASKs as at 22 August 2013, compared to Peach and Air Asia Japan.
23 An expanded discussion of material business risks has been provided following the introduction of ASIC Regulatory Guide 247 on Presentation of an Operating and Financial Review in March 2013.

Qantas is subject to a number of specific business risks which may impact the achievement of the Group's strategy and financial prospects:

» **Competitive intensity** – Excess market capacity impacts industry profitability
  - Australia's liberal aviation policy settings coupled with the strength of the Australian economy relative to global economic weakness and the strong Australian dollar has attracted more offshore competitors to the Australian international aviation market including state sponsored airlines. Qantas is responding by building key strategic partnerships and maintaining a strong focus on improving the cost base through the transformation agenda. Qantas continues to leverage its considerable fleet flexibility to appropriately manage the international network.
  - The Australian domestic aviation market has attracted increased competition in recent years. The resulting intensity of competition and risk of continued capacity growth in excess of demand is being mitigated by Qantas maintaining the 65% profit maximising domestic market share and executing Qantas Group's dual brand strategy. This strategy leverages Qantas Domestic (including QantasLink) to serve business and premium leisure customers and Jetstar to serve price sensitive customers. Qantas Domestic is improving its cost base through its transformation initiatives and fleet renewal while Jetstar is working to maintain its low-cost leadership position.

» **Jetstar-branded airlines in Asia** – The Jetstar-branded airlines being established across Asia (Jetstar Japan and Jetstar Hong Kong) are in the start-up phase. The inherent risk associated with start-up operations, including obtaining necessary regulatory approvals, is being mitigated through selection of strong local partners, leveraging their strength in each market and sharing risk through appropriate equity structures.

Qantas mitigates the potential impact of risk on the Group's financial prospects by maintaining a strong capital base to maintain creditor confidence, sustain future development of the business and maximise shareholder value. Qantas targets a capital structure consistent with an investment grade credit rating while maintaining adequate liquidity. The Group maintains access to a broad range of capital sources and the capacity to manage capital expenditure through a flexible fleet order book and processes to strategically prioritise investments and divest non-core assets.

In addition, due to the size and complexity of the operations Qantas is also exposed to a number of other risks that may impact the Group:

» **Industrial relations** – The risk of industrial action relating to Qantas' collective agreements with its employees is being mitigated through continuous stakeholder and employee engagement initiatives. The success of these programs is reflected through improving employee engagement scores.

» **Continuity of critical systems** – Qantas operations depend on the continuous functioning of a number of information technology and communication services. Qantas has an extensive control and management framework to reduce the likelihood of outages, ensure early detection and to mitigate the impact.

SECURING THE FUTURE WITH FINANCIAL DISCIPLINE

» Positive net free cash flow[24] of $372 million
» Significant debt reduction
» Prudent capital management
» Strong liquidity position

Cash Flow Summary		June 2013	June 2012	Change	% Change
Operating cash flows	$M	1,417	1,810	(393)	(22)
Investing cash flows	$M	(1,045)	(2,282)	1,237	54
Net free cash flow[24]	$M	**372**	**(472)**	**844**	**>100**
Financing cash flows	$M	(953)	370	(1,323)	>100
Effect of foreign exchange on cash	$M	12	4	8	>100
Cash at period end	$M	**2,829**	**3,398**	**(569)**	**(17)**

Qantas has strengthened its financial position during the period. Positive net free cash flows and an ongoing strong liquidity position supported an eight per cent reduction in net on balance sheet debt and continuing on-market share buy-back. Over $1.8 billion of debt and related hedging was repaid or refinanced during the year.

Positive net free cash flow of $372 million was achieved for the period. This is the third consecutive half year of positive net free cash flow and reflects the Group's continued focus on maintaining an investment grade credit rating[25] by strengthening the balance sheet through disciplined capital management.

24 Net free cash flow – Operating cash flows less investing cash flows. Net free cash flow is a measure of the amount of operating cash flows that are available (i.e. after investing activities) to fund reductions in net debt or payments to shareholders.
25 Qantas is investment grade rated by both Moody's (Baa2) and Standard & Poor's (BBB-).

Qantas invested $1.3 billion in its customer product and fleet during the year. Six new unencumbered aircraft were added to the fleet (three B737-800s and three A320-200s). In addition, several non-core assets were sold, including the Group's interest in StarTrack and the Sydney Riverside and Cairns catering facilities.

The Group continues to retain significant flexibility in its financial position, funding strategies and fleet plan to ensure that it can respond to changing market conditions and remain positioned for sustainable growth.

The Group finished the period with a strong liquidity position including $2.8 billion in cash and $630 million in undrawn standby, and revolving facilities. Qantas' debt maturity profile was further extended during the period. The Group's syndicated loan facility was refinanced and oversubscriptions were taken up increasing the facility to $550 million. In addition the Group issued $250 million of unsecured fixed rate notes with a maturity in 2020, with the proceeds being used to repay existing shorter-term debt.

Debt and Gearing Analysis		June 2013	June 2012	Change	% Change
Net on balance sheet debt[26]	$M	3,226	3,507	281	8
Net Debt including operating lease liabilities[27]	$M	4,819	5,367	548	10
Adjusted Equity[28]	$M	5,654	5,559	95	2
Gearing Ratio[29]		46:54	49:51	3pts	6

Fleet

The Qantas Group remains committed to a fleet strategy that provides for long-term fleet renewal, simplification and disciplined growth. The fleet strategy is designed to support the strategic objectives of the Group's two flying brands, whilst retaining significant flexibility to respond to changes in market conditions.

At 30 June 2013, the Qantas Group fleet, including Jetstar Asia, Qantas Freight and Network Aviation, comprised 312 aircraft. During 2012/2013 the Group purchased 17 aircraft (including four purchased ex-lease) and leased 11 aircraft:

» Qantas – seven B737-800s (owned), one A330-200 (leased), three Bombardier Q400s (owned) and four B767-300s (purchased ex-lease).
» Jetstar (including Jetstar Asia) – 13 A320-200s (three owned and 10 leased).

The Group removed 20 aircraft from service during the year including nine lease returns. This included five B747-400s, three B767-300s, six B737-400s and six A320-200s.

The Qantas Group's scheduled passenger fleet average age is now 7.9 years, the lowest average age since privatisation. The benefits of fleet investment include improved customer satisfaction, environmental outcomes, improving yields, operational efficiencies and cost reductions.

QANTAS DOMESTIC

» Clear profit leader in the domestic market
» Strengthening domestic market position despite challenging competitive environment
» Superior on-time performance
» Record levels of consistent customer satisfaction
» Enhancing regional and charter offering

		June 2013	June 2012	Change	% Change
Total Revenue and Other Income	$M	6,218	6,063	155	3
Revenue Seat Factor	%	75.9	77.7	(1.8) pts	(2)
Underlying EBIT	$M	365	463	(98)	(21)

Qantas Domestic Underlying EBIT of $365 million for the year ended 30 June 2013 was $98 million down from the prior year.

The reduction in Underlying EBIT was driven by the introduction of the carbon tax and capacity growth in the Australian domestic market of eight per cent[30], exceeding market demand. This challenging competitive environment resulted in reduced loads and weaker yields.

26 Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt less cash, cash equivalents and aircraft security deposits.
27 Net debt including operating lease liabilities includes net on balance sheet debt and off balance sheet aircraft operating lease liabilities. Operating lease liabilities are measured as the present value of minimum lease payments for aircraft operating leases which, in accordance with AASB 117: Leases, is not recognised on balance sheet. This operating lease liability has been calculated in accordance with Standard and Poor's methodology using an assumed interest rate of nine per cent.
28 Adjusted equity includes Equity adjusted to exclude hedge reserves, defined benefit superannuation prepayments (net of deferred tax) and to include any vested benefit surplus/deficit of defined benefit superannuation plans (net of deferred tax).
29 Gearing Ratio is net debt including operating lease liability to net debt including operating lease liability and adjusted equity. The gearing ratio is used by management to represent the Qantas Group's debt obligation including obligations under operating leases.
30 BITRE July 2012 to June 2013.

Qantas Domestic's comparable unit cost[31] improved three per cent on last year. Cost savings included transformation benefits associated with the consolidation of the Tullamarine Heavy Maintenance base into the Brisbane facility, consolidation of engineering support functions, improved fleet economics, rationalisation of catering facilities and other program initiatives.

Domestic customer satisfaction and advocacy is at its highest consistent levels and the net promoter score is at its highest level since recording commenced in August 2008. Qantas Domestic was recognised through a number of industry awards:

» 'Best Domestic Airline'[32] four years running
» 'Regional Airline of the Year'[33]
» 'Best Regional Airline'[34]
» 'Best Australian Lounges'[35]

Qantas has achieved superior on time performance for the last four years[36].

Qantas strengthened its customer proposition through investing in a number of customer product enhancements in the year. This included the expansion of in-seat entertainment across the domestic network[37] and completion of the B767-300 fleet refurbishment, including Q-Streaming in-flight entertainment.

Qantas continues to be the clear choice for business travellers and has maintained its corporate market revenue share.

Qantas continues to support the regional market position through QantasLink and Network Aviation services securing significant corporate charter contracts in the year. QantasLink took delivery of three Bombardier Q400 aircraft during the year and announced a further three Bombardier Q400 and five leased B717-200 aircraft to join the network from the second half of 2013.

QANTAS INTERNATIONAL

» Steady improvement in Underlying EBIT
» Qantas Transformation initiatives delivering unit cost improvements
» Successful launch of the Qantas Emirates partnership providing a substantially enhanced customer offering
» Highest customer satisfaction on record[38]

		June 2013	June 2012	Change	% Change
Total Revenue and Other Income	$M	5,496	5,770	(274)	(5)
Revenue Seat Factor	%	81.6	82.1	(0.5) pts	(1)
Underlying EBIT	$M	(246)	(484)	238	49

Qantas International Underlying EBIT loss of $(246) million for the year represents a $238 million (or 49 per cent) improvement on the prior year.

The improved result reflects ongoing transformation benefits. Cost saving initiatives include the consolidation of heavy maintenance facilities and the exit of loss making routes (including the Singapore to Frankfurt service) which enabled retirement of older B747-400 aircraft. These combined benefits have delivered a comparable unit cost[39] improvement of five per cent compared to prior year. Productivity and cost benefits have more than offset the impact that increased competition has had on industry wide fares. International market capacity in and out of Australia grew by five per cent[40] during the year.

Significant improvement to Qantas' international product resulted in increased customer advocacy and record customer satisfaction[38]. A range of business inflight customer enhancements were introduced, including the sleeper service, a new menu offering and select on Q-Eat. The launch of the Qantas Emirates partnership coincided with the roll out of chauffeur drive and Dubai connect. The completion of the B747-400 reconfiguration program has also ensured that customer satisfaction on these services is on par with the A380-800 product. The new Singapore premium lounge was opened, offering an enhanced customer experience.

31 Comparable Unit Cost–net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012), Boeing settlement, change in estimate of passenger revenue received in advance (2012/2013), carbon tax (2012/2013) and movements in average sector length.
32 Australian Federation of Travel Agents National Industry Awards 2010–2013.
33 Air Transport World Awards 2012.
34 Australian Traveller Magazine Awards 2012.
35 Australian Business Traveller Magazine Awards 2012.
36 BITRE July 2010 to June 2013.
37 Twenty B737-800 aircraft delivered by 30 June 2013 including in-seat entertainment. Available on selected routes.
38 Annual average calendar year customer satisfaction. Qantas started recording customer satisfaction in 2003.
39 Comparable unit cost – Net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012) and Boeing settlement (2012/2013), change in estimate of passenger revenue received in advance (2012/2013) and movements in average sector length.
40 BITRE July 2012 to June 2013.

JETSTAR

- Strong position in attractive growth markets
- Best low-cost carrier Australia-Pacific[41]
- Continued growth in ancillary revenue per passenger
- Unit cost[42] improvement
- Building a strong brand across Asia
- Leading low-cost technology and customer offering

		June 2013	June 2012	Change	% Change
Total Revenue and Other Income	$M	3,288	3,076	212	7
Seat Factor	%	79.1	79.2	(0.1)pts	(0.1)
Underlying EBIT	$M	138	203	(65)	(32)

Jetstar Underlying EBIT for year ended 30 June 2013 is $138 million, down $65 million from the prior corresponding period.

The decline in earnings was primarily driven by start up losses from Jetstar Japan and Jetstar Hong Kong, introduction of the carbon tax and excessive domestic market capacity. Jetstar's revenue growth has been supported by increased capacity (seven per cent) and passengers (nine per cent), coupled with Jetstar's continued focus on ancillary revenue.

Jetstar has been profitable every year since launch and awarded best low-cost carrier in Australia-Pacific[41] for the third consecutive year. Jetstar continued to grow its ancillary revenue per passenger (up five per cent[43]).

Jetstar improved unit cost[42] by three per cent compared to last year retaining its low-cost carrier margin advantage.

Jetstar Asia continues to build a strong brand, with 10 per cent passenger growth in an increasingly competitive market. Jetstar Asia delivered its second consecutive year of profitability[44].

Jetstar Pacific has successfully completed its fleet renewal program. It is now flying five A320-200s with an average fleet age of eight years. This has delivered a significant improvement in fleet economics, resulting in unit cost improvement. Jetstar Pacific has planned growth to 15 aircraft by financial year 2016/2017.

Jetstar will be the first low-cost carrier in the Asia-Pacific to fly the B787-8 Dreamliner, with the first flight planned by the end of the 2013 calendar year. There are currently seven A320-200s across the Jetstar-branded airlines fitted with fuel-saving sharklets.

QANTAS LOYALTY

- Record[45] Underlying EBIT of $260 million, up 13 per cent on the prior year
- Member growth of nine per cent to 9.4 million members
- 5.6 million awards redeemed, up 10 per cent
- Billings up to $1.2 billion
- Qantas Cash launching
- Net promoter score at record high[46]

		June 2013	June 2012	Change	% Change
Members	M	9.4	8.6	0.8	9
Awards Redeemed	M	5.6	5.1	0.5	10
Underlying EBIT	$M	260	231	29	13

Qantas Loyalty achieved another record[45] result with a 13 per cent improvement in Underlying EBIT to $260 million. This has been driven by strong billings, record member engagement[46] and continued member growth to 9.4 million members.

Redemptions grew 10 per cent driven by a 33 per cent increase in store awards due to Auto Rewards and new redemption options. New options include charitable redemptions to UNICEF, David Jones Gift Cards, digital gift cards (including Myer, JB Hi-Fi, Jetstar, iTunes) and popular additions to the technology range. Redemption margins increased following improvements to supply chain following the Wishlist acquisition.

Qantas Cash was announced in the year and is due to launch in 2013. In addition to faster, smarter check-in, boarding and lounge access, the prepaid multi-currency travel card will give members new ways to earn points and the ability to hold up to nine different currencies on one card.

41 SKYTRAX Awards 2013 – Jetstar Airways.
42 Unit cost – Jetstar unit cost is measured using controllable unit cost in line with industry benchmarks for low cost carriers. Controllable unit cost is measured as total expenses excluding fuel per ASK. Expenses relating to carbon tax, Jetstar Asia and Jetstar-branded associates are excluded to aid comparability between reporting periods.
43 Jetstar ancillary revenue excluding Jetstar Asia and Jetstar-branded associates.
44 Underlying EBIT contribution to Jetstar Group result.
45 Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009.
46 Net promoter score is at its highest level since reporting started in 2008.

During the year, Emirates and Malaysian Airlines were welcomed to Qantas' airline partner network. The addition of Emirates gives Qantas frequent flyer members the ability to redeem points for 175 worldwide destinations across the Qantas and Emirates network. Members' tier status is recognised with both airlines when flying on the Qantas-Emirates network and Gold members (or above) have access to global Qantas and Emirates lounges.

Qantas Loyalty expanded its international hotel group partners with the introduction of Jumeirah Hotel Group and Atlantis The Palm Hotel, two of the largest hotel groups in Dubai. New financial card products were launched with David Jones, Westpac and Macquarie Bank.

QANTAS FREIGHT

» Increased revenue in a competitive environment
» Acquisition and integration of Australian air Express
» Sale of StarTrack

		June 2013	June 2012	Change	% Change
Total Revenue and Other Income	$M	1,056	1,013	43	4
Revenue Load Factor[47]	%	56.2	53.5	2.7 pts	5
Underlying EBIT	$M	36	45	(9)	(20)

Qantas Freight's Underlying EBIT was $36 million, down $9 million on last year. This was driven by a 11 per cent reduction in international freight capacity, mostly resulting from Qantas International network changes, partially offset by a three per cent international yield improvement[48] and implementation of the Emirates SkyCargo partnership.

In November 2012, Qantas Freight sold its share in StarTrack, resulting in a $30 million gain on sale (reflected in net profit on disposal of investment excluded from Underlying EBIT) and acquired the remaining share of Australian air Express. The integration of Australian air Express is now underway, with expected completion in the 2013/2014 year, delivering significant synergies and creating Australia's leading independent air freight provider. The consolidation of Australian air Express contributed to the increase in revenue in the year.

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PBT

The full-year ended 30 June 2013 Statutory PBT of $17 million is a substantial turnaround from a loss of $349 million in the prior period.

Underlying PBT

Underlying PBT is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas International, Qantas Domestic, Jetstar Group, Qantas Loyalty and Qantas Freight operating segments is Underlying EBIT. The primary reporting measure of the Corporate/Unallocated segment is Underlying PBT as net finance costs are managed centrally.

Underlying PBT is derived by adjusting Statutory PBT for the impacts of AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) which relate to other reporting periods and identifying certain other items which are not included in Underlying PBT.

47 Revenue Load Factor – Revenue Freight Tonne Kilometre (RFTK) over Available Freight Tonne Kilometre (AFTK).
48 International freight revenue per AFTK, excluding FX.

Reconciliation of Underlying to Statutory PBT		June 2013	June 2012	Change	% Change
Underlying PBT	$M	**192**	**95**	**97**	**>100**
Items not included in Underlying PBT					
– AASB 139 mark-to-market movements relating to other reporting periods	$M	32	(46)	78	>100
Items not included in Underlying PBT					
– Net impairment of property, plant and equipment	$M	(86)	(147)	61	41
– Redundancies and restructuring	$M	(118)	(203)	85	42
– Net impairment of investments	$M	2	(19)	21	>100
– Impairment of goodwill and other intangible assets	$M	(24)	(18)	(6)	(33)
– Write down of inventory	$M	(4)	(13)	9	69
– Net profit on disposal of investment	$M	30	–	30	100
– Other	$M	(7)	2	(9)	>(100)
Total items not included in Underlying PBT	$M	**(175)**	**(444)**	**269**	**61**
Statutory PBT	$M	**17**	**(349)**	**366**	**>100**

AASB 139 mark-to-market movements relating to other reporting periods

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.

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.

Other items not included in Underlying PBT

Items which are identified by Management and reported to the chief operating decision-making bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period.

Items not included in Underlying PBT primarily result from major transformational/restructuring initiatives, transactions involving investments and impairments of assets outside the ordinary course of business.

Items not included in Underlying PBT in the 2012/2013 year were driven by the Qantas transformation. Costs include aircraft impairment due to early retirement following strategic network changes, further consolidation of engineering and catering facilities, the integration of Australian air Express offset by the gain on sale of the StarTrack joint venture in October 2012.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2013

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 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 Group Code of Conduct and Ethics)
- oversight of 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 Qantas Group's system of risk management and internal compliance and controls
- 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 the Qantas Board of Directors page of the Qantas website (qantas.com).

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 current Directors, their qualifications, skills and experience are set out on pages 50 to 53 and attendance at 2012/2013 Board and Committee Meetings is detailed on page 72.

Australian Provisions

The Qantas Constitution contains the following provisions required by the Qantas Sale Act 1992 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 50 to 53).

Ten Directors are Independent Non-Executive Directors, of which, eight have been elected by shareholders and two have been appointed by the Board to fill casual vacancies. The Independent Non-Executive Directors and the year in which each was appointed to the Board are set out below.

Director	Year of Appointment
Leigh Clifford (Chairman)	2007
Maxine Brenner	2013
Peter Cosgrove	2005
Patricia Cross	2004
Richard Goodmanson	2008
Jacqueline Hey	2013
Garry Hounsell	2005
William Meaney	2012
Paul Rayner	2008
Barbara Ward	2008

Independence

Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationship and are willing to express their opinions at the Board table free of concern about their position or the position of any third party. The Board does not believe it is possible to draft a list of criteria which is 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), or
- 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

Each Director is required to immediately disclose to the Board if he or she has an interest or relationship which is likely to impact on his or her independence or if a Director believes he or she may no longer be independent.

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

Qantas believes that the materiality thresholds set out below are relevant when considering the independence of Non-Executive Directors.

For Directors:

- a relationship which accounts for more than 10 per cent of the Director's 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 him or herself 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 at the expense of Qantas is available to the Directors if necessary.

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 on the Corporate Governance page of the Qantas website
- meets twice a year and otherwise as required to assist the Board in fulfilling its corporate governance responsibilities in regard to:
  - Board appointments, re-elections and performance
  - diversity
  - Directors' induction and continuing development
  - Committee membership
  - succession of the CEO

The experience and qualifications of Members of the Nominations Committee are detailed on pages 50 to 53. Membership of and attendance at 2012/2013 Nominations Committee Meetings are detailed on page 72.

Appointment and Re-Election of Directors

When appointing new Directors, the Board and its Nominations Committee look 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 submitting themselves for re-election at a general meeting are reviewed by the Nominations Committee. Directors are re-elected in accordance with the Qantas Constitution and the ASX Listing Rules.

Diversity

Qantas takes a holistic approach to diversity and is committed to a diverse and inclusive workplace. A diverse workforce supports Qantas business objectives and delivers competitive advantages and benefits to customers. Diversity is promoted at Qantas through leadership, talent and development programs, flexible work arrangements and recruitment and selection processes. Qantas has established a Diversity Statement which is available in the Corporate Governance section on the Qantas website.

The following diversity-related measurable objectives supporting gender diversity have been endorsed by the Nominations Committee:

- Leadership – establish a Group Diversity Council, to be chaired by a member of Executive Management
- Management Representation – senior executives targets of:
  - 35 per cent women by 2015
  - 40 per cent women by 2018

The progress against the objectives from the 2012/2013 annual review is detailed below:

- Group Diversity Council – Qantas established its Diversity Council in 2012. The Diversity Council is chaired by the Chief Executive Officer – Qantas Domestic and has a membership of 10 Senior Executives. The Diversity Council meets regularly and has a strategic focus on, among other things, achieving gender diversity targets and supporting the careers, engagement and experience of women at Qantas. During 2012/2013, the Council oversaw a number of initiatives, one of which was the incorporation of key diversity principles into Qantas' recruitment policy. Other initiatives include:
  - introducing a supportive parental leave scheme for women in executive positions to increase retention and engagement
  - outlining the necessary experiences needed to accelerate women into executive positions
  - rolling out unconscious bias awareness training
- Senior Executive target of:

Targets	2012	2013
35% women by 2015	31.5%	31.3%

Qantas continues to report diversity statistics, including the following gender-related statistics, in the Sustainability Statistics and Notes on page 171:

- the percentage of women employees in the whole organisation
- the percentage of women in Senior Executive positions
- the percentage of women on the Board of Directors
- the percentage of female graduates recruited

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. 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.

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 2012/2013, the Board undertook an external performance review, which included a series of interviews with Directors and a Board discussion.

The Board will undertake an internal review in 2013/2014.

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 established a corporate governance framework, comprising of Non-Negotiable Business Principles (Principles) and Group Policies, which forms the foundation for the way in which the Qantas Group undertakes business.

The Board has a formal code of conduct, the Qantas Group Code of Conduct and Ethics, which sets out Qantas' expectations in a number of areas including:

- compliance with laws, regulations and ethical standards
- continuous disclosure
- share trading
- political donations and prohibited payments
- compliance with competition laws
- giving or receiving gifts
- conflicts of interest
- accounting records and retention of records
- dealing with auditors
- making public statements about the Qantas Group
- use of confidential information
- treating people with respect
- the whistleblower process
- privacy
- equal employment opportunity

The Principles and the core elements of the Qantas Group Code of Conduct and Ethics are detailed in the Qantas Group Business Practices Document which is available on the Corporate Governance page of the Qantas website.

Qantas' Employee Share Trading Policy

The Qantas Group Employee Share Trading Policy sets out guidelines designed to protect the Qantas Group and its employees from intentionally or unintentionally breaching the law. The Qantas Group Employee Share Trading Policy prohibits employees from dealing in the securities of any Qantas Group listed entity while in possession of material non-public information.

In addition, certain nominated Qantas employees (including Key Management Personnel) are required to follow 'request to deal' procedures and are prohibited from dealing in Qantas shares (with some exceptions, as contemplated in ASX Guidance Note 27) 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

Nominated Qantas employees are also prohibited from entering into any hedging or margin lending arrangement or otherwise granting a charge over the securities of any Qantas Group listed entity, where control of any sale process relating to those securities may be lost.

Whistleblower Policy

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

Other Policies

The Qantas Group 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. Policies are supported by procedures for compliance and monitoring effectiveness. A summary of Qantas' core business principles, values and practices can be found in the Qantas Group Business Practices Document which is available on the Corporate Governance page of the Qantas website.

THE BOARD SAFEGUARDS THE INTEGRITY OF FINANCIAL REPORTING

Audit Committee

The Board has an Audit Committee which:

- currently has five 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 on the Corporate Governance page of 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 50 to 53. Membership of and attendance at 2012/2013 Audit Committee Meetings are detailed on page 72.

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 2013 Directors' Report under the heading "Non-audit Services":

"The Directors are satisfied that:

1. the non-audit services provided during the 2013/2014 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act; and
2. any non-audit services provided during the 2013/2014 financial year by KPMG as the external auditor did not compromise the independence requirements of the Corporations Act for the following reasons:
   i. 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;
   ii. 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;
   iii. KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes;
   iv. 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; and
   v. the declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from KPMG."

Qantas rotates the lead external audit partner every five years and imposes restrictions on the employment of personnel previously employed by the external auditor.

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

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 complies with its disclosure obligations under the ASX Listing Rules. This process includes a bi-annual confirmation by all Executive Management that the areas for which they are responsible 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 Qantas Group Continuous Disclosure Policy is summarised in the Qantas Group Business Practices Document which is available on the Corporate Governance page of 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 on the Corporate Governance page of the Qantas website.

All company announcements lodged by Qantas with the ASX are available on the Qantas website. In addition, shareholders who are registered receive email notification of significant market announcements.

The 2013 Notice of Annual General Meeting (AGM) will be provided to all shareholders and made available on the Qantas website. The 2013 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 about:

- the conduct of the audit
- the preparation and content of the Independent Auditor's Report
- the accounting policies adopted by Qantas in relation to the preparation of the financial statements
- 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 Qantas Group and for ensuring the Qantas Group has an appropriate corporate governance structure. Within that overall strategy, Management has designed and implemented a risk management and internal control system to manage Qantas' material business risks.

Qantas is a complex business and is exposed to a range of strategic, financial and operational risks that are inherent in operating in the aviation industry.

Risks that could affect results and performance include:

- impacts arising from a weakening global or Australian economy
- fluctuations in the price of aviation fuel
- increased competition from domestic and international airlines
- fluctuations in currency exchange rates
- performance of key aircraft and engine suppliers
- government regulations including national aviation regulators
- industrial relations
- natural disasters or the rapid spread of contagious illness, placing restrictions on aviation operations
- performance of technology in our operations
- a change in our credit rating
- a significant incident within the aviation industry
- performance of alliance partners or termination of a significant airline alliance

The Qantas Group Risk Management Framework (Framework) supports the proactive management of these and other risks facing Qantas.

The Qantas Group Risk Management Policy (Policy) sets out the minimum requirements, roles and responsibilities for managing risk across the Qantas Group. This Policy is summarised in the Qantas Group Business Practices Document available on the Corporate Governance page of the Qantas website.

The Framework is aligned to the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for evaluating internal controls.

The Qantas Management System (QMS), which has been implemented across the Qantas Group, provides a common standard for identifying, assessing and managing material business risks across the Qantas Group. The QMS provides guidance for business units regarding leadership, commitment and planning, process management, risk management, assurance and training and promotion.

Material risks and Management's responses to managing these risks are escalated to Executive Management, Board Committees and the Board as appropriate and are reported on bi-annually as part of the risk reporting process. Risk management is also integrated into key business decision-making and activities, including strategy development, projects and change initiatives.

Management self-assessments, audits and risk management reviews are undertaken to confirm that risks are being effectively managed and reported to the Board through the Audit Committee. On a quarterly basis, Executive Management certifies that there is an effective risk management process in place within their respective areas of responsibility.

An independent review of the Framework is performed periodically to assure effectiveness and drive continuous improvement.

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

Safety, Health, Environment and Security Committee

To protect Qantas' reputation as one of the world's safest and secure airlines and to manage the safety, health, environment and security performance of the Qantas Group, the Safety, Health, Environment and Security Committee is responsible for assisting the Board in oversight and monitoring of the Qantas Group's operational safety system, the QMS.

The Safety, Health, Environment and Security Committee:

» currently has five Members: the CEO and four Independent Non-Executive Directors
» is chaired by Richard Goodmanson
» has a written Charter which is available on the Corporate Governance page of the Qantas website
» is responsible for assisting the Board in fulfilling its strategy, policy, systems oversight, monitoring and corporate governance responsibilities in regard to safety, health, environment, security matters and business resilience including:
  – compliance with related legal and regulatory obligations
  – enterprise-wide risk management

The experience and qualifications of Members of the Safety, Health, Environment and Security Committee are detailed on pages 50 to 53. Membership of and attendance at 2012/2013 Safety, Health, Environment and Security Committee Meetings are detailed on page 72.

Internal Audit

The internal audit function is carried out by Group Audit and Risk and is independent of the external auditor. Group Audit and Risk provides independent, objective assurance and consulting services on Qantas' system of risk management, internal control and governance through:

» maintaining and improving the risk management framework as approved by the Audit Committee
» bi-annual risk reporting to the Audit Committee
» performing audits and other advisory services to assure risk management throughout the Qantas 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 approved by the Audit Committee bi-annually and submitted to the Safety, Health, Environment and Security Committee for information and approval where appropriate.

The Audit Committee approves the Group Audit and Risk Internal Audit Charter which provides Group Audit and Risk with full access to Qantas Group functions, records, property and personnel, and establishes independence requirements. The Audit Committee also approves the appointment or replacement of the internal auditor. The internal auditor has a direct reporting line to the Audit Committee and also provides reporting to the Safety, Health, Environment and Security Committee.

In addition to Group Audit and Risk, operationally focussed business units within the Qantas Group have their own internal audit functions to provide assurance to accountable managers on the effectiveness of operational risk management and compliance. The findings from these audit activities, along with the status of audit management actions, are reported through operational safety governance structures and to the Safety, Health, Environment and Security Committee.

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 2013 (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 stated 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."

To support the CEO and CFO in making the declaration under section 295A of the Corporations Act to the Board, Senior Management completes a bi-annual Financial and Corporate Governance Self Assessment Questionnaire (FCGSA Questionnaire). The FCGSA Questionnaire forms part of Qantas' corporate governance process which requires Senior Management to respond to questions relating to Qantas' finance and reporting, corporate governance and risk management.

THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas executive remuneration objectives and approach is set out in full in the Directors' Report (from page 77).

Remuneration Committee

The Board has a Remuneration Committee which:

- for the most part of the year and currently, has three Members who are Independent Non-Executive Directors
- is chaired by Patricia Cross, an Independent Non-Executive Director
- has a written Charter which is available on the Corporate Governance page of 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, Executive Management and senior executives
  - recommendations and decisions (as relevant) on remuneration and all incentive awards for the CEO and Executive Management
  - strategic human resources policies

The experience and qualifications of Members of the Remuneration Committee are detailed on pages 50 to 53. Membership of and attendance at 2012/2013 Remuneration Committee Meetings are detailed on page 72.

For a brief period during 2012/2013, the Committee comprised of two members following the passing of the then Committee Chairman.

Information about remuneration of Executive Management is disclosed to the extent required in the Remuneration Report from page 77.

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 93).

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 77. Executive Management's performance for 2012/2013 was assessed against individual KPIs in August 2013. The structure of Non-Executive Directors' remuneration is detailed on page 93.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2013

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 2013 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
Maxine Brenner (appointed 29 August 2013)
Peter Cosgrove, AC, MC
Patricia Cross
Richard Goodmanson
Jacqueline Hey (appointed 29 August 2013)
Garry Hounsell
William Meaney
Corinne Namblard (resigned 24 February 2013)
Paul Rayner
John Schubert, AO (retired 2 November 2012)
James Strong, AO (ceased 3 March 2013)
Barbara Ward, AM

Details of current Directors, their qualifications, experience and any special responsibilities, including Qantas Committee Memberships, are set out on pages 50 to 53.

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 2013 (2012: nil final dividend). No interim dividend was paid during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Qantas Group that occurred during the year under review.

REVIEW OF OPERATIONS

A review of, and information about, the Qantas Group's operations, including the results of those operations during the year together with information about the Group's financial position appear on pages 54 to 63.

The Qantas Group's strategies, prospects for future financial years and material business risks have been included in the Review of Operations to the extent that they are not likely to result in unreasonable prejudice to the Qantas Group. In the opinion of the Directors, detail that could be unreasonably prejudicial to the interests of the Qantas Group, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage have not been included.

EVENTS SUBSEQUENT TO BALANCE DATE

Refer to page 158 for events which occurred subsequent to balance date. Other than the matters disclosed on page 158, since the end of the year and to the date of this report no other matter or circumstance has arisen that has significantly affected or may significantly affect the Qantas Group's operations, results of those operations or state of affairs in future years.

DIRECTORS' MEETINGS

The number of Directors' Meetings held (including Meetings of Committees of Directors) during 2012/2013 are as follows:

	Qantas Board						Audit Committee[1]		Safety, Health, Environment and Security Committee[1]		Remuneration Committee[1]		Nominations Committee[1]	
	Scheduled Meetings		Unscheduled Meetings		Sub-Committee Meetings[2]									
Directors	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]
Leigh Clifford	7	7	5	5	4	4[4]	–	–	–	–	–	–	2	2
Alan Joyce	7	7	5	5	3	3[4]	–	–	4	4	–	–	–	–
Peter Cosgrove	7	7	4	5	1	1[4]	–	–	4	4	–	–	–	–
Patricia Cross[5]	7	7	5	5	–	–	3	5	–	–	3	3	–	–
Richard Goodmanson[6]	7	7	5	5	–	–	–	–	4	4	1	1	1	1
Garry Hounsell	7	7	5	5	2	2[4]	5	5	–	–	–	–	2	2
William Meaney[7]	7	7	5	5	–	–	–	–	3	3	–	–	–	–
Corinne Namblard[8]	5	5	4	4	–	–	2	2	–	–	–	–	–	–
Paul Rayner[9]	7	7	4	5	1	1[4]	5	5	1	1	2	2	–	–
John Schubert[10]	3	3	3	3	–	–	–	–	1	1	–	–	1	1
James Strong[11]	4	5	4	4	–	–	–	–	–	–	1	2	1	2
Barbara Ward	7	7	5	5	–	–	5	5	4	4	–	–	–	–

1 All Directors are invited to, and regularly attend, Committee meetings in an ex-officio capacity. The above table reflects the attendance of a Director only where he or she is a member of the relevant Committee.
2 Sub-Committee meetings convened for specific Board-related business.
3 Number of meetings held during the period that the Director held office.
4 Number of meetings held and requiring attendance.
5 Mrs Cross was appointed as a Member of the Nominations Committee on 20 February 2013 and Chairman of the Remuneration Committee on 24 April 2013.
6 Mr Goodmanson retired as a Member of the Remuneration Committee and was appointed Chairman of the Safety, Health, Environment and Security Committee and the Nominations Committee with effect from 3 November 2012, following the retirement of Dr Schubert.
7 Mr Meaney was appointed as a Member of the Safety, Health, Environment and Security Committee with effect from 3 November 2012.
8 Ms Namblard was appointed as a Member of the Audit Committee with effect from 3 November 2012. She resigned as a Director on 24 February 2013.
9 Mr Rayner retired as a Member of the Safety, Health, Environment and Security Committee and was appointed as a Member of the Remuneration Committee with effect from 3 November 2012.
10 Dr Schubert retired as a Director on 2 November 2012.
11 Mr Strong ceased as a Director on 3 March 2013.

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2013 – FOR THE PERIOD 1 JULY 2010 TO 30 JUNE 2013

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
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
	PanAust Limited	» Current, appointed 1 July 2008
	Orica Limited	» Ceased, appointed 21 September 2004 and ceased 17 February 2013
	Nufarm Limited	» Ceased, appointed 1 October 2004 and ceased 8 October 2012
	Mitchell Communication Group Limited	» Ceased, appointed 1 September 2006 and ceased 17 November 2010
William Meaney	Qantas Airways Limited	» Current, appointed 15 February 2012
	Iron Mountain Inc.	» Current, appointed 7 January 2013
Paul Rayner	Qantas Airways Limited	» Current, appointed 16 July 2008
	Treasury Wine Estates Limited	» Current, appointed 9 May 2011
	Boral Limited	» Current, appointed 5 September 2008
	Centrica plc	» Current, appointed 22 September 2004
Barbara Ward	Qantas Airways Limited	» Current, appointed 19 June 2008
	Brookfield Capital Management Limited[1]	» Current, appointed 1 January 2010
	Brookfield Funds Management Limited[2]	» Current, appointed 22 October 2003

1 Responsible entity for the Brookfield Prime Property Fund and the Multiplex European Property Fund, both of which are listed Australian registered managed investment schemes. Previously responsible entity for the Brookfield Australian Opportunities Fund, which was wound up on 30 October 2012.
2 Responsible entity for the Multiplex SITES Trust, which is listed Australian registered managed investment scheme.

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

Taryn Morton – Company Secretary, BA, LLB

- » Joined Qantas in August 2008
- » Appointed as a Secretary of Qantas in December 2008 and as Company Secretary in October 2011
- » 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

Nawal Silfani – Assistant Company Secretary, DipLaw, GDipLegPrac, LLM

- » Joined Qantas in February 2012
- » Appointed as Assistant Company Secretary of Qantas in June 2012
- » 2009 to 2012 – Deputy Company Secretary at Downer EDI Limited
- » 2000 to 2009 – various roles at Blake Dawson including lawyer advising on governance and transactional matters
- » Admitted as a solicitor of the Supreme Court of NSW in 2006

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	2013 Number	2012 Number
Leigh Clifford	251,622	251,622
Alan Joyce	2,906,202	2,531,188
Maxine Brenner	–	–
Peter Cosgrove[1]	2,314	2,314
Patricia Cross	35,474	30,474
Richard Goodmanson	20,000	20,000
Jacqueline Hey	–	–
Garry Hounsell	80,000	80,000
William Meaney	–	–
Paul Rayner	71,622	71,622
Barbara Ward	47,597	47,597

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]	32,251	32,251

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

Alan Joyce		
Deferred shares held in trust under:		
2010/11 Short Term Incentive Plan	–[1]	375,014
2012/13 Short Term Incentive Plan	284,769	–
	284,769	**375,014**
Rights granted under:		
2011–2013 Long Term Incentive Plan	–[2]	1,084,000
2012–2014 Long Term Incentive Plan	1,675,000[3]	1,675,000
2013–2015 Long Term Incentive Plan	2,575,000[4]	–
	4,250,000	**2,759,000**

1 The deferred shares were released from holding lock and transferred to Mr Joyce on 30 August 2013.
2 As a result of performance hurdle testing conducted as at 30 June 2013, all unvested Rights lapsed subsequent to 30 June 2013.
3 Shareholders approved the award of these Rights on 28 October 2011. Performance hurdles will be tested as at 30 June 2014 to determine whether any Rights vest to Mr Joyce.
4 Shareholders approved the award of these Rights on 2 November 2012. Performance hurdles will be tested as at 30 June 2015 to determine whether any Rights vest to Mr Joyce.

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 87 to 88 for further details.

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

Performance Rights Reconciliation		
Rights outstanding as at 1 July	18,631,168	12,213,069
Rights granted	15,969,000	10,127,000
Rights forfeited	(2,066,000)	(1,110,560)
Rights lapsed	(4,343,801)	(2,481,256)
Rights exercised	(16,320)	(117,085)
Rights outstanding as at 30 June	**28,174,047[1]**	**18,631,168**

1 The movement of Rights outstanding as at 30 June 2012 to the date of this Report is explained in the footnotes on page 75.

Rights will be converted to Qantas shares to the extent that 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 2013:

				Number of Rights					
Name	Testing Period	Grant Date	Value at Grant Date	2013 Net Vested	2013 Unvested	2013 Total	2012 Net Vested	2012 Unvested	2012 Total
2004/05 Performance Rights Plan	30 Jun 07 – 30 Jun 09[1]	13 Jan 05	$2.47	23,590	–	23,590	23,590	–	23,590
2005 Performance Rights Plan	30 Jun 08 – 30 Jun 10[1]	22 Nov 05	$2.67	63,246	–	63,246	64,580	–	64,580
2006 Performance Rights Plan	30 Jun 09 – 30 Jun 11[2]	4 Oct 06	$2.95	188,211	–	188,211	203,197	–	203,197
2007 Performance Rights Plan	30 Jun 10 – 30 Jun 12[3]	12 Dec 07	$4.42	–	–	–	–	319,000	319,000
2007 Performance Rights Plan	30 Jun 10 – 30 Jun 12[3]	31 Mar 08	$2.75	–	–	–	–	902,500	902,500
2010–2012 Long Term Incentive Plan	30 Jun 12[3]	9 Sep 09	$2.05	–	–	–	–	3,122,301	3,122,301
2011–2013 Long Term Incentive Plan	30 Jun 13[4]	12 Aug 10	$1.50	–	2,608,000	2,608,000	–	3,035,000	3,035,000
2011–2013 Long Term Incentive Plan	30 Jun 13[4]	29 Oct 10	$1.76	–	1,147,000	1,147,000	–	1,147,000	1,147,000
2012–2014 Long Term Incentive Plan	30 Jun 14	23 Aug 11	$0.86	–	6,563,000	6,563,000	–	8,008,000	8,008,000
2012–2014 Long Term Incentive Plan	30 Jun 14	28 Oct 11	$0.82	–	1,806,000	1,806,000	–	1,806,000	1,806,000
2013–2015 Long Term Incentive Plan	30 Jun 15	02 Nov 12	$0.88	–	15,446,000	15,446,000	–	–	–
2013–2015 Long Term Incentive Plan	30 Jun 15	13 Jun 13	$0.70	–	329,000	329,000	–	–	–
Total				**275,047**	**27,899,000**	**28,174,047**	**291,367**	**18,339,801**	**18,631,168**

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 that performance hurdles have been achieved upon testing, which commenced 30 June 2009. As a result of performance hurdle testing conducted as at 30 June 2011, all unvested Rights lapsed in 2011/2012.
3 As a result of performance hurdle testing conducted as at 30 June 2012, all unvested Rights lapsed in 2012/2013.
4 As a result of performance hurdle testing conducted as at 30 June 2013, all unvested Rights lapsed subsequent to 30 June 2013.

REMUNERATION REPORT (AUDITED)

Cover letter to the Remuneration Report

Dear Shareholder,

Qantas is pleased to present its Remuneration Report for 2012/2013. This report sets out remuneration information for Non-Executive Directors, the Chief Executive Officer (CEO) and Executive Management.

In considering this year's remuneration outcomes, the Board Remuneration Committee has balanced Qantas' under-performance to financial targets with over-achievement on the transformational agenda. The Committee is particularly concerned that our remuneration framework encourages our executive team to make decisions that ensure the sustainability and viability of Qantas, and create long-term intrinsic value for shareholders and all stakeholders.

Key outcomes of our deliberations are as follows:

» The CEO received no increase in base pay during 2012/2013, and his base pay will again remain unchanged in 2013/2014
» There were a number of changes to the base pay of the Executive Management team as a result of the re-organisation of Qantas Airlines into separate international and domestic businesses. The changes that were made to the remuneration of the Executive Management team reflect their increased responsibilities
» A general freeze on Executive Management pay will apply for 2013/2014
» Directors' fees remained unchanged in 2012/2013, and have only increased a total of three per cent since 1 July 2008
» Short Term Incentive Plan awards at 38 per cent of the "at target" level will be paid to our Executive Management team. This balanced scorecard outcome reflects no contribution against the group financial targets however it does reflect the significant progress made during 2012/2013 on our group strategy and transformation agenda
» Long Term Incentive Plan performance conditions were tested as at 30 June 2013 and were not met. Therefore, the Rights lapsed and no shares were awarded

The Remuneration Report focuses on the remuneration decisions made by the Board and the pay outcomes that resulted. We encourage our shareholders to use the Remuneration Outcomes table as a tool to assess the pay outcomes for executives in 2012/2013 and the alignment of these outcomes with Qantas' performance.

We also explain the differences between the Actual Remuneration Outcomes and the Statutory Remuneration data. The key difference between these two tables is the value included in the Statutory Remuneration table for potential future outcomes under the long term incentive. A value is required to be included in the Statutory Remuneration table to account for long term incentives that may or may not vest in the future. This report details the committee's work to reconcile actual pay outcomes with Qantas' performance and long-term value creation.

The Board is satisfied that these remuneration outcomes for 2012/2013 are appropriately performance-based while recognising the strategic needs of Qantas. We commend this report to you and welcome your suggestions for further improvements in future reports.

Patricia Cross
Chairman, Remuneration Committee

REMUNERATION REPORT (AUDITED)

INTRODUCTION

OVERVIEW OF THE EXECUTIVE REMUNERATION FRAMEWORK

The objectives of the Executive Remuneration Framework are to attract, motivate, retain and appropriately reward a capable Executive team. This is achieved by setting pay opportunity at an appropriate level and by linking remuneration outcomes to Qantas' performance. The Qantas Executive Remuneration Framework contains three elements:

» **Base pay** – referred to as Fixed Annual Remuneration (FAR)
» **An annual incentive** – referred to as the Short Term Incentive Plan (STIP)
» **A long term incentive** – referred to as the Long Term Incentive Plan (LTIP)

Base Pay

Each year, the Remuneration Committee reviews the base pay for the CEO and direct reports to the CEO (Executive Management).

Base pay is set with reference to external benchmark data against comparable roles in companies listed on the ASX and international airlines.

A more detailed description of base pay and how it is set is provided on pages 82 to 83.

Annual Incentive

The annual incentive plan for the CEO and Executive Management at Qantas is known as the STIP.

Each year, Executives may receive an award that is a combination of a cash bonus and an award of restricted shares if the plan's performance conditions are achieved.

In June 2012, the Remuneration Committee reviewed the STIP, confirming that its design and structure remained appropriate and that it will produce outcomes that are aligned to company and individual performance. The STIP is aligned to our strategic and business priorities and reflects the unique challenges that Qantas faces as a major international airline in Australia. While Underlying PBT is the primary performance measure under the STIP (with a 50 per cent weighting), it does not operate as a "profit gate". Qantas is undergoing a significant transformation agenda which is positioning Qantas for a sustainable future. This agenda is also reflected in the STIP scorecard which contains key measures which are explicitly aligned to the execution of the Qantas Group Strategy.

For the 2012/13 STIP, the Board set the following scorecard of performance conditions:

Strategic Objective	Performance Measures	Scorecard Weighting
1. Delivering sustainable returns to shareholders	» Underlying Profit Before Tax (50% weighting) » Operating cash flow to net debt (10% weighting)	60%
2. Safety is always our first priority	» People and operational safety	10%
3. Building on the strong domestic business	» Domestic market share » Unit cost » Punctuality » Customer Experience – Net Promoter Score (NPS) » Milestones around key transformation initiatives	10%
4. Transforming Qantas International	» Strengthening networks and strategic alliances » Unit cost » Customer Experience – NPS » Qantas Frequent Flyer membership growth	10%
5. Growing Jetstar in Asia	» Jetstar Asia Underlying EBIT » Customer Experience – NPS (for Asian-based Jetstar branded airlines) » Key business milestones for Jetstar Japan, Jetstar Pacific and Jetstar Hong Kong	10%
	Total	**100%**

The STIP is described in more detail on pages 83 to 87. The 2012/13 STIP outcome is detailed on page 86.

Remuneration Report (Audited) continued

Long Term Incentive

The long term incentive plan at Qantas is known as the LTIP and involves the granting of Rights over Qantas shares. Participation is limited to Senior Executives of the Qantas Group.

If performance conditions over a three year period are achieved, 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 2013–2015 LTIP the performance conditions are:

- The relative Total Shareholder Return (TSR) of Qantas compared to companies with ordinary shares included in the S&P/ASX 100 Index (ASX 100), and
- The relative TSR of Qantas compared to an airline peer group

The LTIP is described in more detail on pages 87 to 88.

REMUNERATION OUTCOMES FOR THE CEO IN 2012/2013

Mr Joyce's total remuneration outcome for 2012/2013 was $3.331 million[1].

The following table outlines the remuneration outcomes for the CEO for 2012/2013.

CEO Remuneration Outcomes (Non-statutory)[1]	2013 $'000	2012 $'000	2013 "At Target" Pay $'000	2013 vs "At Target" Pay %
Base pay (Cash FAR)[2]	2,109	2,109	2,125	n/a
STIP – cash bonus	775	–	1,700	(54)
STIP – deferred award	388	–	850	(54)
LTIP	–	–	1,700	(100)
Other[3]	59	171	–	n/a
Total	3,331	**2,280**	**6,375**	(48)

1 Detail of non-statutory remuneration methodology is explained on page 92.
2 Reported Cash FAR is FAR of $2,125,000 (2012: $2,125,000) less superannuation contributions of $16,470 (2012: $15,775).
3 Includes non-cash benefits (such as travel), annual leave accruals, post-employment and other long-term benefits plus superannuation contributions of $16,470 (2012: $15,775).

The remuneration decisions and outcomes detailed in the table above are particularly useful in assessing the CEO's pay in 2012/2013 and its alignment with Qantas' performance. That is, the table reflects:

- A $1.163 million award under the annual incentive for 2012/2013 (with $775,200 paid as a cash bonus and $387,600 made as a deferred share award)
- The long term incentive (under the 2011–2013 LTIP) did not vest based on the three year performance period to 30 June 2013
- The CEO's total remuneration outcome for 2012/2013 is 46 per cent higher than his 2011/2012 outcome, due to the CEO not receiving a STIP award in 2011/2012
- The CEO's total remuneration outcome for 2012/2013 is 48 per cent lower than his "at target" pay

Base Pay – Cash FAR

Mr Joyce did not receive an increase in base pay during 2012/2013 and his base pay will remain unchanged for 2013/2014. Cash FAR (or Base Pay) is FAR less superannuation contributions (of $16,470).

Annual Incentive – 2012/13 STIP Outcome

In determining the annual STIP outcome, the Board assesses performance against financial, safety and other key business measures as part of a balanced scorecard. The Board is mindful of the imperative to ensure that actions taken during each year support the long term strategic positioning and sustainability of Qantas. The Board is particularly focused on ensuring that progress is made each year towards furthering our strategic objectives rather than focusing solely on current year profit. The Board sees this "Balanced Scorecard" approach as an important design element of the STIP.

In this regard, the Board is satisfied that during 2012/2013, Management continued to invest appropriately in our domestic businesses, in transforming Qantas International and in the progress of Jetstar in Asia notwithstanding challenges to short-term profitability.

The Underlying PBT result of $192 million was below both the Underlying PBT target and the Underlying PBT threshold set by the Board for 2012/2013. There was no contribution to the STIP scorecard under the financial measures that make up 60 per cent of the scorecard.

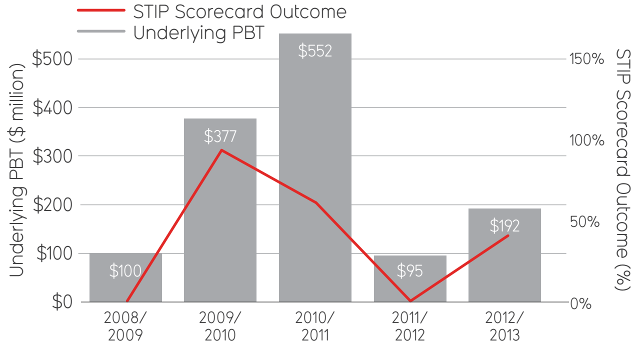
The Board did however determine an overall STIP scorecard outcome of 38 per cent in recognition of strong achievement against the safety and other key business measures. In calculating the CEO's 2012/13 STIP award, the Board applied an Individual Performance Factor of 1.20.

The Board has determined that awards under the 2012/13 STIP will be delivered per the plan's design, that is:

» Two-thirds of the total award will be paid as a cash bonus, and
» One-third of the total award will be made in deferred shares with a two year restriction period

More detail on the 2012/13 STIP scorecard outcomes and the calculation of the CEO's STIP award is provided on pages 86 to 87.

CEO Incentive Plan Outcome vs Qantas Profit Performance



Long Term Incentive – LTIP Outcome

The 2011–2013 LTIP was tested against the performance hurdles as at 30 June 2013 and did not vest. All Rights in this grant lapsed and the CEO did not receive any shares or payment under this plan.

Therefore, the CEO's remuneration outcome for 2012/2013 under the long term incentive was nil.

STATUTORY REMUNERATION DISCLOSURES FOR THE CEO

The statutory remuneration disclosures are prepared in accordance with Australian Accounting Standards (AASBs) and differ significantly from the outcomes for the CEO resulting from performance in 2012/2013 outlined on page 78.

These differences arise due to the accounting treatment of share-based payments (such as the STIP and LTIP). The statutory disclosures include an accounting remuneration value for:

» **Prior and current years' STIP awards**
Accounting standards require STIP remuneration to be expensed (and therefore included as remuneration) in financial years which differ from the year of scorecard performance (although any cash bonus is expensed in the year of scorecard performance). This creates a disconnect between statutory remuneration and the remuneration earned from the corresponding years' financial and non-financial scorecard performance.

» **LTIP awards that have not vested**
Accounting standards require LTIP awards be expensed (and therefore included as remuneration) notwithstanding that the Rights have not met the performance hurdles and have lapsed.

No LTIP awards vested during 2012/2013 (under the 2011–2013 LTIP), however, a value is still required by accounting standards to be included as statutory remuneration.

Additionally, LTIP awards that will be assessed for vesting in future years are expensed over the three year testing period. Therefore, the statutory remuneration table includes an accounting value for part of the 2012–2014 and the 2013–2015 LTIP awards. Testing will be undertaken as at 30 June 2014 and 30 June 2015 to determine whether Mr Joyce receives any shares under these awards.

As a result, an LTIP expense of $1.794 million is included in the statutory remuneration table even though no LTIP awards vested during 2012/2013. The following is a summary of the statutory remuneration disclosures for the CEO (the full statutory table is provided on page 82).

CEO Statutory Remuneration Table	2013 $'000	2012 $'000	2013 "At Target" Pay $'000
Base Pay (Cash FAR)[1]	2,109	2,109	2,125
STIP – Cash	775	–	1,700
STIP – Share Based	375	2,163	850
LTIP	1,794	1,134	1,700
Other[2]	59	171	n/a
Total	**5,112**	**5,577**	**6,375**

1 Reported Cash FAR is FAR of $2,125,000 (2012: $2,125,000) less superannuation contributions of $16,470 (2012: $15,775).
2 Includes non-cash benefits (such as travel), annual leave accruals, post-employment and other long-term benefits plus superannuation contributions of $16,470 (2012: $15,775).

REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2013

The Remuneration Report sets out remuneration information for Non-Executive Directors, the CEO and Executive Management.

Section 300A of the Corporations Act 2001 requires disclosure of remuneration information for Key Management Personnel (KMP), with KMP defined in AASB 124 Related Party Disclosures as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The KMP for the 2012/2013 financial year includes some members of Executive Management.

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 the company faces as a major international airline based in Australia
» Link remuneration to performance

Remuneration Report (Audited) continued

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 Executives

2) ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee (a Committee of the Board, whose members are detailed on pages 50 to 53) has the role of reviewing and making recommendations to the Board on specific Executive remuneration matters at Qantas and ensuring that 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 Management and the broader Executive team to pursue the long-term growth and success of Qantas
» Demonstrate a clear relationship between pay and performance
» 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

During 2012/2013, the Remuneration Committee appointed Ernst & Young (EY) as its primary remuneration consultant. The Remuneration Committee has established protocols in relation to the appointment and use of remuneration consultants to support compliance with the Corporations Act 2001 which are incorporated into the terms of engagement with EY.

The Remuneration Committee also appointed JWS Consulting to provide remuneration advice where this advice may be linked to specific legal and regulatory requirements.

The Remuneration Committee did not request any remuneration consultants to provide a remuneration recommendation during 2012/2013.

3) EXECUTIVE REMUNERATION FRAMEWORK

The Executive Remuneration Framework as it applies to the CEO and Executive Management contains three elements:

» **Base pay** – referred to as Fixed Annual Remuneration (FAR)
» **An annual incentive** – referred to as the Short Term Incentive Plan (STIP)
» **A long term incentive** – referred to as the Long Term Incentive Plan (LTIP)

The "at target" pay for the CEO and Executive 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 a revenue based peer group of other S&P/ASX 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.

4) REMUNERATION OUTCOMES FOR THE YEAR ENDED 30 JUNE 2013

The remuneration decisions and outcomes at Qantas are clearly linked to Qantas' performance via the STIP and LTIP performance measures.

The Underlying PBT result for 2012/2013 was below the threshold set by the Board for the 2012/2013 year and therefore there was no contribution to the 2012/13 STIP scorecard under this measure. Therefore, awards to individuals under the 2012/13 STIP were well below their "at target" levels. Results under the 2012/13 STIP are detailed on page 86.

LTIP awards did not vest during 2012/2013. The 2011–2013 LTIP was tested as at 30 June 2013. As performance hurdles were not achieved, all Rights under this plan lapsed and Executives did not receive any shares or payment under this plan. Therefore, the remuneration outcome for 2012/2013 under the LTIP was nil. The LTIP is detailed on pages 87 to 88.

The following table summarises the remuneration decisions and outcomes for the CEO and Executive KMP for the year ended 30 June 2013. The remuneration detailed in this table is aligned to the current performance periods and therefore is particularly useful in assessing current year pay and its alignment with current year performance.

Remuneration Outcomes Table – CEO and Executive KMP (Non-statutory)[1]

			STIP Outcomes[3]		LTIP Outcomes[4]				
$'000		Base Pay – Cash FAR[2]	Cash Bonus	Deferred Award	Rights Vested	Sub-total	Other Benefits[5]	Termination Payments	Total
Alan Joyce	**2013**	**2,109**	**775**	**388**	**–**	**3,272**	**59**	**–**	**3,331**
Chief Executive Officer	2012	2,109	–	–	–	2,109	171	–	2,280
Gareth Evans	**2013**	**981**	**233**	**117**	**–**	**1,331**	**96**	**–**	**1,427**
Chief Financial Officer	2012	906	–	220	–	1,126	117	–	1,243
Lesley Grant[6]	**2013**	**785**	**178**	**89**	**–**	**1,052**	**51**	**–**	**1,103**
CEO Qantas Loyalty	2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Simon Hickey	**2013**	**984**	**213**	**106**	**–**	**1,303**	**168**	**–**	**1,471**
CEO Qantas International	2012	770	–	173	–	943	131	–	1,074
Jayne Hrdlicka	**2013**	**984**	**213**	**106**	**–**	**1,303**	**63**	**–**	**1,366**
CEO Jetstar Group	2012	759	–	176	–	935	77	–	1,012
Lyell Strambi	**2013**	**984**	**223**	**111**	**–**	**1,318**	**112**	**–**	**1,430**
CEO Qantas Domestic	2012	909	–	210	–	1,119	141	–	1,260
Total	**2013**	**6,827**	**1,835**	**917**	**–**	**9,579**	**549**	**–**	**10,128**
	2012	**5,453**	**–**	**779**	**–**	**6,232**	**637**	**–**	**6,869**

Remuneration Outcomes Table – Former Executive

Bruce Buchanan	**2013**	**493**	**155**	**–**	**–**	**648**	**68**	**649**	**1,365**
Former CEO Jetstar Group	2012	849	–	159	–	1,008	(46)	–	962

1 Detail of non-statutory remuneration methodology is explained on page 92.
2 Base pay, paid to each Executive during the year.
3 The full value of STIP awards made to each Executive during 2012/2013 and 2011/2012.
4 LTIP awards did not vest in either 2012/2013 or 2011/2012, therefore nil value shown.
5 Other Benefits include non-cash benefits, annual leave accrual, post-employment benefits and other long-term benefits.
6 Remuneration for Ms Grant reflects her commencing in a key management role on 1 July 2012.

Refer to section 6 of the Remuneration Report on pages 82 to 90 for detail of the Executive Remuneration Structure, a description of FAR, STIP and LTIP and analysis of the 2012/2013 outcomes for the STIP and LTIP.

5) STATUTORY REMUNERATION DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2013

The statutory remuneration disclosures for the year ended 30 June 2013 are detailed below and are prepared in accordance with Australian Accounting Standards (AASBs) and differ significantly from the 2012/2013 remuneration decisions and outcomes outlined above.

These differences arise due to the accounting treatment of share-based payments (such as the STIP and LTIP). The statutory disclosures include an accounting remuneration value for:

» **Prior years' STIP awards**

Accounting standards require STIP remuneration to be expensed (and therefore included as remuneration) in financial years which differ from the year of scorecard performance (although any cash bonus is expensed in the year of scorecard performance). This creates a disconnect between reported remuneration and the corresponding years' financial and non-financial scorecard performance.

In both 2010/2011 and 2011/2012, the Board made considered decisions to not pay a cash bonus and instead awarded entirely deferred STIP awards.

Deferred shares granted under the STIP have a future service period, during which the recipient must remain employed by the Group for the awards to vest. The consequence of these decisions is that the 2012/2013 statutory remuneration disclosures include a value for part of prior year STIP awards and only a portion of the 2012/13 STIP awards. In most cases these values are significantly higher than the 2012/13 STIP outcomes outlined above.

» **LTIP awards that have not vested**

Accounting standards require LTIP remuneration to be expensed (and therefore included as statutory remuneration) notwithstanding that the Rights have not met the performance hurdles and have lapsed.

No LTIP awards vested during 2012/2013 (under the 2011–2013 LTIP), however, an accounting value is still required by accounting standards to be included in these disclosures. Additionally, LTIP awards that will be assessed for vesting in future years are expensed over the three year testing period. Therefore, the statutory disclosures include an accounting value for part of the 2012–2014 and the 2013–2015 LTIP awards, even though no LTIP awards vested during 2012/2013.

Remuneration Report (Audited) continued

Statutory Table – CEO and Executive KMP

$'000		Base Pay – Cash FAR[1]	Incentive Plan – Accounting Expense: STIP Cash Bonus[1]	Share Based Payments Accounting Expense[2]: STIP	Share Based Payments Accounting Expense[2]: LTIP	Sub-total	Other Items: Non-cash Benefits[1]	Other Items: Annual Leave Accrual[1]	Other Items: Post-employment Benefits[3]	Other Items: Other Long-term Benefits	Other Items: Termination Benefits	Other Sub-total	Total
Alan Joyce	**2013**	**2,109**	**775**	**375**	**1,794**	**5,053**	**24**	**(41)**	**55**	**21**	**–**	**59**	**5,112**
Chief Executive Officer	2012	2,109	–	2,163	1,134	5,406	30	15	58	68	–	171	5,577
Gareth Evans	**2013**	**981**	**233**	**335**	**366**	**1,915**	**36**	**(14)**	**38**	**36**	**–**	**96**	**2,011**
Chief Financial Officer	2012	906	–	543	194	1,643	36	10	39	32	–	117	1,760
Lesley Grant[4]	**2013**	**785**	**178**	**228**	**162**	**1,353**	**33**	**1**	**34**	**(17)**	**–**	**51**	**1,404**
CEO Qantas Loyalty	2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Simon Hickey	**2013**	**984**	**213**	**284**	**280**	**1,761**	**16**	**62**	**35**	**55**	**–**	**168**	**1,929**
CEO Qantas International	2012	770	–	574	138	1,482	49	1	51	30	–	131	1,613
Jayne Hrdlicka	**2013**	**984**	**213**	**237**	**224**	**1,658**	**43**	**(23)**	**35**	**8**	**–**	**63**	**1,721**
CEO Jetstar Group	2012	759	–	141	48	948	34	4	36	3	–	77	1,025
Lyell Strambi	**2013**	**984**	**223**	**323**	**366**	**1,896**	**63**	**(1)**	**35**	**15**	**–**	**112**	**2,008**
CEO Qantas Domestic	2012	909	–	579	215	1,703	75	16	36	14	–	141	1,844
Total	**2013**	**6,827**	**1,835**	**1,782**	**3,192**	**13,636**	**215**	**(16)**	**232**	**118**	**–**	**549**	**14,185**
	2012	**5,453**	**–**	**4,000**	**1,729**	**11,182**	**224**	**46**	**220**	**147**	**–**	**637**	**11,819**

Statutory Table – Former Executive

$'000		Base Pay – Cash FAR[1]	STIP Cash Bonus[1]	STIP	LTIP	Sub-total	Non-cash Benefits[1]	Annual Leave Accrual[1]	Post-employment Benefits[3]	Other Long-term Benefits	Termination Benefits	Other Sub-total	Total
Bruce Buchanan[5,6,7]	**2013**	**493**	**155**	**267**	**(217)**	**698**	**15**	**23**	**30**	**–**	**649**	**717**	**1,415**
Former CEO Jetstar Group	2012	849	–	571	202	1,622	52	(16)	36	(118)	–	(46)	1,576

1 Short-term employee benefits include base pay (cash FAR), STIP cash bonus, non-cash benefits, and annual leave accrual.
2 A breakdown of Share-based Payments is provided on page 92.
3 Post-employment Benefits include superannuation and an accrual for post-employment travel of $38,714 for Mr Joyce and $18,857 for each other Executive (2012: $42,080 for Mr Joyce and $20,540 for each other Executive).
4 Remuneration for Ms Grant reflects her commencing in a key management role on 1 July 2012.
5 Mr Buchanan ceased being a KMP on 30 June 2012.
6 Following cessation of Mr Buchanan's employment on 31 January 2013, his 2012/13 STIP will be paid in cash. A STIP cash bonus accrual of $154,894 was included in his 2012/2013 remuneration.
7 Includes contractual payments paid upon cessation of Mr Buchanan's employment.

6) EXECUTIVE REMUNERATION STRUCTURE

Base Pay

also referred to as Fixed Annual Remuneration or 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. An individual's FAR, being a guaranteed salary level, is not related to Qantas' performance in a specific year.

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?

In performing a FAR review, the Board makes reference to external benchmark market data including comparable roles in other listed Australian companies and international airlines. The primary benchmark is a revenue-based peer group of other S&P/ASX companies. The Board believes this is the appropriate benchmark, as it is the comparator group whose roles best mirror the size, complexity and challenges in managing Qantas' businesses and is also the peer group with whom Qantas competes for Executive talent.

Base Pay

also referred to as Fixed Annual Remuneration or FAR (continued)

What was the outcome of the 2012 and 2013 FAR reviews?

Mr Joyce did not participate in the 2012 FAR review and his FAR (of $2,125,000) remained unchanged for 2012/2013.

The re-organisation of Qantas Airlines into separate international and domestic businesses resulted in changes to the Executive Management team. The Board conducted a FAR review effective 1 July 2012 and made a number of changes to the remuneration of Executive Management to reflect their increased responsibilities following the restructure. The responsibilities of the KMP members of this team changed as follows:

» Gareth Evans, in addition to his responsibilities as Chief Financial Officer, assumed the responsibility for Group Strategy and Information Technology
» Lesley Grant assumed the role of CEO Qantas Loyalty
» Simon Hickey assumed the role of CEO Qantas International
» Jayne Hrdlicka assumed the role of CEO Jetstar Group
» Lyell Strambi assumed the role of CEO Qantas Domestic

The total base pay of the Executive Management team decreased due to the overall reduction in the number of Executive Management positions following the restructure. The FAR for each Executive KMP is outlined on page 89.

The base pay for the Chairman, CEO and Executive Management will remain unchanged for 2013/2014.

Annual Incentive

also referred to as the Short Term Incentive Plan or STIP

What is the STIP?

The STIP is the annual at risk incentive plan for members of Qantas Executive Management. Each year these Executives may receive an award that is a combination of cash and restricted shares to the extent that the plan's performance conditions are achieved.

How are the STIP performance conditions chosen and how is performance assessed?

The Board set a "scorecard" of performance conditions for the 2012/13 STIP, explicitly aligning the performance measures to the Qantas Group strategy. Underlying PBT is the key budgetary and financial performance measure for the Qantas Group and is therefore the key performance measure in the STIP scorecard.

The Board sets targets for each scorecard measure, and at the end of the year the Board assesses performance against each scorecard measure and determines the overall STIP scorecard outcome.

Each STIP scorecard category has:

» A threshold level of performance, below which no contribution is made to the scorecard
» A target level of performance, at which there is a full contribution to the scorecard
» An overdrive level of performance, which results in an above target contribution to the scorecard

A detailed description of the STIP scorecard is provided on pages 84 and 86.

The Board retains absolute discretion over all awards made under incentive plans at Qantas, including the STIP. For example, the Board may decide to adjust the STIP scorecard outcome where it determines that it does not reflect the performance achieved during the year. Circumstances may occur where scorecard measures have been achieved or exceeded, but in the view of the Board it is inappropriate to make an award under the STIP. The Board may determine that either no award will be made, or that any award will be entirely 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. While the STIP does not have a formal "profit gate", the Board may also use its discretion to not pay a STIP award where it believes that the profit result does not warrant an award.

How are STIP awards delivered?

To the extent that the performance conditions are achieved, two-thirds of the STIP award will be paid as a cash bonus, with the remaining one-third deferred into Qantas shares with a two year restriction period.

The Board retains discretion as to how STIP awards are delivered. In each of the 2009/10 STIP, 2010/11 STIP and 2011/12 STIP, the Board exercised this discretion and determined that immediate cash bonuses would not be paid and instead deferred all awards under the STIP.

How are STIP awards disclosed in the remuneration tables?

Remuneration Outcomes Table

The full value of the STIP awarded for the corresponding year is disclosed in the table on page 81.

Statutory Remuneration Table

Disclosure of STIP awards in the statutory remuneration table on page 82 is more complicated. In the statutory remuneration table, STIP awards are disclosed as either:

» A "cash incentive" for any cash bonus paid or
» As a "share-based payment" for any component awarded either in deferred shares or deferred cash which is exposed to share price movements during the restriction period

Where "share based" STIP awards involve deferral over multiple reporting periods, they are reported against each period in accordance with accounting standards.

Remuneration Report (Audited) continued

Annual Incentive

also referred to as the Short Term Incentive Plan or STIP (continued)

What were the STIP measures for the year ended 30 June 2013?

Strategic Objective	Performance Measures	Scorecard Weighting	Comment
1. Delivering sustainable returns to shareholders	» Underlying Profit Before Tax (50% weighting) » Operating cash flow to net debt (10% weighting)	60%	The STIP scorecard is heavily weighted to financial performance. Underlying PBT is the key budgetary and financial performance measure for the Qantas Group and therefore it is selected as the primary performance measure under the STIP scorecard. 50 per cent of the total STIP scorecard is determined based on Underlying PBT performance.
2. Safety is always our first priority	» People and operational safety	10%	As safety is always our first priority, the STIP scorecard includes an assessment of both operational and people safety. In addition, the Board retains discretion to modify the total STIP scorecard outcome to reflect the Group's overall safety performance.
3. Building on the strong domestic business	» Domestic market share » Unit cost » Punctuality » Customer Experience – NPS » Milestones around key transformation initiatives	10%	To support the strategic initiative of "building on the strong domestic business", STIP targets were set for key measures of financial and operational performance across both the Qantas and Jetstar domestic businesses, as well as milestone targets for key business transformation initiatives.
4. Transforming Qantas International	» Strengthening networks and strategic alliances » Unit cost » Customer Experience – NPS » Qantas Frequent Flyer membership growth	10%	To support the strategic initiative of "transforming Qantas International", STIP targets were set across key measures of financial and operational performance in the Qantas International business, as well as strategic targets around strengthening our network and airline partnerships.
5. Growing Jetstar in Asia	» Jetstar Asia Underlying EBIT » Customer Experience – NPS (for Asian based Jetstar branded airlines) » Key business milestones for Jetstar Japan, Jetstar Pacific and Jetstar Hong Kong	10%	To support the strategic initiative of "growing Jetstar in Asia", STIP targets were set across key measures of financial and operational performance in the Asian-based Jetstar branded airlines, as well as milestone targets in the set-up and growth of these airlines.

Annual Incentive

also referred to as the Short Term Incentive Plan or STIP (continued)

With safety as the first priority, the Board retains an overriding discretion to scale down the STIP (or reduce it to zero) in the event of a material aviation safety incident. This is in addition to the Board's overall discretion over STIP awards. Any such decision would be made in light of the specific circumstances and following the recommendation of the Safety, Health, Environment and Security Committee.

Additional descriptions of STIP scorecard measures

Underlying PBT

The Underlying PBT target is based on the annual financial budget. Underlying PBT is a non-statutory measure, and is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the CEO, Executive Management and the Board of Directors. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of the Group. For reasons of commercial sensitivity, the annual Underlying PBT target is not disclosed.

Underlying PBT is derived by adjusting Statutory PBT for the impacts of AASB 139 Financial Instruments: Recognition and Measurement which relate to other reporting periods and identifying certain other items which are not included in Underlying PBT.

Items which are identified by Management and reported to the chief operating decision-making bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period.

Items not included in Underlying PBT primarily result from major transformational/restructuring initiatives, transactions involving investments and impairment of assets outside the ordinary course of business.

Operating Cash Flow to Net Debt

The inclusion of the operating cash flow to net debt measure reflects the Group's goal of maintaining the competitive advantage provided by an investment grade credit rating. The measure is calculated as the Group's operating cash flow divided by the Group's net debt. The Group's net debt includes interest-bearing liabilities and the fair value of hedges related to debt less cash and aircraft security deposits and off-balance sheet aircraft operating lease liabilities.

People and Operational Safety

The inclusion of safety targets reflects that safety is always our first priority. The Safety, Health, Environment and Security Committee performs a combined assessment of people safety performance and operational safety performance.

The objective of the people safety targets is to reduce employee injuries, and for 2012/2013 this involved:

- Reducing the Total Recorded Injury Frequency Rate by eight per cent on the 2011/2012 result
- Reducing the Lost Work Case Frequency Rate by 17 per cent on the 2011/2012 result, and also
- Reducing the Duration Rate by 15 per cent on the 2011/2012 result

Operational safety performance is assessed against outcome-based measures (including operational occurrences that pose a significant threat to the safety of employees and customers) and risk-based lead indicators commonly associated with aviation industry accidents.

Unit Cost

Unit Cost remains an area of focus across the business and as a result, the STIP scorecard includes unit cost targets for each of Qantas International, Qantas Domestic and Jetstar. These targets are derived from the annual financial budget.

For Qantas International and Qantas Domestic, Net Underlying Unit Cost performance is calculated as net underlying expenditure (excluding fuel) divided by each business' ASKs. Net underlying expenditure is derived from passenger revenue less Underlying EBIT.

For Jetstar, Unit Cost performance is measured as controllable unit cost which is calculated as total expenses (excluding fuel) per ASK.

To ensure that these measures focus on the underlying operating activities and efficiencies, they exclude the impact of fuel price changes and restructuring charges.

Punctuality

As agreed with and reported to the Bureau of Infrastructure, Transport and Regional Economics (BITRE), punctuality is measured as the number of flights operating on-time as a percentage of the number of flights operated. Performance is assessed against targets that are based on on-time departures.

Remuneration Report (Audited) continued

Annual Incentive

also referred to as the Short Term Incentive Plan or STIP (continued)

Customer Service – NPS

Customer Service is measured against NPS targets. This is a survey-based measure of the willingness of customers to promote the services of the company in preference to its direct competitors. Individual NPS targets are set for Qantas Domestic, Qantas International, Jetstar Domestic, Jetstar Asia, Jetstar Japan and Jetstar Pacific.

What was the STIP scorecard outcome for the year ended 30 June 2013?

The Board assessed performance against each of the performance measures and assessed overall performance under the scorecard at 38 per cent of target.

Strategic Objective		
1. Delivering sustainable returns to shareholders	No contribution (red)	The Underlying PBT result was below the threshold for payment and therefore, there was no contribution under this measure.
	No contribution (red)	The operating cash flow to net debt result was below the threshold for payment and therefore, there was no contribution under this measure.
2. Safety is always our first priority	Above target (dark green)	As a result of people safety targets being exceeded and satisfactory operational safety performance there was an above target contribution under this measure.
3. Building on the strong domestic business	Full contribution (light green)	The domestic businesses (Qantas Domestic, QantasLink and Jetstar Domestic) maintained their profit maximising 65 per cent market share position during 2012/2013. Unit cost targets were exceeded. Qantas Domestic was the most punctual Australian Domestic airline in 2012/2013. Qantas Domestic achieved record NPS results which exceeded their stretch targets. Jetstar Domestic achieved their customer satisfaction targets, significantly improving their NPS results during 2012/2013. Key business transformation milestones were achieved across Qantas Engineering, Q Catering, Qantas Information Technology and Qantas Ground Operations.
4. Transforming Qantas International		A strategic alliance with Emirates was announced and implemented during 2012/2013. An enhanced Asian network was implemented through Hong Kong and Singapore hubs. Enhancements to Asian alliances including expanded code-share with China Eastern Airlines. Unit cost targets were exceeded. Qantas International NPS targets were achieved, with record NPS results achieved during 2012/2013. Qantas Frequent Flyer has continued to grow, with membership of 9.4 million members.
5. Growing Jetstar in Asia	Partial contribution (orange)	The Underlying EBIT target for Jetstar Asia was above the threshold for payment but was below the level for a full contribution to the STIP scorecard. Customer service targets (NPS) were exceeded for each of the Jetstar branded airlines in Asia. Significant progress was made in the growth of Jetstar branded airlines in Asia, with: » Continued development of Jetstar Japan » Fleet renewal in Jetstar Pacific completed » Jetstar Hong Kong launch delayed, however, continued progress on achieving regulatory approval

Key:
- (dark green) Above target contribution to STIP scorecard
- (light green) Full contribution to STIP scorecard
- (orange) Partial contribution to STIP scorecard
- (red) No contribution to STIP scorecard

Annual Incentive

also referred to as the Short Term Incentive Plan or STIP (continued)

What was the STIP award for the CEO for the year ended 30 June 2013 and how was it calculated?

Mr Joyce received an award under the 2012/13 STIP of $1,162,800. This award was calculated as follows:

Value of the STIP Award to the CEO	=	FAR	x	"At Target" Opportunity	x	Scorecard Result	x	Individual Performance Factor (IPF)
$1,162,800	=	$2,125,000	x	120%	x	38%	x	1.20
		Mr Joyce's FAR for 2012/2013.		Mr Joyce's "at target" reward under the STIP (expressed as a percentage of FAR).		Performance against the STIP scorecard (expressed as a percentage).		The Board determined the IPF for Mr Joyce based on an assessment of his performance against his KPIs and objectives (including an assessment of his behaviours/how he went about achieving his objectives).

How were 2012/13 STIP awards delivered?

Awards under the 2012/13 STIP will be delivered in accordance with the design of the STIP. That is, two-thirds of the 2012/13 STIP award will be paid as a cash bonus, with the remaining one-third deferred into Qantas shares with a two year restriction period.

What is the maximum outcome under the STIP?

The STIP scorecard has a hypothetical maximum outcome of 175 per cent of "at target", which could only be achieved if the maximum overdrive level of performance is achieved on every STIP performance measure. Given the challenging trading conditions Qantas faced during 2012/2013, the possibility of a scorecard outcome at or above the "at target" amount was not considered. The minimum outcome is nil, which would occur if the threshold level of performance is missed on each STIP measure.

Long Term Incentive Plan

also referred to as the LTIP

What is the LTIP?

The LTIP involves the granting of Rights over Qantas shares. If performance and service 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.

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

The three year performance conditions for each of the 2011–2013 LTIP (tested as at 30 June 2013), 2012–2014 LTIP (to be tested as at 30 June 2014) and 2013–2015 LTIP (to be tested as at 30 June 2015) are:

» The relative TSR of Qantas compared to the ASX 100, and
» The relative TSR of Qantas compared to an airline peer group (Global Listed Airlines)

These Rights will only vest in full if Qantas' TSR performance ranks at or above the 75th percentile compared to both the ASX 100 and the Global Listed Airline peer group.

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

» The ASX 100 peer group 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 Global Listed Airline peer group 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/ASX 100 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 ASX 100 as follows:

Qantas TSR Performance Compared to the ASX 100	Vesting Scale
Below 50th percentile	Nil vesting
Between 50th and 75th percentile	Linear scale: 50% to 99% vesting
At or above 75th percentile	100% vesting

Remuneration Report (Audited) continued

Long Term Incentive Plan

also referred to as the LTIP (continued)

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 Global Listed Airline Basket	Vesting Scale
Below 50th percentile	Nil vesting
Between 50th and 75th 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. For the 2013–2015 LTIP, the basket of Global Listed Airlines contains the following full-service and value-based airlines: Air Asia, Air France/KLM, Air New Zealand, All Nippon Airways, British Airways/Iberia (International Airlines Group), Cathay Pacific, Delta Airlines, Easyjet, LATAM Airlines Group, Lufthansa, Ryanair, Singapore Airlines, Southwest Airlines, Tiger Airways and Virgin Australia. The 2011–2013 LTIP and the 2012–2014 LTIP included American Airlines (AMR Corporation) but excluded All Nippon Airways and LATAM Airlines Group from the basket of Global Listed Airlines. The 2011–2013 LTIP also excluded Air Asia.

How are Rights treated on termination?

In general, any Rights which have not vested will be forfeited if the relevant Executive ceases employment with the Qantas Group.

In limited circumstances (for example, retirement, redundancy, death or total and permanent disablement), a deferred cash payment may be made at the end of the performance period. This payment is determined with regard to the value of the LTIP Rights which would have vested had they not lapsed, and:

- » Part of the performance period that the Executive served prior to termination, and
- » The actual level of vesting that is ultimately achieved at the end of the performance period

The Board retains discretion to determine otherwise in appropriate circumstances, which may include leaving some or all of the LTIP Rights on "foot", or for some or all of the LTIP Rights to vest on cessation of employment having regard to the portion of the performance period that has elapsed and the degree to which the performance conditions have been achieved.

What was the LTIP outcome for the year ended 30 June 2013?

LTIP awards under the 2011–2013 LTIP were tested as at 30 June 2013 and the performance hurdles were not achieved. Therefore, 2011–2013 LTIP Rights did not vest and all Rights lapsed.

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.

What happens if companies in the comparator groups de-list?

Companies that de-list due to business failure are assigned a TSR of minus 100 per cent fairly representing the negative outcome for shareholders in those companies. Comparator companies that are acquired, and where the continuing entity is a listed company (for which TSR is available), will have their TSR measured to the date of acquisition and then it is assumed the proceeds are re-invested in the continuing listed entity. This approach also ensures that shareholder outcomes are fairly reflected in the LTIP results.

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 KMP and their eligible beneficiaries are entitled to a number of trips for personal purposes at no cost to the individual. Post-employment travel concessions are also available to all permanent Qantas employees who qualify through retirement or redundancy. The CEO and KMP and their eligible beneficiaries are also 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 is disclosed as a post-employment benefit. **Other long-term benefits** The accrual of long service leave is included in other long-term benefits.

Summary of Key Contract Terms as at 30 June 2013

Contract Details	Alan Joyce	Gareth Evans	Lesley Grant	Simon Hickey	Jayne Hrdlicka	Lyell Strambi
FAR	$2,125,000	$1,000,000	$800,000	$1,000,000	$1,000,000	$1,000,000
STIP "at target" opportunity	120% of FAR	80% of FAR	80% of FAR	80% of FAR	80% of FAR	80% of FAR
LTIP "at target" opportunity	80% of FAR	50% of FAR	25% of FAR	50% of FAR	50% of FAR	50% of FAR
Travel entitlements	An annual benefit of trips for these Executives and eligible beneficiaries during employment, at no cost to the individual, as follows:					
	4 Long Haul 12 Short Haul	2 Long Haul 6 Short Haul	2 Long Haul 6 Short Haul	2 Long Haul 6 Short Haul	2 Long Haul 6 Short Haul	2 Long Haul 6 Short Haul
	The same benefit is provided for use post-employment, based on the period of service in a senior Executive role within the Qantas Group.					
Notice	Employment may be terminated by either the Executive or Qantas by providing six months written notice[1]. Each Executive's contract now includes a provision that limits any termination payment to the statutory limit prescribed under the Corporations Act 2001.					
Severance	A severance payment of six months' FAR applies where termination is initiated by Qantas[1].					

1 Other than for misconduct or unsatisfactory performance.

Remuneration Mix

The FAR and "at target" STIP and LTIP opportunities for each Executive are set with reference to external benchmark market data including comparable roles in other listed Australian companies and international airlines.

The "at target" STIP opportunity is set at 120 per cent of FAR for Mr Joyce and 80 per cent of FAR for Executive KMP.

The "at target" LTIP award is valued at 80 per cent of FAR for Mr Joyce, with shareholder approval sought each year prior to making the award. The annual "at target" LTIP award for the four largest KMP roles (being Mr Evans, Mr Hickey, Ms Hrdlicka and Mr Strambi) is valued at 50 per cent of FAR. The annual "at target" LTIP award for other Executive Management roles, (including for Ms Grant) is valued at 25 per cent of FAR.

At Qantas, the "at target" STIP and LTIP awards are normally expressed as a percentage of FAR, however, for the purpose of the following remuneration mix tables, FAR, STIP and LTIP opportunities are expressed as a percentage of total pay.

The target remuneration mix does not match the actual remuneration mix for 2012/2013, as:

» 2012/13 STIP outcomes were below the "at target" award levels, and
» Actual reward mix is calculated on an accrual basis in accordance with accounting standards, so each year's remuneration includes a portion of the value of share-based payments awarded in previous years

Remuneration Report (Audited) continued

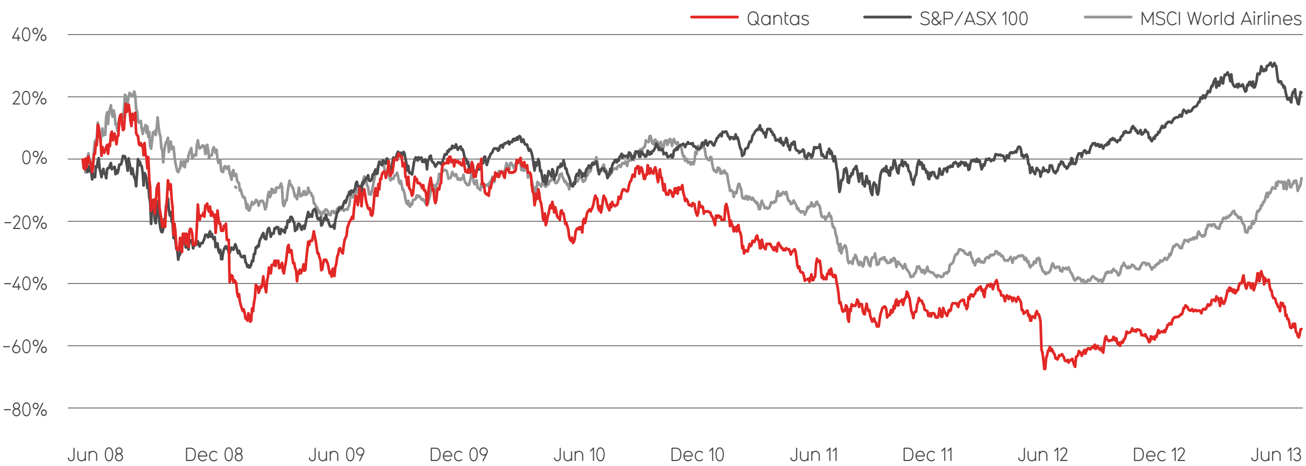
Target Remuneration Mix	FAR %	STIP %	LTIP %
Alan Joyce	33	40	27
Gareth Evans	43	35	22
Lesley Grant	49	39	12
Simon Hickey	43	35	22
Jayne Hrdlicka	43	35	22
Lyell Strambi	43	35	22

		Performance-related Remuneration			
		STIP			
		Cash-based	Share-based		LTIP
Statutory Remuneration Mix	FAR & Other %	Cash Incentives %	Cash-settled %	Equity-settled %	Rights Awards %
Alan Joyce	43	15	0	7	35
Gareth Evans	53	12	10	7	18
Lesley Grant	60	13	10	6	11
Simon Hickey	60	11	8	6	15
Jayne Hrdlicka	61	12	10	4	13
Lyell Strambi	55	11	10	6	18

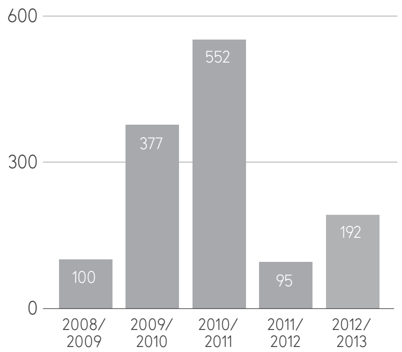
Qantas Financial Performance History

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

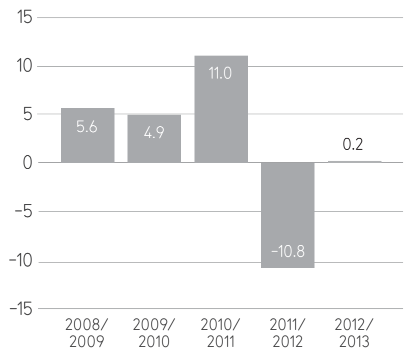
Qantas TSR Performance v Peer Groups (%)



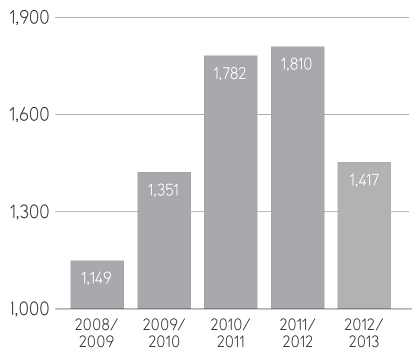
Underlying Profit Before Tax ($M)



Earnings Per Share (cents)



Operating Cash Flow ($M)



7) 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 that will be reported in the statutory remuneration tables in future years, assuming all vesting conditions are met. The minimum value of these awards is nil, should vesting conditions not be satisfied.

	Future Expense by Plan						Future Expense by Financial Year			
	STIP Awards			LTIP Awards						
Executives	2010/11 $'000	2011/12 $'000	2012/13 $'000	2012–2014[1] $'000	2013–2015[2] $'000	Total $'000	2014 $'000	2015 $'000	2016 $'000	Total $'000
Alan Joyce	32	–	265	512	1,700	**2,509**	1,517	972	20	**2,509**
Gareth Evans	10	34	79	138	500	**761**	464	291	6	**761**
Lesley Grant	6	23	61	58	200	**348**	212	131	5	**348**
Simon Hickey	10	27	73	59	500	**669**	376	287	6	**669**
Jayne Hrdlicka	3	27	73	58	500	**661**	368	287	6	**661**
Lyell Strambi	9	33	76	138	500	**756**	460	290	6	**756**

1 Rights under the 2012–2014 LTIP were granted to Mr Joyce on 28 October 2011 (following approval from shareholders at the 2011 Annual General Meeting) and other Executives on 23 August 2011. The number of Rights granted were determined using the fair value of a Right on 1 July 2011 ($1.015 per Right) being the start of the measurement period. For accounting purposes, accounting standards require the share-based payment expense to be calculated using the fair value of a Right on the grant date ($0.815 per Right for Mr Joyce and $0.86 per Right for other Executives).

2 Rights under the 2013–2015 LTIP were granted to all Executives on 2 November 2012 (following approval from shareholders of the CEO's award at the 2012 Annual General Meeting). The number of Rights granted were determined using the fair value of a Right on 1 July 2012 ($0.66 per Right) being the start of the measurement period. For accounting purposes, accounting standards require the share-based payment expense to be calculated using the fair value of a Right on the grant date ($0.88 per Right).

STIP Awards – Vesting and Forfeiture

2009/10 STIP awards (granted on 12 August 2010) were delivered entirely to participants in deferred shares subject to a one-year restriction period for 50 per cent of the award and a two-year restriction period for the remaining 50 per cent of the award. 50 per cent of awards under the 2009/10 STIP vested during 2012/2013.

One-third of the 2010/11 STIP awards (granted on 31 August 2011) were delivered to participants in deferred shares subject to a two-year restriction period. No awards under the 2010/11 STIP vested during 2012/2013.

One-third of the 2011/2012 STIP awards (granted on 22 August 2012) were delivered to participants in deferred shares subject to a two-year restriction period. Two-thirds of the 2011/12 STIP awards (granted on 22 August 2012) that vested during 2012/2013 were delivered as cash-settled share-based payments.

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 2012/2013 there was nil vesting and nil forfeiture under the 2011–2013 LTIP (granted on 12 August 2010 and on 29 October 2010) and the 2012–2014 LTIP (granted on 23 August 2011 and 28 October 2011), other than for Mr Buchanan. 100 per cent of Rights under the 2011–2013 LTIP lapsed following the testing of performance hurdles as at 30 June 2013.

100 per cent of Rights awarded to Mr Buchanan under the 2011–2013 LTIP and the 2012–2014 LTIP were forfeited on termination of employment. Consistent with the approach to LTIP awards on termination of employment outlined on page 88, Mr Buchanan may become eligible for a deferred cash payment to be made at the end of the respective performance periods for the 2011–2013 LTIP and the 2012–2014 LTIP awards. Any payment would have regard to:

» The value of the LTIP Rights which would have vested had they not lapsed
» The part of the performance periods that Mr Buchanan served prior to termination
» The actual level of vesting that is ultimately achieved at the end of the performance periods

Number of Rights Awarded, Vested, Exercised and Forfeited in 2012/2013

Executives	Awarded	Vested	Exercised	Forfeited
Alan Joyce	2,575,000	–	–	–
Gareth Evans	757,000	–	–	–
Lesley Grant	303,000	–	–	–
Simon Hickey	757,000	–	–	–
Jayne Hrdlicka	757,000	–	–	–
Lyell Strambi	757,000	–	–	–

Remuneration Report (Audited) continued

Additional Information – Share-based Payments

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

$000		STIP		LTIP	
		Cash-settled Share-based Payment	Equity-settled Share-based Payment	Equity-settled Share-based Payment	Total
Alan Joyce	**2013**	**–**	**375**	**1,794**	**2,169**
Chief Executive Officer	2012	1,201	962	1,134	3,297
Gareth Evans	**2013**	**202**	**133**	**366**	**701**
Chief Financial Officer	2012	358	185	194	737
Lesley Grant	**2013**	**139**	**89**	**162**	**390**
CEO Qantas Loyalty	2012	n/a	n/a	n/a	n/a
Simon Hickey	**2013**	**159**	**125**	**280**	**564**
CEO Qantas International	2012	349	225	138	712
Jayne Hrdlicka	**2013**	**162**	**75**	**224**	**461**
CEO Jetstar Group	2012	115	26	48	189
Lyell Strambi	**2013**	**193**	**130**	**366**	**689**
CEO Qantas Domestic	2012	319	260	215	794
Total	**2013**	**855**	**927**	**3,192**	**4,974**
	2012	**2,342**	**1,658**	**1,729**	**5,729**
Former Executive					
Bruce Buchanan	**2013**	**146**	**121**	**(217)**	**50**
Former CEO Jetstar Group	2012	330	241	202	773

Additional Information – Methodology Used for the Remuneration Outcomes Table (Non-statutory)

Base pay (cash FAR) and other remuneration in the Remuneration Outcomes tables on pages 78 and 81 are the same as those reported in the statutory remuneration tables on pages 79 and 82.

The STIP amount shown in the Remuneration Outcomes tables is the full value of the STIP awarded for the corresponding year calculated as a product of FAR, At Target Opportunity, STIP Scorecard Result and Individual Performance Factor (rather than amortising the accounting value over the relevant performance and service period as per the accounting standards).

The LTIP amount shown in the Remuneration Outcomes tables is equal to the number of Rights vested during the year multiplied by the fair value of the Right at grant date (rather than amortising the accounting value over the relevant performance and service period as per the accounting standards).

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 maxima defined for scorecard outcomes under the STIP and a challenging vesting scale 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 a portion 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 claw-back mechanism, in that the Board may forfeit 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 more than one and a half times FAR. The potential equity awards under the STIP and the LTIP will assist Executives in maintaining shareholdings in Qantas.

Employee Share Trading Policy

The Qantas Code of Conduct and Ethics contains Qantas' Employee Share Trading Policy (Policy).

The Policy prohibits employees from dealing in Qantas securities (or securities of other listed entities) while in possession of material non-public information relevant to the entity.

In addition, nominated employees (including KMP) are:

- Prohibited from dealing in Qantas securities (or the securities of any Qantas Group listed entity) during defined closed periods
- Required to comply with "request to deal" procedures prior to dealing in Qantas securities (or the securities of any Qantas Group listed entity) outside of defined closed periods
- Prohibited from hedging or entering into any margin lending arrangement, or entering into any other encumbrances over the securities of Qantas (or the securities of any Qantas Group listed entity) at any time

8) 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 2013 was $2.350 million (2012: $2.465 million), which is within the approved annual fee pool.

Non-Executive Directors' remuneration reflects the responsibilities of Non-Executive Directors and is determined having regard to the advice of independent remuneration consultants. There was no increase to Board or Committee fees in 2012/2013.

	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 and Security Committee.
2 The Chairman does not receive any additional fees for serving on or chairing any Board Committee.

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

Overseas-based Non-Executive Directors are paid a travel allowance when travelling on international journeys of greater than six hours to attend Board and Committee Meetings or Board-related activities requiring participation of all Directors.

All Non-Executive Directors and eligible beneficiaries receive travel entitlements. The Chairman is entitled to four long haul trips and 12 short haul trips each calendar year and all other Non-Executive Directors are entitled to two long haul trips and six short haul 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 arises.

Post-employment, the Chairman is entitled to two long haul trips and six short haul trips for each year of service and all other Non-Executive Directors are entitled to one long haul trip and three short haul trips for each year of service. The accounting value of the travel benefit is captured in the remuneration table (as a non-cash benefit for travel during the year and as a post-employment benefit).

Remuneration Report (Audited) continued

Remuneration for the Year Ended 30 June 2013 – Non-Executive Directors

$'000		Short-Term Employee Benefits			Post-Employment Benefits			
		Cash FAR	Non-Cash Benefits	Sub-total	Super-annuation	Travel	Sub-total	Total
Leigh Clifford	**2013**	**535**	**25**	**560**	**25**	**19**	**44**	**604**
Chairman	2012	510	30	540	50	21	71	611
Peter Cosgrove[1,2]	**2013**	**180**	**17**	**197**	**16**	**9**	**25**	**222**
Non-Executive Director	2012	180	35	215	16	10	26	241
Patricia Cross	**2013**	**200**	**30**	**230**	**16**	**9**	**25**	**255**
Non-Executive Director	2012	180	98	278	16	10	26	304
Richard Goodmanson[3]	**2013**	**244**	**51**	**295**	**–**	**9**	**9**	**304**
Non-Executive Director	2012	241	21	262	–	10	10	272
Garry Hounsell	**2013**	**208**	**33**	**241**	**16**	**9**	**25**	**266**
Non-Executive Director	2012	208	28	236	16	10	26	262
William Meaney[3]	**2013**	**188**	**1**	**189**	**–**	**9**	**9**	**198**
Non-Executive Director	2012	68	6	74	–	10	10	84
Corinne Namblard[4]	**2013**	**103**	**19**	**122**	**–**	**9**	**9**	**131**
Non-Executive Director	2012	140	56	196	–	10	10	206
Paul Rayner	**2013**	**180**	**34**	**214**	**16**	**9**	**25**	**239**
Non-Executive Director	2012	180	37	217	16	10	26	243
John Schubert[5]	**2013**	**71**	**7**	**78**	**6**	**9**	**15**	**93**
Non-Executive Director	2012	208	31	239	16	10	26	265
James Strong[6]	**2013**	**139**	**19**	**158**	**11**	**9**	**20**	**178**
Non-Executive Director	2012	208	19	227	16	10	26	253
Barbara Ward	**2013**	**180**	**19**	**199**	**16**	**9**	**25**	**224**
Non-Executive Director	2012	180	34	214	16	10	26	240
Total – Non-Executive	**2013**	**2,228**	**255**	**2,483**	**122**	**109**	**231**	**2,714**
Directors	**2012**	**2,303**	**395**	**2,698**	**162**	**121**	**283**	**2,981**

1 The Non-Executive Director Share 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 May 2012. The value of shares is included above as Cash FAR.
2 General Cosgrove received payments for services rendered as a Director of Qantas Superannuation Limited.
3 Mr Goodmanson and Mr Meaney each received travel allowances of $30,000 during 2012/2013 (2012: $45,000 for Mr Goodmanson and $15,000 for Mr Meaney). These amounts were included in Cash FAR.
4 2012/2013 remuneration reflects the period served by Ms Namblard as a Non-Executive Director (1 July 2012 to 24 February 2013).
5 2012/2013 remuneration reflects the period served by Dr Schubert as a Non-Executive Director (1 July 2012 to 2 November 2012).
6 2012/2013 remuneration reflects the period served by Mr Strong as a Non-Executive Director (1 July 2012 to 3 March 2013).

ENVIRONMENTAL OBLIGATIONS

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

The Directors are satisfied that 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 71, the Company Secretary and Assistant Company Secretary listed on page 73 and certain individuals, who formerly held any of these positions, have the benefit of the indemnity in the Qantas Constitution. Members of Qantas' Executive Management team and certain former members of the Executive Management team have the benefit of an indemnity to the fullest extent permitted by law and as approved by the Board. In respect to non-audit services, KPMG, Qantas' auditor, has the benefit of an indemnity to the extent that 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 2012/2013 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 disclosure is prohibited under the terms of the contracts.

NON-AUDIT SERVICES

During the year Qantas' auditor, KPMG has performed certain other services in addition to its statutory duties. The Directors are satisfied that:

a. The non-audit services provided during 2012/2013 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 2012/2013 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 page 96.

Details of the amounts paid to KPMG for audit and non-audit services provided during the year are set out in Note 8 to the Financial Statements.

KPMG

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the Directors of Qantas Airways Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
(ii) no contraventions of any applicable code of professional conduct in relation to the audit

KPMG
Sydney
6 September 2013

Duncan McLennan
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
6 September 2013

Alan Joyce
Chief Executive Officer
6 September 2013

Financial Report

FOR THE YEAR ENDED 30 JUNE 2013

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Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Qantas Group 2013 $M	2012 $M
REVENUE AND OTHER INCOME			
Net passenger revenue		13,673	13,625
Net freight revenue		935	903
Other	3	1,294	1,196
Revenue and other income		**15,902**	**15,724**
EXPENDITURE			
Manpower and staff related		3,825	3,774
Fuel		4,154	4,220
Aircraft operating variable		3,066	2,980
Depreciation and amortisation		1,450	1,384
Non-cancellable aircraft operating lease rentals		525	549
Share of net loss/(profit) of associates and jointly controlled entities	15	39	(3)
Other	3	2,639	2,993
Expenditure		**15,698**	**15,897**
Statutory profit/(loss) before income tax expense and net finance costs		**204**	**(173)**
Finance income	5	109	181
Finance costs	5	(296)	(357)
Net finance costs	5	**(187)**	**(176)**
Statutory profit/(loss) before income tax expense		**17**	**(349)**
Income tax (expense)/benefit	6	(11)	105
Statutory profit/(loss) for the year		**6**	**(244)**
Attributable to:			
Members of Qantas		5	(245)
Non-controlling interests		1	1
Statutory profit/(loss) for the year		**6**	**(244)**
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic/diluted earnings/(loss) per share (cents)	7	0.2	(10.8)

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 2013

	Qantas Group	
	2013 $M	2012 $M
Statutory profit/(loss) for the year	**6**	**(244)**
Effective portion of changes in fair value of cash flow hedges, net of tax	111	(42)
Transfer of hedge reserve to the Income Statement, net of tax[1]	(50)	(89)
Recognition of effective cash flow hedges on capitalised assets, net of tax	21	92
Foreign currency translation of controlled entities	10	3
Foreign currency translation of associates	(1)	4
Other comprehensive income/(loss) for the year[2]	**91**	**(32)**
Total comprehensive income/(loss) for the year	**97**	**(276)**
Total comprehensive income/(loss) attributable to:		
Members of Qantas	96	(277)
Non-controlling interests	1	1
Total comprehensive income/(loss) for the year	**97**	**(276)**

1 These amounts were allocated to revenue of $(59) million (2012: $(13) million), fuel expenditure of $(8) million (2012: $(116) million), finance costs of $nil (2012: $3 million), other costs of $(4) million and income tax expense of $21 million (2012: $37 million) in the Consolidated Income Statement.
2 All items included in other comprehensive income may be reclassified to profit or loss in the future.

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

Consolidated Balance Sheet

AS AT 30 JUNE 2013

		Qantas Group	
	Notes	2013 $M	2012 $M
CURRENT ASSETS			
Cash and cash equivalents	10	2,829	3,398
Receivables	11	1,436	1,111
Other financial assets	26	180	88
Inventories	12	364	376
Assets classified as held for sale	13	42	73
Other	14	394	414
Total current assets		**5,245**	**5,460**
NON-CURRENT ASSETS			
Receivables	11	174	472
Other financial assets	26	27	17
Investments accounted for using the equity method	15	190	457
Property, plant and equipment	16	13,827	14,139
Intangible assets	17	714	610
Other		23	23
Total non-current assets		**14,955**	**15,718**
Total assets		**20,200**	**21,178**
CURRENT LIABILITIES			
Payables	19	1,859	1,876
Revenue received in advance	20	3,032	3,172
Interest-bearing liabilities	21	835	1,119
Other financial liabilities	26	86	369
Provisions	22	558	570
Liabilities classified as held for sale	13	–	12
Total current liabilities		**6,370**	**7,118**
NON-CURRENT LIABILITIES			
Revenue received in advance	20	1,186	1,136
Interest-bearing liabilities	21	5,245	5,430
Other financial liabilities	26	54	224
Provisions	22	718	737
Deferred tax liabilities	18	673	644
Total non-current liabilities		**7,876**	**8,171**
Total liabilities		**14,246**	**15,289**
Net assets		**5,954**	**5,889**
EQUITY			
Issued capital	23	4,693	4,729
Treasury shares		(43)	(42)
Reserves	23	128	36
Retained earnings		1,171	1,162
Equity attributable to the members of Qantas		5,949	5,885
Non-controlling interests		5	4
Total equity		**5,954**	**5,889**

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 2013

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 2012	**4,729**	**(42)**	**48**	**41**	**(53)**	**1,162**	**4**	**5,889**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
Statutory profit/(loss) for the year	–	–	–	–	–	5	1	6
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	111	–	–	–	111
Transfer of hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	(50)	–	–	–	(50)
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	21	–	–	–	21
Foreign currency translation of controlled entities	–	–	–	–	10	–	–	10
Foreign currency translation of associates	–	–	–	–	(1)	–	–	(1)
Total other comprehensive income	**–**	**–**	**–**	**82**	**9**	**–**	**–**	**91**
Total comprehensive income for the year	**–**	**–**	**–**	**82**	**9**	**5**	**1**	**97**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY								
Contributions by and distributions to owners								
Shares bought back[1]	(36)	–	–	–	–	–	–	(36)
Treasury shares acquired	–	(16)	–	–	–	–	–	(16)
Share-based payments	–	–	20	–	–	–	–	20
Shares vested and transferred to employees	–	15	(15)	–	–	–	–	–
Share-based payments unvested and lapsed	–	–	(4)	–	–	4	–	–
Total contributions by and distributions to owners	**(36)**	**(1)**	**1**	**–**	**–**	**4**	**–**	**(32)**
Total transactions with owners	**(36)**	**(1)**	**1**	**–**	**–**	**4**	**–**	**(32)**
Balance as at 30 June 2013	**4,693**	**(43)**	**49**	**123**	**(44)**	**1,171**	**5**	**5,954**

1 23,377,832 shares were bought back and cancelled during the year ended 30 June 2013.

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 2013

Qantas Group $M	Issued Capital	Treasury Shares	Employee Compen-sation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance as at 1 July 2011	**4,729**	**(72)**	**65**	**80**	**(60)**	**1,405**	**4**	**6,151**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
Statutory profit/(loss) for the year	–	–	–	–	–	(245)	1	(244)
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(42)	–	–	–	(42)
Transfer of hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	(89)	–	–	–	(89)
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	92	–	–	–	92
Foreign currency translation of controlled entities	–	–	–	–	3	–	–	3
Foreign currency translation of associates	–	–	–	–	4	–	–	4
Total other comprehensive (loss)/income	**–**	**–**	**–**	**(39)**	**7**	**–**	**–**	**(32)**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**(39)**	**7**	**(245)**	**1**	**(276)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY								
Contributions by and distributions to owners								
Treasury shares acquired	–	(16)	–	–	–	–	–	(16)
Share-based payments	–	–	31	–	–	–	–	31
Shares vested and transferred to employees	–	46	(46)	–	–	–	–	–
Share-based payments unvested and lapsed	–	–	(2)	–	–	2	–	–
Dividends declared	–	–	–	–	–	–	(1)	(1)
Total contributions by and distributions to owners	**–**	**30**	**(17)**	**–**	**–**	**2**	**(1)**	**14**
Total transactions with owners	**–**	**30**	**(17)**	**–**	**–**	**2**	**(1)**	**14**
Balance as at 30 June 2012	**4,729**	**(42)**	**48**	**41**	**(53)**	**1,162**	**4**	**5,889**

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 2013

	Notes	Qantas Group 2013 $M	Qantas Group 2012 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		16,582	16,699
Cash payments in the course of operations		(15,185)	(14,795)
Interest received		110	170
Interest paid		(229)	(285)
Dividends received from associates and jointly controlled entities	15	142	22
Income tax paid		(3)	(1)
Net cash from operating activities	27	**1,417**	**1,810**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		(1,247)	(2,129)
Net payments for aircraft assigned to associates[1]		(12)	(92)
Interest paid and capitalised on qualifying assets	5	(61)	(83)
Proceeds from disposal of property, plant and equipment		32	54
Net proceeds from repayment of loans receivable from jointly controlled entities		125	–
Proceeds from sale and operating leaseback of non-current assets		8	12
Proceeds from disposal of controlled entities, net of cash disposed		18	–
Proceeds from disposal of jointly controlled entities		189	–
Payments for the acquisition of controlled entities, net of cash acquired	28	(24)	(11)
Payments for investments in associates		(73)	(33)
Net cash used in investing activities		**(1,045)**	**(2,282)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares bought back[2]		(36)	–
Payments for treasury shares		(16)	(16)
Proceeds from borrowings		846	688
Repayments of borrowings		(1,494)	(566)
Proceeds from sale and finance leaseback of non-current assets		83	283
Net payments for aircraft security deposits and hedges related to debt		(336)	(18)
Dividends paid to non-controlling interests		–	(1)
Net cash (used in)/from financing activities		**(953)**	**370**
Net decrease in cash and cash equivalents held		**(581)**	**(102)**
Cash and cash equivalents at the beginning of the year		3,398	3,496
Effects of exchange rate changes on cash and cash equivalents		12	4
Cash and cash equivalents at the end of the year	10	**2,829**	**3,398**

1 Net payments for aircraft assigned to Jetstar Japan Co., Ltd and Jetstar Hong Kong Airways Limited.
2 23,377,832 shares were bought back and cancelled during the year ended 30 June 2013.

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

1. Statement of Significant Accounting Policies

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

The Consolidated Financial Statements for the year ended 30 June 2013 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 2013 were authorised for issue in accordance with a resolution of the Directors on 6 September 2013.

(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 (AASB) 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 (IASB).

(B) BASIS OF PREPARATION

The Consolidated Financial Statements are presented in Australian dollars, which is the functional currency of the Group, and have been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values. 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 in Note 1 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 Estimate – Passenger Revenue

During the year a review was undertaken of the key judgements and estimates impacting the timing of revenue recognition and the measurement of revenue received in advance for tickets which have passed the ticketed travel date.

To more appropriately align the Group's revenue recognition and liability measurement estimates with ticket terms and conditions and historic experience, revenue increased by $134 million for the year ended 30 June 2013 through a reduction in revenue received in advance.

Tickets that have passed the ticketed travel date will be recognised as revenue in accordance with these revised estimates based on the ticketed terms and conditions and historic experience.

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

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

Unrealised gains and losses arising from transactions with associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity.

(E) FOREIGN CURRENCY

Transactions

Transactions in foreign currencies are translated to the functional currency of the Group 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 the functional currency 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 to the functional currency at the rates of exchange prevailing at balance date. The income statements of foreign operations are translated to the functional currency 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. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the Consolidated Income Statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in an associate or jointly controlled entity that includes a foreign operation, while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the Consolidated Income Statement.

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.

At the inception of the transactions, the Qantas Group documents 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.

1. Statement of Significant Accounting Policies continued

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.

(G) REVENUE RECOGNITION

Passenger and Freight 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 revenue and freight revenue is recognised when passengers or freight are uplifted. Unused tickets are recognised as revenue using estimates based on the terms and conditions of the ticket, historic trends and experience.

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

Revenue from ancillary passenger revenue, passenger services fees, lease capacity revenue and air charter revenue is recognised as revenue when the services are provided.

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 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.

Tours and travel revenue is recognised when tours and travel air tickets and land content are utilised.

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 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 Consolidated 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

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

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 for unused tax losses, tax credits and deductible temporary differences 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.

(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 revenue received in advance 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.

1. Statement of Significant Accounting Policies continued

(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 its 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. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis. 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 remeasured in accordance with the Qantas Group's accounting policies. Thereafter, the assets, or disposal group, are measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro-rata basis except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Qantas Group's accounting policies. 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. Subsequent expenditure is capitalised when it is probable that future economic benefits associated with the expenditure will flow to the Group.

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.

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.

Useful lives 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.

1. Statement of Significant Accounting Policies continued

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.

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 five to 10 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 settled in equity instruments 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.

The fair value of equity-based entitlements settled in cash is recognised as an employee expense and a corresponding liability is recognised over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as an employee expense in the Consolidated Income Statement.

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. The provision is discounted using the State Government Bonds rates which most closely match the terms to maturity of the provision. 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 yields at balance sheet date on State Government Bonds which have maturity dates approximating the terms of Qantas' obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

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 31.

Employee Termination Benefits

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

(T) PROVISIONS

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

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

Dividends

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

Workers' Compensation Insurance

The Qantas Group is a licensed self-insurer under the New South Wales Workers' Compensation Act, the Victorian Accident Compensation Act and the Queensland Workers' Compensation and Rehabilitation Act. Qantas has made provision for all notified assessed workers' compensation liabilities, together with an estimate of liabilities incurred but not reported, based on an independent actuarial assessment. The provision is discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liabilities and 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 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 comprise 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 costs are recognised in the Consolidated Income Statement as incurred, except where interest costs relate to qualifying assets in which case they are capitalised to the cost of the assets. Qualifying assets are assets that necessarily take a substantial period of time to be made ready for intended use. Where funds are borrowed generally, borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's debt facilities.

1. Statement of Significant Accounting Policies continued

(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

Ordinary shares are classified as equity. 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. From 1 July 2012, the Qantas Segment was restructured as two separate operating segments – Qantas Domestic and Qantas International. The presentation of the comparatives in Note 2 has been changed to reflect the current structure. In addition, the Qantas Group reclassified amounts from Other revenue/income to Net passenger revenue and Net freight revenue as discussed in Note 3. Other reclassifications have no material impact on the Financial Statements.

(AA) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

For new standards and interpretations not yet adopted, refer to Note 38.

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 Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group.

The primary reporting measure of the Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight and Jetstar Group operating segments is Underlying EBIT. The primary reporting measure of the Corporate/Unallocated segment is Underlying PBT as net finance costs are managed centrally and are not allocated to Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight and Jetstar Group operating segments.

Refer to Note 2(D) for a detailed description of Underlying PBT and a reconciliation of Statutory profit/(loss) before tax to underlying PBT.

(B) DESCRIPTION OF OPERATING SEGMENTS

From 1 July 2012, the Qantas Segment was restructured as two separate operating segments – Qantas Domestic and Qantas International. The presentation of the comparatives has been changed to reflect the current structure. The Qantas Group comprises the following operating segments:

Qantas Brands

Qantas Domestic, Qantas International, Qantas Loyalty and Qantas Freight operating segments are collectively referred to as Qantas Brands.

Qantas Brands is a cash generating unit (CGU) comprising those operations of the Qantas Group which are dependent on the Qantas fleet and the Qantas brand to collectively generate cash inflows and derive value.

To drive business focus, assign accountability and monitor performance, the Qantas Brands operations are managed through four operating segments. This management approach has not involved separating the operating segments into stand alone operations or implying the capital structuring or transactions that would be required for such a separation.

The Qantas fleet and the Qantas Brand together support all the operating segments within Qantas Brands. In order to set targets and assess the performance, including accountability of the operating segments (as measured by Underlying EBIT), Qantas Domestic and Qantas International report depreciation expense for passenger aircraft and Qantas Freight reports depreciation expense for freighters.

- » Qantas Domestic — The Australian domestic passenger flying business of Qantas Brands.
- » Qantas International — The International passenger flying business of Qantas Brands.
- » Qantas Loyalty — Operates the Qantas customer loyalty program for Qantas Brands (Qantas Frequent Flyer) as well as other marketing services, loyalty and recognition programs.
- » Qantas Freight — The air cargo and express freight business of Qantas Brands.

Jetstar Group

The Jetstar Group are those operations of the Qantas Group which are dependent on the Jetstar fleet and the Jetstar Brand being the Jetstar passenger flying businesses (including Jetstar Group's investments in Jetstar branded airlines in Asia).

Corporate/Unallocated

Costs associated with the centralised management and governance of the Qantas Group, together with certain items which are not allocated to business segments and other businesses of the Qantas Group which are not considered to be significant reportable segments are reported in Corporate/Unallocated segment.

(C) ANALYSIS BY OPERATING SEGMENT[1]

2013 $M	Qantas Domestic	Qantas International	Qantas Loyalty	Qantas Freight	Eliminations	Total Qantas Brands[2]	Jetstar Group	Corporate/ Unallocated[6]	Eliminations	Consolidated
REVENUE AND OTHER INCOME										
External segment revenue[3,4]	5,731	4,821	1,096	1,048	9	12,705	3,129	71	(3)	15,902
Intersegment revenue	487	675	109	8	(1,167)	112	159	(70)	(201)	–
Total segment revenue and other income	**6,218**	**5,496**	**1,205**	**1,056**	**(1,158)**	**12,817**	**3,288**	**1**	**(204)**	**15,902**
Share of net profit/(loss) of associates and jointly controlled entities[5]	5	4	–	2	–	11	(50)	–	–	(39)
Underlying EBITDAR[7]	**1,147**	**495**	**263**	**66**	**3**	**1,974**	**543**	**(171)**	**1**	**2,347**
Non-cancellable operating lease rentals	(163)	(68)	–	(5)	–	(236)	(289)	–	–	(525)
Depreciation and amortisation	(619)	(673)	(3)	(25)	–	(1,320)	(116)	(14)	–	(1,450)
Underlying EBIT	**365**	**(246)**	**260**	**36**	**3**	**418**	**138**	**(185)**	**1**	**372**
Underlying net finance costs								(180)		(180)
Underlying PBT								**(365)**		**192**

1 Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight, Jetstar Group and Corporate/Unallocated are the operating segments of the Qantas Group.
2 Qantas Brands is a cash generating unit comprising those operations of the Qantas Group which are dependent on the Qantas fleet and the Qantas brand to collectively generate cash inflows and derive value. Qantas Brands is managed through four operating segments being Qantas Domestic, Qantas International, Qantas Loyalty and Qantas Freight.
3 Includes settlement income of $125 million following the restructure of the Boeing 787 aircraft delivery schedule (reported equally across Qantas Domestic, Qantas International and Jetstar Group).
4 External segment revenue includes the impact of the change in accounting estimates — passenger revenue of $134 million (Qantas Domestic $80 million and Qantas International $54 million) as described in Note 1(C).
5 Qantas Domestic and Qantas International's share of net profit/(loss) of associates and jointly controlled entities amounts to $4.5 million and $4.5 million, respectively.
6 Corporate/Unallocated is the only operating segment with Underlying PBT as the primary reporting measure. The primary reporting measure of other operating segments is Underlying EBIT.
7 Underlying EBITDAR represents Underlying earnings before income tax expense, depreciation, amortisation, non-cancellable aircraft operating lease rentals and net finance costs.

2012 $M	Qantas Domestic	Qantas International	Qantas Loyalty	Qantas Freight	Eliminations	Total Qantas Brands	Jetstar Group	Corporate/ Unallocated	Eliminations	Consolidated
REVENUE AND OTHER INCOME										
External segment revenue	5,603	5,079	1,058	1,004	3	12,747	2,915	61	1	15,724
Intersegment revenue	460	691	99	9	(1,168)	91	161	(55)	(197)	–
Total segment revenue and other income	**6,063**	**5,770**	**1,157**	**1,013**	**(1,165)**	**12,838**	**3,076**	**6**	**(196)**	**15,724**
Share of net profit/(loss) of associates and jointly controlled entities	3	3	–	16	–	22	(19)	–	–	3
Underlying EBITDAR	**1,186**	**317**	**234**	**67**	**(6)**	**1,798**	**574**	**(178)**	**4**	**2,198**
Non-cancellable operating lease rentals	(159)	(103)	–	(4)	–	(266)	(283)	–	–	(549)
Depreciation and amortisation	(564)	(698)	(3)	(18)	–	(1,283)	(88)	(13)	–	(1,384)
Underlying EBIT	**463**	**(484)**	**231**	**45**	**(6)**	**249**	**203**	**(191)**	**4**	**265**
Underlying net finance costs								(170)		(170)
Underlying PBT								**(361)**		**95**

2. Underlying PBT and Operating Segments continued

Basis of Preparation

Underlying EBIT of the Qantas Group's operating segments is prepared and presented on the basis that reflects the revenue earned and the expenses incurred by each operating segment.

All revenues earned and expenses incurred by Qantas Loyalty, Qantas Freight and Jetstar Group are reported directly by these segments. For Qantas Airlines where revenues earned and expenses incurred are directly attributable to either Qantas International or Qantas Domestic they have been reported as such. Where revenues earned and expenses incurred by Qantas Airlines are not individually attributable to either Qantas International or Qantas Domestic, they are reported by these operating segments using an appropriate allocation methodology.

The significant accounting policies applied in implementing this basis of preparation are set out below. These accounting policies have been consistently applied to all periods presented in the Consolidated Financial Report.

Segment Performance Measure	Basis of Preparation
External segment revenue	External segment revenue is reported by operating segments as follows: » Net passenger revenue is reported by the operating segment which operated the relevant flight or provided the relevant service. For Qantas Airlines, where a multi-sector ticket covering international and domestic travel is sold, the revenue is reported by Qantas Domestic and Qantas International on a pro-rata basis using an industry standard allocation process. » Net freight revenue includes air cargo and express freight revenue and is reported by the Qantas Freight operating segment. » Frequent Flyer redemption revenue, marketing revenue, membership fees and other related revenue is reported by the Qantas loyalty operating segment. » Other revenue is reported by the operating segment that earned the revenue.
Inter-segment revenue	Inter-segment revenue for Qantas Domestic, Qantas International and Jetstar Group operating segments primarily represents: » Net passenger revenue arising from the redemption of frequent flyer points for Qantas Group flights by Qantas Loyalty; and » Net Freight revenue from the utilisation of Qantas Brands and Jetstar Group's aircraft bellyspace by Qantas Freight. Inter-segment revenue for Qantas Loyalty primarily represents marketing revenue arising from the issuance of frequent flyer points to Qantas Domestic, Qantas International and Jetstar Group. Intersegment revenue transactions, which are eliminated on consolidation, occur in the ordinary course of business at prices that approximate market prices. Qantas Loyalty does not derive net profit from intersegment transactions relating to frequent flyer point issuances and redemptions.
Share of net profit/(loss) of associates and jointly controlled entities	Share of net profit/(loss) of associates and jointly controlled entities is reported by the operating segment which is accountable for the management of the investment. The share of net profit/(loss) of associates and jointly controlled entities for Qantas Airlines investments has been equally shared between Qantas Domestic and Qantas International.
Underlying EBITDAR	The significant expenses impacting Underlying EBITDAR are as follows: » Manpower and staff related costs are reported by the operating segment that utilises the manpower. Where manpower supports both Qantas Domestic and Qantas International, costs are reported by Qantas Domestic and Qantas International using an appropriate allocation methodology. » Fuel expenditure is reported by the segment that consumes the fuel in its operations. » Aircraft operating variable costs are reported by the segment that incurs these costs. » All other expenditure is reported by the operating segment to which they are directly attributable or in the case of Qantas Airlines between Qantas Domestic and Qantas International using an appropriate allocation methodology. To apply this accounting policy, where necessary expenditure is recharged between operating segments as a cost recovery.
Depreciation and amortisation	Qantas Domestic, Qantas International and Jetstar Group report depreciation expense for passenger aircraft owned by the Qantas Group and flown by the segment. Qantas Freight reports depreciation expense for freight aircraft owned by the Qantas Group. Other depreciation and amortisation is reported by the segment that uses the related asset.

Non-cancellable aircraft operating lease rentals	Qantas Domestic, Qantas International and Jetstar Group report non-cancellable aircraft operating lease rentals for passenger aircraft externally leased by the Qantas Group and flown by the segment. Qantas Freight reports non-cancellable aircraft operating lease rentals for freighter aircraft externally leased by the Qantas Group.

(D) DESCRIPTION OF UNDERLYING PBT AND RECONCILIATION TO STATUTORY PROFIT/LOSS BEFORE TAX (STATUTORY PBT)

Underlying PBT is a non-statutory measure, and is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of the Group.

Underlying PBT is derived by adjusting Statutory PBT for impacts of AASB 139: Financial Instruments: Recognition and Measurement (AASB 139) which relate to other reporting periods and identifying certain other items which are not included in Underlying PBT.

(i) Adjusting for Impacts of AASB 139 which Relate to Other Reporting Periods

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.

This adjustment 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 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 periods statutory profit that are associated with underlying exposures which occurred in the current year are included in Underlying PBT
- Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs are excluded from Underlying PBT

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.

(ii) Other Items Not Included in Underlying PBT

Items which are identified by Management and reported to the chief operating decision-making bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period.

Items not included in Underlying PBT primarily result from revenues or expenses relating to business activities in other reporting periods, major transformational/restructuring initiatives, transactions involving investments and impairments of assets outside the ordinary course of business.

2. Underlying PBT and Operating Segments continued

(iii) Underlying EBIT

Underlying EBIT is calculated using a consistent methodology as outlined above but excluding the impact of statutory net finance costs and ineffective and non-designated derivatives relating to other reporting periods affecting net finance costs.

The reconciliation of Underlying PBT from Statutory PBT is detailed in the table below.

	Qantas Group	
	2013 $M	2012 $M
Statutory profit/(loss) before income tax expense	**17**	**(349)**
Adjusted for 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	26	86
Exclude current year derivative mark-to-market movements relating to capital expenditure	12	9
Include prior years' derivative mark-to-market movements relating to underlying exposures in the current year	(71)	(51)
Include adjustment to depreciation expense relating to excluded capital expenditure mark-to-market movements	(6)	(4)
Exclude ineffective and non-designated derivatives relating to other reporting periods affecting net finance costs	7	6
	(32)	**46**
Other items not included in Underlying PBT		
Net impairment of property, plant and equipment[1]	86	147
Redundancies and restructuring[2]	118	203
Impairment of goodwill and other intangible assets[3]	24	18
Net profit on disposal of investment in jointly controlled entity	(30)	–
Net impairment of investments	(2)	19
Write down of inventory	4	13
Other	7	(2)
	207	**398**
Underlying PBT	**192**	**95**

1 As disclosed in Note 3, net impairment of property, plant and equipment for the year ended 30 June 2013 was $93 million (2012: $157 million), of which $86 million (2012: $147 million) is presented as other items not included in Underlying PBT.
2 As disclosed in Note 3, redundancies and restructuring for the year ended 30 June 2013 was $122 million (2012: $206 million), of which $118 million (2012: $203 million) is presented as other items not included in Underlying PBT.
3 As disclosed in Note 3, net impairment of goodwill and intangible assets for the year ended 30 June 2013 was $24 million (2012: $20 million), of which $24 million (2012: $18 million) is presented as other items not included in Underlying PBT.

(E) UNDERLYING PBT PER SHARE

	Qantas Group	
	2013 cents	2012 cents
Basic/diluted Underlying PBT per share	8.5	4.2

Refer to Note 7 for the weighted average number of shares used in the calculation of basic/diluted Underlying PBT per share.

(F) ANALYSIS BY GEOGRAPHICAL AREAS

(i) Revenue and other Income by Geographic Areas

	Notes	Qantas Group 2013 $M	Qantas Group 2012 $M
Net passenger and freight revenue			
Australia		10,864	10,447
Overseas		3,744	4,081
Total net passenger and freight revenue		**14,608**	**14,528**
Other revenue/income	3	1,294	1,196
Total revenue and other income		**15,902**	**15,724**

Net passenger and freight revenue is attributed to a geographic region based on the point of sale except where this information is not directly available in which case allocation is on a pro rata basis. Other revenue/income is not allocated to a geographic region as it is impractical to do so.

(ii) Non-current Assets by Geographic Areas

Non-current assets which consist principally of aircraft supporting the Groups' global operations, are primarily located in Australia.

3. Other Revenue/Income and Other Expenditure

	Notes	Qantas Group 2013 $M	Qantas Group 2012 $M
OTHER REVENUE/INCOME[1]			
Contract work revenue		296	380
Frequent Flyer store and other redemption revenue[2]		257	245
Frequent Flyer marketing revenue[2], membership fees and other revenue		268	235
Retail, advertising and other property revenue		148	131
Other		325	205
Total other revenue/income		**1,294**	**1,196**
OTHER EXPENDITURE			
Selling and marketing		598	635
Property		482	429
Computer and communication		418	437
Capacity hire		311	266
Redundancies and restructuring		122	206
Airport security charges		145	131
Net impairment of property, plant and equipment[3]		93	157
Net impairment of goodwill and other intangible assets[4]		24	20
Net impairment of investments		(2)	19
Net gain on sale of jointly controlled entity		(30)	–
Contract work material		65	79
Ineffective and non-designated derivatives	26	76	165
Other		337	449
Total other expenditure		**2,639**	**2,993**

1 During the year the Qantas Group restated the Consolidated Income Statement for the reclassification of ancillary passenger revenue, passenger service fees, lease revenue from codeshare and charter revenue from Other revenue to Net passenger revenue and reclassification of freight lease revenue from Other revenue to Net freight revenue.

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

3 Net impairment of property, plant and equipment arises from assets classified as held for sale and recognised at fair value less costs to sell.

4 Net impairment of goodwill and other intangible assets arises from obsolete software (2012 – Cairns and Riverside catering disposal group classified as assets and liabilities held for sale and recognised at fair value less costs to sell).

4. Statutory Profit/(Loss) Before Income Tax Expense and Net Finance Costs

The following items requiring disclosure are included in Statutory profit/(loss) before income tax expense and net finance costs:

	Qantas Group	
	2013 $M	2012 $M
OTHER ITEMS REQUIRING DISCLOSURE		
Change in accounting estimate – passenger revenue[1]	134	–
Net foreign currency (losses)/gain	(19)	5
Non-aircraft operating lease rentals	(229)	(212)

1 During the year ended 30 June 2013 the Qantas Group changed its estimate for passenger revenue. Refer to Note 1(C).

5. Net Finance Costs

	Qantas Group	
	2013 $M	2012 $M
FINANCE INCOME		
Interest income on financial assets measured at amortised cost	99	156
Interest income from jointly controlled entity	5	10
Unwind of discount on receivables	5	15
Total finance income	**109**	**181**
FINANCE COSTS		
Interest expense on financial liabilities measured at amortised cost	326	414
Fair value hedges		
Fair value adjustments on hedged items	(2)	(58)
Fair value adjustments on derivatives designated in a fair value hedge	3	53
Less: capitalised interest[1]	(61)	(83)
Total finance costs on financial liabilities	**266**	**326**
Unwind of discount on provisions and other liabilities		
Employee benefit provisions	17	20
Other provisions and other liabilities	13	11
Total unwind of discount on provisions and other liabilities	**30**	**31**
Total finance costs	**296**	**357**
Net finance costs	**(187)**	**(176)**

1 The borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's unsecured debt facilities being 6.2 per cent (2012: 7 per cent).

6. Income Tax

	Qantas Group 2013 $M	2012 $M
RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		
Current income tax expense		
Current year	–	–
Adjustments for prior year	–	1
	–	1
Deferred income tax expense		
Origination and reversal of temporary differences	87	24
Benefit of tax losses recognised	(76)	(130)
	11	**(106)**
Total income tax expense/(benefit) in the Consolidated Income Statement	**11**	**(105)**
RECONCILIATION BETWEEN INCOME TAX EXPENSE AND STATUTORY PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		
Statutory profit/(loss) before income tax expense	**17**	**(349)**
Income tax expense/(benefit) using the domestic corporate tax rate of 30 per cent	5	(105)
Add/(less) adjustments for non-deductible expenditure/(non-assessable income):		
Non-deductible/(non-assessable) share of net loss/(profit) of associates and jointly controlled entities	14	3
Non-deductible foreign branch losses/utilisation or recognition of previously unrecognised foreign tax losses	4	(2)
Utilisation and recognition of previously unrecognised capital losses	(5)	(8)
Non-assessable gain on disposal of jointly controlled entity	(10)	–
Other net non-deductible items	6	10
Over provision in prior year	(3)	(3)
Income tax expense/(benefit)	**11**	**(105)**
RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Cash flow hedges	35	(16)
Income tax expense/(benefit) recognised directly in the Consolidated Statement of Comprehensive Income	**35**	**(16)**

7. Earnings/(Loss) per Share

	Qantas Group 2013 Cents	2012 Cents
Basic/diluted earnings/(loss) per share	**0.2**	**(10.8)**
	$M	$M
Statutory profit/(loss) attributable to members of Qantas	**5**	**(245)**
	Number M	Number M
WEIGHTED AVERAGE NUMBER OF SHARES		
Issued shares as at 1 July	2,265	2,265
Shares bought back and cancelled	(23)	–
Issued shares as at 30 June	**2,242**	**2,265**
Weighted average number of shares (basic and diluted) as at 30 June	**2,249**	**2,265**

8. Auditor's Remuneration

	Qantas Group	
	2013 $000	2012 $000
AUDIT SERVICES		
Auditors of Qantas – KPMG Australia		
– Audit and review of Financial Report	2,926	2,952
– Other regulatory audit services	12	36
Overseas KPMG firms		
– Audit and review of Financial Report	287	325
Total audit services	**3,225**	**3,313**
OTHER SERVICES		
Audit related services		
Auditors of Qantas – KPMG Australia		
– Due diligence service	–	61
– Other audit related services	973	1,196
Total audit related services	**973**	**1,257**
Taxation services		
Auditors of Qantas – KPMG Australia	265	410
Overseas KPMG firms	163	201
Total taxation services	**428**	**611**
Other non-audit services		
Auditors of Qantas – KPMG Australia	329	435
Overseas KPMG firms	17	36
Total other non-audit services	**346**	**471**
Total other services	**1,747**	**2,339**
Total auditor's remuneration	**4,972**	**5,652**

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 2013.

For the year ended 30 June 2013 no dividends (2012: $1 million) were declared to non-controlling interest shareholders by non-wholly-owned controlled entities.

(B) FRANKING ACCOUNT

	Qantas Group	
	2013 $M	2012 $M
Total franking account balance at 30 per cent	**84**	**25**

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

» Franking credits that will arise from the payment of income tax payable for the current year
» Franking credits that will arise from the receipt of dividends recognised as receivables at the year end
» Franking credits that may be prevented from being distributed in subsequent years
» The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

10. Cash and Cash Equivalents

	Qantas Group	
	2013 $M	2012 $M
Cash balances	265	343
Cash at call	166	245
Short-term money market securities and term deposits	2,398	2,810
Total cash and cash equivalents	**2,829**	**3,398**

Short-term money market securities of $14 million (2012: $97 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.

11. Receivables

	Qantas Group	
	2013 $M	2012 $M
CURRENT		
Trade debtors		
Trade debtors	901	798
Less: provision for impairment losses	3	4
	898	**794**
Sundry debtors	538	317
Total current receivables	**1,436**	**1,111**
NON-CURRENT		
Other loans from jointly controlled entity – interest-bearing	–	128
Sundry debtors	174	344
Total non-current receivables	**174**	**472**
The ageing of trade debtors, net of provision for impairment losses, at 30 June was:		
Not past due	753	691
Past due 1–30 days	77	40
Past due 31–120 days	29	16
Past due 121 days or more	39	47
Total trade debtors	**898**	**794**

There are no significant trade debtors that without renegotiation would 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	4	3
Impairment loss recognised	–	1
Bad debts written off	(1)	–
Reversal of provision	–	–
Provision for impairment losses as at 30 June	**3**	**4**

Sundry debtors of the Qantas Group include $99 million (2012: $257 million), representing the present value of liquidated damages resulting from the delay in delivery of aircraft.

12. Inventories

	Qantas Group 2013 $M	Qantas Group 2012 $M
Engineering expendables	301	315
Consumable stores	56	52
Work in progress	7	9
Total inventories	**364**	**376**

13. Assets and Liabilities Classified as Held for Sale

	Qantas Group 2013 $M	Qantas Group 2012 $M
Assets		
Property, plant and equipment	42	45
Assets of Cairns and Riverside catering disposal group	–	28
Total assets classified as held for sale	**42**	**73**
Liabilities		
Liabilities of Cairns and Riverside catering disposal group	–	12
Total liabilities classified as held for sale	**–**	**12**

Refer to details in Note 28(B)(ii) relating to the sale of the Cairns and Riverside catering facilities.

14. Other Current Assets

	Qantas Group 2013 $M	Qantas Group 2012 $M
Superannuation prepayment (refer to Note 31)	284	293
Prepayments	102	107
Other	8	14
Total other current assets	**394**	**414**

15. Investments Accounted for Using the Equity Method

	Qantas Group 2013 $M	Qantas Group 2012 $M
Share of net (loss)/profit of associates and jointly controlled entities		
Associates	(41)	(10)
Jointly controlled entities	2	13
Total share of net (loss)/profit of associates and jointly controlled entities	**(39)**	**3**
Investments accounted for using the equity method		
Associates		
– Jetset Travelworld Limited	118	114
– Other	72	49
Total investments in associates	**190**	**163**
Jointly controlled entities		
– AUX Investments Pty Limited	–	294
Total investments in jointly controlled entities	**–**	**294**
Total investments accounted for using the equity method	**190**	**457**

(A) INVESTMENTS IN ASSOCIATES

Details of interests in associates are as follows:

	Principal Activity	Country of Incorporation	Balance Date	Qantas Group Ownership Interest 2013 %	Qantas Group Ownership Interest 2012 %
Air Pacific Limited[1]	Air transport	Fiji	31 Mar	–	–
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
Holiday Tours & Travel (GSA) Ltd[2]	Tours and travel	Thailand	31 Dec	37	–
Jetset Travelworld Limited[3]	Travel products and services	Australia	30 Jun	29	29
Jetstar Japan Co., Ltd.	Air transport	Japan	30 Jun	33	33
Jetstar Hong Kong Airways Limited[4]	Air transport	Hong Kong	30 Jun	33	–
Jetstar Pacific Airlines Aviation Joint Stock Company	Air transport	Vietnam	31 Dec	30	30
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 Legislative changes in Fiji culminated on 29 May 2012 with the Qantas Group removing its director representatives from the Board of Air Pacific Limited (Air Pacific). As a result, Air Pacific ceased to be an associate of the Qantas Group. The Qantas Group continues to hold a 46 per cent ownership interest in Air Pacific.
2 Holiday Tours and Travel (GSA) Ltd was incorporated on 24 October 2012.
3 Jetset Travelworld Limited is a company whose shares are traded on the ASX. As at 30 June 2013 the fair value based on a quoted price of Qantas' investment is $42 million. Qantas' share of the net assets of Jetset Travelworld Limited is $126 million as at 30 June 2013.
4 Jetstar Hong Kong Airways Limited was incorporated on 4 September 2012 as a joint venture between Qantas and China Eastern Airlines. On 5 June 2013, Shun Tak Holdings Limited took an equal one-third share in Jetstar Hong Kong resulting in the dilution of Qantas' shareholding from 50% to 33.3%. The investment is now reported as an associate.

15. Investments Accounted for Using the Equity Method continued

	Qantas Group	
	2013 $M	2012 $M
RESULTS OF ASSOCIATES		
Revenues	592	597
Expenditure	(687)	(611)
Loss before income tax expense	**(95)**	**(14)**
Income tax expense	(9)	(10)
Net (loss)/profit of associates	**(104)**	**(24)**
Qantas Group's share of net (loss)/profit of associates	**(41)**	**(10)**
MOVEMENTS IN CARRYING AMOUNT OF INVESTMENTS IN ASSOCIATES		
Carrying amount of investments in associates as at 1 July	163	165
Additional investment in associates	73	32
Share of net loss of associates	(41)	(10)
Dividends received from associates	(4)	(8)
Transfer to external investments	–	(20)
Share of foreign currency translation reserve movements	(1)	4
Carrying amount of investments in associates as at 30 June	**190**	**163**
SUMMARY FINANCIAL POSITION OF ASSOCIATES		
The aggregate assets and liabilities of associates is as follows:		
Current assets	525	387
Non-current assets	582	552
Total assets	**1,107**	**939**
Current liabilities	489	396
Non-current liabilities	57	65
Total liabilities	**546**	**461**
Net assets	**561**	**478**
Qantas Group's share of net assets of associates	162	135
Adjustment arising from equity accounting		
– Goodwill	36	36
– Discount on acquisition	(8)	(8)
Investments in associates accounted for using the equity method	**190**	**163**
CONTINGENT LIABILITIES		
Qantas Group's share of associates' contingent liabilities	–	–

(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	2013 %	2012 %
AUX Investments Pty Ltd[1]	Air Cargo and Road Freight	Australia	30 Jun	–	50
LTQ Engineering Pty Limited	Maintenance services	Australia	30 Jun	50	50

1 The Group sold its 50 per cent share in AUX Investments Pty Ltd on 13 November 2012. Refer to note 28 for details.

	Qantas Group	
	2013 $M	2012 $M
RESULTS OF JOINTLY CONTROLLED ENTITIES		
Revenues	595	1,354
Expenditure	(590)	(1,325)
Profit before income tax expense	**5**	**29**
Income tax expense	(1)	(3)
Net profit of jointly controlled entities	**4**	**26**
Qantas Group's share of net profit of jointly controlled entities	**2**	**13**
MOVEMENTS IN CARRYING AMOUNT OF INVESTMENTS IN JOINTLY CONTROLLED ENTITIES		
Carrying amount of investments in jointly controlled entities as at 1 July	294	311
Additional investment in jointly controlled entity	–	3
Share of net profit of jointly controlled entities	2	13
Dividends received from jointly controlled entities	(138)	(14)
Disposal of jointly controlled entity	(158)	–
Impairment of investment in jointly controlled entity	–	(19)
Carrying amount of investments in jointly controlled entities as at 30 June	**–**	**294**
SUMMARY FINANCIAL POSITION OF SIGNIFICANT JOINTLY CONTROLLED ENTITIES		
The aggregate assets and liabilities of jointly controlled entities is as follows:		
Current assets	–	205
Non-current assets	–	867
Total assets	**–**	**1,072**
Current liabilities	–	170
Non-current liabilities	–	276
Total liabilities	**–**	**446**
Net assets	**–**	**626**
Qantas Group's share of net assets of jointly controlled entities	–	313
Adjustment arising from equity accounting		
– Accumulated impairment	–	(19)
Investments in jointly controlled entities accounted for using the equity method	**–**	**294**
COMMITMENTS		
Share of jointly controlled entities' contracted capital expenditure commitments	–	6
Share of jointly controlled entities' contracted non-capital expenditure commitments	–	439
Qantas Group's share of jointly controlled entities' commitments	**–**	**445**
CONTINGENT LIABILITIES		
Qantas Group's share of jointly controlled entities' contingent liabilities	**–**	**24**

16. Property, Plant and Equipment

	Qantas Group 2013 $M	Qantas Group 2012 $M
Freehold land – owned		
At cost	50	50
Total freehold land	**50**	**50**
Buildings – owned		
At cost	266	266
Less: accumulated depreciation	155	144
	111	**122**
Buildings – leased		
At cost	51	51
Less: accumulated depreciation	48	47
	3	**4**
Total buildings		
At cost	317	317
Less: accumulated depreciation	203	191
Total buildings at net book value	**114**	**126**
Leasehold improvements		
At cost	1,695	1,619
Less: accumulated depreciation	1,075	1,030
Total leasehold improvements at net book value	**620**	**589**
Plant and equipment		
At cost	1,496	1,421
Less: accumulated depreciation	960	898
Total plant and equipment at net book value	**536**	**523**
Aircraft and engines – owned		
At cost	11,703	12,047
Less: accumulated depreciation	4,386	4,764
	7,317	**7,283**
Aircraft and engines – finance leased and hire purchased		
At cost	4,967	5,079
Less: accumulated depreciation	2,092	1,969
	2,875	**3,110**
Aircraft and engines – maintenance		
At cost	1,816	1,673
Less: accumulated depreciation	933	788
	883	**885**
Total aircraft and engines		
At cost	18,486	18,799
Less: accumulated depreciation	7,411	7,521
Total aircraft and engines at net book value	**11,075**	**11,278**

	Qantas Group 2013 $M	2012 $M
Aircraft spare parts – owned		
At cost	862	852
Less: accumulated depreciation	447	414
	415	**438**
Aircraft spare parts – leased		
At cost	23	23
Less: accumulated depreciation	21	19
	2	**4**
Total aircraft spare parts		
At cost	885	875
Less: accumulated depreciation	468	433
Total aircraft spare parts at net book value	**417**	**442**
Aircraft deposits		
At cost	1,015	1,131
Total aircraft deposits	**1,015**	**1,131**
Total property, plant and equipment		
At cost	23,944	24,212
Less: accumulated depreciation	10,117	10,073
Total property, plant and equipment at net book value	**13,827**	**14,139**

Qantas Group 2013 $M	Opening Net Book Value	Additions[1]	Acquisition of Controlled Entity	Disposals	Transfers[2]	Transferred to Assets Classified as Held for Sale	Depreciation	Other[3]	Closing Net Book Value
Reconciliations									
Freehold land	50	–	–	–	–	–	–	–	50
Buildings	126	–	–	–	–	–	(12)	–	114
Leasehold improvements	589	107	5	–	(5)	–	(52)	(24)	620
Plant and equipment	523	85	15	(10)	1	–	(83)	5	536
Aircraft and engines	11,278	493	–	(11)	572	(26)	(1,175)	(56)	11,075
Aircraft spare parts	442	49	–	(2)	(9)	–	(61)	(2)	417
Aircraft deposits	1,131	499	–	(8)	(673)	–	–	66	1,015
Total property, plant and equipment	**14,139**	**1,233**	**20**	**(31)**	**(114)**	**(26)**	**(1,383)**	**(11)**	**13,827**

2012 $M	Opening Net Book Value	Additions[1]	Acquisition of Controlled Entity	Disposals	Transfers[2]	Transferred to Assets Classified as Held for Sale	Depreciation	Other[3]	Closing Net Book Value
Reconciliations									
Freehold land	66	–	–	(1)	–	(15)	–	–	50
Buildings	144	–	–	–	2	(2)	(13)	(5)	126
Leasehold improvements	605	88	–	(2)	(53)	(1)	(53)	5	589
Plant and equipment	504	56	–	(9)	52	(2)	(82)	4	523
Aircraft and engines	10,462	618	–	(1)	1,498	(47)	(1,123)	(129)	11,278
Aircraft spare parts	468	65	–	(21)	1	(2)	(54)	(15)	442
Aircraft deposits	1,403	1,411	–	(12)	(1,671)	–	–	–	1,131
Total property, plant and equipment	**13,652**	**2,238**	**–**	**(46)**	**(171)**	**(69)**	**(1,325)**	**(140)**	**14,139**

1 Additions include capitalised interest of $61 million (2012: $82 million).
2 Transfers includes transfers between categories of property, plant and equipment and transfers to other balance sheet accounts.
3 Other includes foreign exchange movements, non-cash additions (including $115 million (2012: $23 million) relating to finance leases (refer to Note 21) and net impairment of property, plant and equipment.

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 $8,582 million (2012: $8,878 million).

17. Intangible Assets

	Qantas Group 2013 $M	Qantas Group 2012 $M
Goodwill		
At cost	197	146
Total goodwill	**197**	**146**
Airport landing slots		
At cost	35	35
Total airport landing slots	**35**	**35**
Software		
At cost	950	854
Less: accumulated amortisation	512	449
Total software at net book value	**438**	**405**
Brand names and trademarks		
At cost	22	20
Total brand names and trademarks	**22**	**20**
Customer contracts		
At cost	27	5
Less: accumulated amortisation	5	1
Total customer contracts at net book value	**22**	**4**
Total intangible assets	**714**	**610**

Qantas Group 2013 $M	Opening Net Book Value	Additions[1]	Acquisition of Controlled Entity	Transfers	Amortisation	Other[2]	Closing Net Book Value
Reconciliations							
Goodwill	146	–	49	–	–	2	197
Airport landing slots	35	–	–	–	–	–	35
Software	405	112	8	–	(63)	(24)	438
Brand names and trademarks	20	–	–	–	–	2	22
Customer contracts	4	–	22	–	(4)	–	22
Total intangible assets	**610**	**112**	**79**	**–**	**(67)**	**(20)**	**714**
2012 $M							
Reconciliations							
Goodwill	164	–	5	(5)	–	(18)	146
Airport landing slots	35	–	–	–	–	–	35
Software	374	84	6	–	(57)	(2)	405
Brand names and trademarks	20	–	–	–	–	–	20
Customer contracts	–	–	2	4	(2)	–	4
Total intangible assets	**593**	**84**	**13**	**(1)**	**(59)**	**(20)**	**610**

1 Additions include capitalised interest of $nil (2012: $1 million).
2 Other includes foreign exchange movements and impairment of goodwill and other intangible assets.

18. Deferred Tax Liabilities

	Qantas Group 2013 $M	Qantas Group 2012 $M
Deferred tax liabilities	673	644
Total deferred tax liabilities	**673**	**644**

Qantas Group 2013 $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Acquisition of Controlled Entity	Closing Balance
Reconciliations					
Inventories	(15)	(1)	–	–	(16)
Property, plant and equipment and intangible assets	(1,797)	(59)	–	–	(1,856)
Payables	48	(10)	–	–	38
Revenue received in advance	619	20	–	–	639
Interest-bearing liabilities	(82)	(1)	–	–	(83)
Other financial assets/liabilities	(35)	(29)	(35)	–	(99)
Provisions	352	(33)	–	16	335
Other items	(211)	26	–	1	(184)
Tax value of recognised tax losses	477	76	–	–	553
Total deferred tax liabilities	**(644)**	**(11)**	**(35)**	**17**	**(673)**

2012 $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Acquisition of Controlled Entity	Closing Balance
Reconciliations					
Inventories	(16)	1	–	–	(15)
Property, plant and equipment and intangible assets	(1,723)	(74)	–	–	(1,797)
Payables	59	(11)	–	–	48
Revenue received in advance	597	22	–	–	619
Interest-bearing liabilities	(99)	17	–	–	(82)
Other financial assets/liabilities	(30)	(21)	16	–	(35)
Provisions	279	73	–	–	352
Other items	(181)	(30)	–	–	(211)
Tax value of recognised tax losses	347	130	–	–	477
Total deferred tax liabilities	**(767)**	**107**	**16**	**–**	**(644)**

At 30 June 2013 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 (2012: 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 2013 $M	Qantas Group 2012 $M
Tax losses – New Zealand operations	17	13
Tax losses – Singapore operations	8	8
Tax losses – Hong Kong operations	7	5
Total unrecognised deferred tax assets – tax losses	**32**	**26**

19. Payables

	Qantas Group 2013 $M	2012 $M
Trade creditors	655	645
Other creditors and accruals	1,204	1,231
Total payables	**1,859**	**1,876**

20. Revenue Received in Advance

	Qantas Group 2013 $M	2012 $M
CURRENT		
Unavailed passenger revenue	2,216	2,370
Unredeemed Frequent Flyer revenue	816	802
Total current revenue received in advance	**3,032**	**3,172**
NON-CURRENT		
Unredeemed Frequent Flyer revenue	1,186	1,136
Total non-current revenue received in advance	**1,186**	**1,136**

21. Interest-bearing Liabilities

	Qantas Group 2013 $M	2012 $M
CURRENT		
Bank loans – secured	545	519
Other loans – unsecured	47	527
Lease and hire purchase liabilities – secured (refer to Note 29)	243	73
Total current interest-bearing liabilities	**835**	**1,119**
NON-CURRENT		
Bank loans – secured	2,740	3,214
Bank loans – unsecured	992	877
Other loans – unsecured	880	689
Lease and hire purchase liabilities – secured (refer to Note 29)	633	650
Total non-current interest-bearing liabilities	**5,245**	**5,430**

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). During the current period there were non-cash financing activities of $115 million (2012: $23 million) (refer to Note 16).

22. Provisions

	Qantas Group 2013 $M	Qantas Group 2012 $M
CURRENT		
Employee benefits		
– Annual leave	315	319
– Long service leave	53	49
– Redundancies and other employee benefits	85	168
Onerous contracts	29	7
Make good on leased assets	10	2
Insurance, legal and other	66	25
Total current provisions	**558**	**570**
NON-CURRENT		
Employee benefits		
– Long service leave	336	371
Onerous contracts	25	7
Make good on leased assets	120	183
Insurance, legal and other	237	176
Total non-current provisions	**718**	**737**

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

Qantas Group 2013 $M	Opening Balance	Provisions Made	Provisions Utilised	Unwind of Discount	Other[1]	Closing Balance	Current	Non-current	Total
Reconciliations									
Onerous contracts	14	10	(28)	1	57	54	29	25	54
Make good on leased assets	185	4	(63)	4	–	130	10	120	130
Insurance, legal and other	201	71	(54)	8	77	303	66	237	303
Total	**400**	**85**	**(145)**	**13**	**134**	**487**	**105**	**382**	**487**

2012 $M	Opening Balance	Provisions Made	Provisions Utilised	Unwind of Discount	Other[1]	Closing Balance	Current	Non-current	Total
Reconciliations									
Onerous contracts	7	14	(10)	–	3	14	7	7	14
Make good on leased assets	142	52	(13)	3	1	185	2	183	185
Insurance, legal and other	216	9	(37)	8	5	201	25	176	201
Total	**365**	**75**	**(60)**	**11**	**9**	**400**	**34**	**366**	**400**

1 Other includes transfers from other balance sheet accounts and acquisitions and disposals of controlled entities.

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 or other onerous contracts.

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.

22. Provisions continued

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 claims and litigation in the normal course of business.

23. Capital and Reserves

	Qantas Group	
	2013 $M	2012 $M
ISSUED CAPITAL		
Issued and paid-up capital: 2,241,745,788 (2012: 2,265,123,620) ordinary shares, fully paid	**4,693**	**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 2013, 23,055,878 (2012: 16,629,559) shares were held in trust and classified as treasury shares.

RESERVES	2013 $M	2012 $M
Employee compensation reserve	49	48
Hedge reserve (refer to Note 26(B))	123	41
Foreign currency translation reserve	(44)	(53)
Total reserves	**128**	**36**

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. Cash Generating Units

Identification of an asset's Cash Generating Unit (CGU) involves judgement based on how Management monitors the Qantas Group's operations and how decisions to acquire and dispose of the Qantas Group's assets and operations are made. Management identifies the lowest identifiable group of assets that generates largely independent cash inflows being the Qantas Brands CGU and the Jetstar Group CGU.

As set out in Note 2, the management of the Qantas Brands CGU is structured into four operating segments being Qantas Domestic, Qantas International, Qantas Loyalty and Qantas Freight. These operating segments are largely dependent on the Qantas fleet and the Qantas Brand to collectively generate cash inflows. Management makes the decisions to acquire, dispose or utilise the Qantas fleet after considering the impact across all Qantas Brands operating segments rather than the individual operating segment. For impairment testing, the Qantas fleet cannot be allocated at a lower level than the Qantas Brands CGU other than on an arbitrary basis. Accordingly, the Qantas Brands CGU is the lowest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets which is the Jetstar Group CGU.

The Jetstar Group CGU includes the Jetstar Group and Jetstar Group's investments in Jetstar branded airlines in Asia.

The Qantas Brands CGU and the Jetstar Group CGU have goodwill and other intangible assets with indefinite useful lives as follows:

	Qantas Group	
	2013 $M	2012 $M
Goodwill		
Qantas Brands	66	17
Jetstar Group	131	129
	197	**146**
Other intangible assets with indefinite useful lives		
Qantas Brands	35	35
Jetstar Group	22	20
	57	**55**

The recoverable amounts of CGUs were determined based on their value in use. The value in use was determined by discounting the future cash flows forecast to be 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 to determine a terminal value were extrapolated using a constant growth rate of 2.5 per cent per annum, which does not exceed the long-term average growth rate for the industry. 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 the Qantas Brands CGU and the Jetstar Group CGU, reflecting a market estimate of the weighted average cost of capital of the CGUs (2012: 10.5 per cent per annum). 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.
Fuel	The fuel into-plane price is assumed to be US$127 per barrel (2012: US$129) and was set with regard to the forward fuel curve and commodity analyst expectations.
Currency	The US$:A$ exchange rate is assumed to be $0.96 (2012: $0.97).

25. 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 from pages 76 to 96.

The total equity settled share-based payment expense for the year was $20 million (2012: $31 million). The total cash settled share-based payment expense for the year was $1 million (2012: $4 million).

25. Share-based Payments continued

(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	2013	2012
Rights outstanding as at 1 July	18,631,168	12,213,069
Rights granted	15,969,000	10,127,000
Rights forfeited	(2,066,000)	(1,110,560)
Rights lapsed	(4,343,801)	(2,481,256)
Rights exercised	(16,320)	(117,085)
Rights outstanding as at 30 June	**28,174,047**	**18,631,168**
Rights exercisable as at 30 June	**275,047**	**291,367**

During the year, 15,640,000 Rights were granted on 2 November 2012 and 329,000 granted on 13 June 2013 (2012: 8,277,000 Rights were granted on 23 August 2011 and 1,850,000 Rights were granted on 28 October 2011). 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 2013 were tested as at 30 June 2013. As a result, 3,755,000 Rights will lapse from the 2011–2013 LTIP award subsequent to 30 June 2013 (2012: 1,221,500 Rights from the 2007 Performance Rights Plan and 3,122,301 Rights from the 2010–2012 LTIP award lapsed in 2012/2013).

During the year 16,320 Rights were exercised (2012: 117,085).

At 30 June 2013, 23,590 Rights are available to be exercised at the request of the Executive under the 2004/05 Performance Rights Plan (2004/05 PRP), 63,246 Rights under the 2005 Performance Rights Plan (2005 PRP) and a further 188,211 Rights under the 2006 Performance Rights Plan (2006 PRP) (2012: 23,590 Rights under the 2004/05 PRP, 64,580 Rights under 2005 PRP and 203,197 Rights under the 2006 PRP). For more information on the operation of the LTIP, see pages 87 to 88.

FAIR VALUE CALCULATION

The estimated fair value of Rights granted with the Total Shareholder Return (TSR) performance hurdle component was determined at grant date using a Monte Carlo model.

The weighted average fair value of Rights granted during the year was $0.88 (2012: $0.85).

	2013		2012	
Inputs into the Models	13 June 2013	2 November 2012	28 October 2011	23 August 2011
Weighted average share value	$1.36	$1.30	$1.53	$1.51
Expected volatility	35%	40%	35%	35%
Dividend yield	2.5%	0.5%	1.8%	2.4%
Risk-free interest rate	2.6%	2.6%	3.9%	3.7%

The expected volatility for the 2012–2015 LTIP 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 2013:

	2013		2012	
Shares Granted	Number of Shares	Weighted Average Fair Value $	Number of Shares	Weighted Average Fair Value $
2011/12 STIP shares granted – 22 August 2012	438,243	1.17	–	–
2010/11 STIP shares granted – 31 August 2011	–	–	5,781,457	1.58

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 pages 83 to 87.

(C) MANAGEMENT INCENTIVE PLAN (MIP)

The following awards were made under the MIP during the year ended 30 June 2013:

	2013		2012	
Shares Granted	Number of Shares	Weighted Average Fair Value $	Number of Shares	Weighted Average Fair Value $
2011/12 MIP shares granted – 22 August 2012	12,152,320	1.17	–	–
2010/11 MIP shares granted – 31 August 2011	–	–	4,923,441	1.58

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.

26. Derivatives and Hedging Instruments

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

(A) OTHER FINANCIAL ASSETS AND LIABILITIES

	Qantas Group	
	2013 $M	2012 $M
NET OTHER FINANCIAL ASSETS/(LIABILITIES)		
Derivatives		
Designated as cash flow hedges	48	(115)
Designated as fair value hedges	(20)	(355)
De-designated derivatives	3	(17)
Not qualifying for hedge accounting (including time value of options)	36	(1)
Net other financial assets/(liabilities)	**67**	**(488)**
Net other financial assets/(liabilities) included in the Consolidated Balance Sheet		
Other financial assets – current	180	88
Other financial assets – non-current	27	17
Other financial liabilities – current	(86)	(369)
Other financial liabilities – non-current	(54)	(224)
Net other financial assets/(liabilities)	**67**	**(488)**

(B) HEDGE RESERVE

At 30 June 2013 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).

26. Derivatives and Hedging Instruments continued

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 2013 $M	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Contracts to hedge				
Future foreign currency receipts and payments	132	51	–	183
Future aviation fuel payments	(1)	–	–	(1)
Future interest payments	(8)	(29)	(6)	(43)
Future capital expenditure payments	23	14	–	37
	146	**36**	**(6)**	**176**
Tax effect				(53)
Total net gain included within hedge reserve				**123**

2012 $M	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Contracts to hedge				
Future foreign currency receipts and payments	45	95	–	140
Future aviation fuel payments	(11)	–	–	(11)
Future interest payments	(26)	(24)	–	(50)
Future capital expenditure payments	(19)	(1)	–	(20)
	(11)	**70**	**–**	**59**
Tax effect				(18)
Total net gain included within hedge reserve				**41**

(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	
	2013 $M	2012 $M
INEFFECTIVE AND NON-DESIGNATED DERIVATIVES		
Ineffective portion of cash flow hedges	(5)	17
Components of derivatives not hedge accounted (including time value of options)	(71)	(182)
Ineffective and non-designated derivatives expense	**(76)**	**(165)**

27. Notes to the Cash Flow Statement

(A) RECONCILIATION OF STATUTORY PROFIT/(LOSS) TO NET CASH FROM OPERATING ACTIVITIES

	Qantas Group	
	2013 $M	2012 $M
Statutory profit/(loss) for the year	**6**	**(244)**
Add: depreciation and amortisation	1,450	1,384
Add: dividends received from associates and jointly controlled entities	142	22
Add: share-based payments	20	31
Add: amortisation of deferred financing fees	26	24
Add: net impairment of property, plant and equipment	93	157
Add: net impairment of goodwill and intangible assets	24	20
Add: net impairment of investments	(2)	19
Less: net gain on disposal of investments in jointly controlled entities	(30)	–
(Less)/add: net gain/(loss) on disposal of property, plant and equipment	(1)	4
Add: changes in fair value of financial instruments	68	146
Less: amortisation of deferred lease benefits	(7)	(8)
Less: interest payments on liabilities held at fair value	(56)	(106)
(Less)/add: realised hedging gain/(loss) on operating cash flows	(87)	(33)
Less: share of net loss/(profit) of associates and jointly controlled entities	39	(3)
(Less)/add: other items	18	9
Movements in operating assets and liabilities:		
– Change in receivables	(18)	50
– Change in inventories	5	(5)
– Change in other assets	30	(3)
– Change in payables	(41)	132
– Change in revenue received in advance	(88)	128
– Change in provisions	(173)	193
– Change in deferred tax liabilities	(1)	(107)
Net cash from operating activities	**1,417**	**1,810**

27. 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	
	2013 $M	2012 $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
Amount of facility used	–	–
Amount of facility unused	**–**	**300**
Committed secured funding		
Facility available	52	134
Amount of facility used	–	(76)
Amount of facility unused	**52**	**58**
Committed revolving facility[2]		
Facility available	630	–
Amount of facility used	–	–
Amount of facility unused	**630**	**–**
Commercial paper and medium-term notes (subject to Dealer Panel participation)		
Facility available[3]	1,000	1,000
Amount of facility used[4]	(250)	–
Amount of facility unused	**750**	**1,000**

1 The syndicated standby facility was cancelled on 5 October 2012 and replaced with the Committed revolving facility.
2 The revolving facility includes $400 million with a term of three years from 5 October 2012 and $230 million with a term of four years from 26 April 2013.
3 Subject to Dealer Participation.
4 Medium term notes of $250 million were issued during the year maturing 27 April 2020.

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.

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

(A) ACQUISITIONS

(i) Jetstar Japan Co., Ltd.

Jetstar Japan Co., Ltd., a venture between Qantas, Japan Airlines Co., Ltd., Century Tokyo Leasing Corporation and Mitsubishi Corporation, was incorporated on 5 September 2011. The Qantas Group owns a 33 per cent voting interest representing a 42 per cent economic interest in this venture. The Group's investment in Jetstar Japan Co., Ltd. is accounted for as an investment in associate and equity accounted.

(ii) Australian air Express Pty Ltd.

On 13 November 2012, the Qantas Group acquired 100 per cent of Australian air Express Pty Ltd (AaE) from AUX Investments Pty Ltd, a jointly controlled entity of the Qantas Group. The purchase consideration, net of cash acquired was $24 million. From this date, AaE has been consolidated into the Qantas Group. The fair value of the net assets (on a preliminary basis) acquired includes property, plant and equipment of $20 million, intangible assets of $30 million, deferred tax assets of $16 million, onerous contract provisions of $57 million and other net working capital liabilities of $34 million. Goodwill arising on this acquisition was $49 million.

(iii) Jetstar Hong Kong Airways Limited

Jetstar Hong Kong Airways Limited was incorporated on 4 September 2012 as a joint venture between the Qantas Group and China Eastern Airlines. On 5 June 2013 Shun Tak Holdings Limited took an equal 1/3 share in Jetstar Hong Kong resulting in the dilution of Qantas' shareholding from 50% to 33.3%. The Group's Investment in Jetstar Hong Kong Airways Limited is accounted for as an investment in associate and equity accounted.

(B) DISPOSALS

(i) Star Track Express Holdings Pty Limited

On 13 November 2012, the Qantas Group disposed of its 50 per cent interest in AUX Investments Pty Ltd (AUXI), a jointly controlled entity of the Qantas Group. Following the Qantas Group's acquisition of 100 per cent of AaE from AUXI, AUXI held 100 per cent of Star Track Express Holdings Pty Limited. On completion of this transaction, the Qantas Group recognised a net gain on disposal of $30 million before tax.

(ii) Cairns and Riverside Catering Facilities

On 31 October 2012, the Qantas Group disposed of its Cairns and Riverside catering facilities. This transaction involved the disposal of three companies: Q Catering Cairns Pty Limited, Q Catering Riverside Pty Limited and Airport Infrastructure Finance Pty Limited. At 30 June 2012 the disposal group representing these companies was classified as held for sale and recognised at its fair value less costs to sell.

29. Commitments

(A) FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

	Qantas Group	
	2013 $M	2012 $M
AS LESSEE		
Finance lease and hire purchase liabilities included in the Consolidated Financial Statements		
Aircraft and engines – payable:		
Not later than one year	257	88
Later than one year but not later than five years	345	507
Later than five years	439	290
	1,041	**885**
Less: future lease and hire purchase finance charges and deferred lease benefits	(165)	(162)
Total finance lease and hire purchase liabilities	**876**	**723**
Finance lease and hire purchase liabilities included in the Consolidated Financial Statements		
Current liabilities (refer to Note 21)	243	73
Non-current liabilities (refer to Note 21)	633	650
Total finance lease and hire purchase liabilities	**876**	**723**

The Qantas Group leases aircraft under finance leases with expiry dates between one and 10 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.

29. Commitments continued

(B) OPERATING LEASE COMMITMENTS

	Qantas Group 2013 $M	Qantas Group 2012 $M
AS LESSEE		
Non-cancellable operating lease commitments not provided for in the Consolidated Financial Statements		
Aircraft – payable:		
Not later than one year	607	616
Later than one year but not later than five years	1,298	1,569
Later than five years	227	342
	2,132	**2,527**
Non-aircraft – payable:		
Not later than one year	193	185
Later than one year but not later than five years	568	528
Later than five years but not later than 10 years	273	273
Later than 10 years[1]	227	92
	1,261	**1,078**
Less: provision for potential under-recovery of rentals on unused premises available for sub-lease (included in onerous contract provision)	(4)	(8)
	1,257	**1,070**
Total operating lease commitments not provided for in the Consolidated Financial Statements	**3,389**	**3,597**

1. Represents the long-term extension of the Qantas Group Headquarters following refurbishment enabling the consolidation of other leases to be realised in the near term.

The Qantas Group leases aircraft, buildings and plant and equipment under operating leases with expiry dates between one and 30 years.

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

	Qantas Group 2013 $M	Qantas Group 2012 $M
AS LESSOR		
Operating lease receivables not recognised in the Consolidated Financial Statements		
Receivable:		
Not later than one year	5	15
Later than one year but not later than five years	5	52
Later than five years	2	23
Total operating lease receivables not recognised in the Consolidated Financial Statements	**12**	**90**

(C) CAPITAL EXPENDITURE COMMITMENTS

	2013 $M	2012 $M
Capital expenditure commitments contracted but not provided for in the Consolidated Financial Statements, payable, in relation to:		
Not later than one year	1,097	1,201
Later than one year but not later than five years	4,618	7,930
Later than five years	3,444	4,928
Total capital expenditure commitments not recognised in the Consolidated Financial Statements	**9,159**	**14,059**

Qantas has a number of cancellation and deferral rights within its aircraft purchase contracts which can reduce or defer the above capital expenditure. The Group also has further opportunities to place ordered aircraft with its associates.

30. 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.

GUARANTEES

Qantas has entered into guarantees in the normal course of business to secure a self-insurance licence under the New South Wales Workers' Compensation Act, the Victorian Accident Compensation Act and the Queensland Workers' Compensation and Rehabilitation Act, to support non-aircraft operating lease commitments and other arrangements entered into with third parties. Due to specific self-insurance provisions raised, the Directors are of the opinion the probability to make payment under these guarantees is remote.

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 payment under these guarantees.

LITIGATION

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.

Other Claims and Litigation

From time to time, Qantas is subject to claims and litigation during the normal course of business. The Directors have given consideration to such matters which are or may be subject to litigation at year end and are of the opinion that no material contingent liability exists.

31. Superannuation

The Qantas Superannuation Plan (QSP) is a hybrid defined benefit/defined contribution fund with multiple 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. As at 30 June 2013 the total plan assets include shares in Qantas Airways Limited with a fair value of $11 million (2012: $9 million).

31. Superannuation continued

	Qantas Group 2013 $M	Qantas Group 2012 $M
CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION		
Opening defined benefit obligation	2,561	2,274
Current service cost	162	154
Interest cost	99	106
Actuarial (gains)/losses	(279)	183
Exchange differences on foreign plans	11	3
Benefits paid	(215)	(159)
Liabilities acquired in a business combination	87	–
Closing defined benefit obligation	**2,426**	**2,561**
CHANGES IN THE FAIR VALUE OF PLAN ASSETS		
Opening fair value of plan assets	2,082	2,101
Expected return	143	151
Actuarial gains/(losses)	106	(178)
Exchange differences on foreign plans	11	2
Contributions by employer	135	138
Contributions by plan participants	26	27
Benefits paid	(215)	(159)
Assets acquired in a business combination	79	–
Closing fair value of plan assets	**2,367**	**2,082**
EXPENSE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		
Gross service cost	144	137
Plan expenses	4	5
Increase in allowance for contributions tax on net liability	14	12
Interest cost	99	106
Contributions by plan participants	(26)	(27)
Expected return on plan assets	(143)	(151)
Actuarial losses	50	20
Total expense included in manpower and staff related expenditure	**142**	**102**
ACTUAL RETURN GAIN/(LOSS) ON PLAN ASSETS		
Actual return gain/(loss) on plan assets	**249**	**(27)**
MAJOR CATEGORIES OF PLAN ASSETS AS A PERCENTAGE OF TOTAL PLAN ASSETS	%	%
Equity instruments (Australian and overseas)	50	50
Fixed interest, cash and indexed bonds (Australian and overseas)	30	30
Property	5	5
Alternative assets	15	15

	Qantas Group	
	2013 $M	2012 $M
RECONCILIATION TO THE CONSOLIDATED BALANCE SHEET		
Fair value of plan assets	2,367	2,082
Present value of defined benefit obligation	2,426	2,561
Deficit	**(59)**	**(479)**
Less: unrecognised actuarial losses	(337)	(772)
Net asset recognised in the Consolidated Balance Sheet	**278**	**293**
Recognised superannuation prepayment (refer to Note 14)	284	293
Recognised superannuation liabilities (included in provisions (refer to Note 22)	(6)	–
Net asset recognised in the Consolidated Balance Sheet	**278**	**293**

	Qantas Group				
	2013 $M	2012 $M	2011 $M	2010 $M	2009 $M
HISTORICAL AMOUNTS					
Fair value of plan assets	2,367	2,082	2,101	1,964	1,944
Present value of defined benefit obligation	2,426	2,561	2,274	2,210	2,098
Deficit	**(59)**	**(479)**	**(173)**	**(246)**	**(154)**
Opening unrecognised actuarial (losses)/gains	**(772)**	**(431)**	**(494)**	**(380)**	**141**
Experience adjustments gain/(loss) on plan assets	106	(178)	(7)	36	(343)
Experience adjustments gain/(loss) on plan liabilities	83	18	43	(81)	(37)
Actuarial estimate adjustments gain/(loss) on plan liabilities	196	(201)	1	(84)	(141)
Recognised actuarial loss in Consolidated Income Statement	50	20	26	15	–
Closing unrecognised actuarial losses	**(337)**	**(772)**	**(431)**	**(494)**	**(380)**

	Qantas Group	
	2013 %	2012 %
PRINCIPAL ACTUARIAL ASSUMPTIONS (EXPRESSED AS WEIGHTED AVERAGES PER ANNUM)		
Discount rate	5.2	4.4
Expected return on plan assets	6.8	7.2
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 $104 million will be paid by Qantas for employees accruing defined benefits for the year ended 30 June 2014 (2012: $104 million for the year ended 30 June 2013).

In May 2013 a new additional funding plan was agreed with the Trustee of the QSP. This funding plan is for a period of three years from 1 July 2013. The determination of Qantas' additional contributions under the funding plan is triggered where the Vested Benefits Index (VBI) is below 100 per cent. The VBI is the ratio of the QSP's assets to the total amount that the QSP would be required to pay if all members were to voluntarily leave the Plan on the funding valuation date. Qantas contributed an additional $35 million during the year ended 30 June 2013 (2012: $33 million).

The QSP's financial position is monitored by the Trustee each quarter and the actuary recommends the amounts of additional contributions to be made each quarter, as required under the agreed additional funding plan.

Defined Contribution Fund

The Qantas Group's results include $165 million (2012: $157 million) of expenses in relation to defined contribution funds.

32. 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

William Meaney, Non-Executive Director

Corinne Namblard, Non-Executive Director (resigned 24 February 2013)

Paul Rayner, Non-Executive Director

John Schubert, AO, Non-Executive Director (retired 2 November 2012)

James Strong, AO, Non-Executive Director (ceased 3 March 2013)

Barbara Ward, AM, Non-Executive Director

Key Management Executives

Gareth Evans, Chief Financial Officer

Lesley Grant, Chief Executive Officer Qantas Loyalty (appointed as KMP effective 1 July 2012)

Simon Hickey, Chief Executive Officer Qantas International

Jayne Hrdlicka, Chief Executive Officer Jetstar Group

Lyell Strambi, Group Executive Qantas Airlines Domestic

(B) REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	Qantas Group	
	2013 $000	2012 $000
Short-term employee benefits	11,344	10,360
Post-employment benefits	463	650
Other long-term benefits	118	107
Termination benefits	–	840
Share-based payments	4,974	6,988
	16,899	**18,945**

Further details in relation to the remuneration of KMPs is included in the Directors' Report from pages 76 to 94

(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	**2013 Total**	**958,014**	**–**	**–**	**(583,000)**	**375,014**
	2012 Total	1,166,000	375,014	–	(583,000)	958,014
Bruce Buchanan[1]	**2013 Total**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	2012 Total	259,000	103,166	–	(129,500)	232,666
Gareth Evans	**2013 Total**	**200,658**	**62,620**	**–**	**(89,000)**	**174,278**
	2012 Total	178,000	111,658	–	(89,000)	200,658
Lesley Grant	**2013 Total**	**140,263**	**42,926**	**–**	**(76,000)**	**107,189**
	2012 Total	n/a	n/a	n/a	n/a	n/a
Rob Gurney[2]	**2013 Total**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	2012 Total	238,000	81,671	–	(200,671)	119,000[3]
Simon Hickey	**2013 Total**	**230,619**	**49,234**	**–**	**(121,500)**	**158,353**
	2012 Total	243,000	109,119	–	(121,500)	230,619
Jayne Hrdlicka	**2013 Total**	**35,704**	**50,080**	**–**	**–**	**85,784**
	2012 Total	–	35,704	–	–	35,704
Lyell Strambi	**2013 Total**	**251,100**	**59,773**	**–**	**(151,500)**	**159,373**
	2012 Total	303,000	99,600	–	(151,500)	251,100

1 Bruce Buchanan ceased to be a KMP on 30 June 2012 and ceased employment with Qantas on 31 January 2013.
2 Rob Gurney ceased to be a KMP and employment with Qantas on 30 June 2012.
3 The deferred shares vested on 30 June 2012 and were released from holding lock and transferred to Mr Gurney on 13 August 2012.

STIP share-based payments were granted on 1 March 2012 (2012: 31 August 2011) at a fair value of $1.17 (2012: $1.58). No amount has been paid, or is payable, by the Executive in relation to these deferred shares.

(ii) Long Term Incentive Plan (LTIP)

Key Management Personnel		Opening Balance	Number Granted	Number Lapsed/ Forfeited	Number Vested and Transferred	Closing Balance
Alan Joyce	**2013 Total**	**3,074,000**	**2,575,000**	**(315,000)**	**–**	**5,334,000**
	2012 Total	1,710,350	1,675,000	(255,280)	(56,070)	3,074,000
Bruce Buchanan[1]	**2013 Total**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	2012 Total	320,500	426,000	(70,500)	–	676,000
Gareth Evans	**2013 Total**	**674,731**	**757,000**	**(80,000)**	**–**	**1,351,731**
	2012 Total	270,651	456,000	(51,920)	–	674,731
Lesley Grant	**2013 Total**	**365,000**	**303,000**	**(102,000)**	**–**	**566,000**
	2012 Total	n/a	n/a	n/a	n/a	n/a
Rob Gurney[2]	**2013 Total**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	2012 Total	279,460	414,000	(562,920)	(1,540)	129,000[3]
Simon Hickey	**2013 Total**	**481,545**	**757,000**	**(147,000)**	**–**	**1,091,545**
	2012 Total	358,405	197,000	(73,860)	–	481,545
Jayne Hrdlicka	**2013 Total**	**191,000**	**757,000**	**–**	**–**	**948,000**
	2012 Total	–	191,000	–	–	191,000
Lyell Strambi	**2013 Total**	**701,000**	**757,000**	**(126,000)**	**–**	**1,332,000**
	2012 Total	320,000	456,000	(75,000)	–	701,000

1 Bruce Buchanan ceased to be a KMP on 30 June 2012 and ceased employment with Qantas on 31 January 2013.
2 Rob Gurney ceased to be a KMP and employment with Qantas on 30 June 2012.
3 As a result of performance hurdle testing conducted as at 30 June 2012, all unvested Rights lapsed subsequent to 30 June 2012.

During the year 5,906,000 Rights were granted on 2 November 2012 (2012: 2,140,000 Rights were granted on 23 August 2011 and 1,675,000 Rights were granted on 28 October 2011).

The fair value of Rights granted is calculated at the date of grant using a Monte Carlo model to value the Rights with TSR performance conditions. The fair value of Rights granted on 2 November 2012 was $0.88 (2012: $0.86 and $0.815 for Rights granted on 23 August 2011 and 28 October 2011, respectively). No amount has been paid, or is payable, by the Executive in relation to these Rights.

32. Related Parties continued

(iii) Performance Share Plan (PSP)

		Opening Balance	Number Granted	Number Forfeited	Number Vested and Transferred	Closing Balance
Alan Joyce	**2013 Total**	**–**	**–**	**–**	**–**	**–**
	2012 Total	420,863	–	–	(420,863)	–
Bruce Buchanan[1]	**2013 Total**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	2012 Total	57,220	–	–	(25,500)	31,720
Gareth Evans	**2013 Total**	**36,621**	**–**	**–**	**–**	**36,621**
	2012 Total	50,382	–	–	(13,761)	36,621
Lesley Grant	**2013 Total**	**64,989**	**–**	**–**	**–**	**64,989**
	2012 Total	n/a	n/a	n/a	n/a	n/a
Rob Gurney[2]	**2013 Total**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	2012 Total	32,663	–	–	(32,663)	–
Simon Hickey	**2013 Total**	**90,213**	**–**	**–**	**–**	**90,213**
	2012 Total	116,713	–	–	(26,500)	90,213
Lyell Strambi	**2013 Total**	**75,000**	**–**	**–**	**–**	**75,000**
	2012 Total	93,500	–	–	(18,500)	75,000

1 Bruce Buchanan ceased to be a KMP on 30 June 2012 and ceased employment with Qantas on 31 January 2013.
2 Rob Gurney ceased to be a KMP and employment with Qantas on 30 June 2012.

No amount has been paid, or is payable, by the Executive in relation to these deferred shares. All the above shares are available to call.

(iv) Retention Plan (RP)

Alan Joyce	**2013 Total**	**–**	**–**	**–**	**–**	**–**
	2012 Total	750,000	–	–	(750,000)	–
Simon Hickey	**2013 Total**	**400,000**	**–**	**–**	**–**	**400,000**
	2012 Total	400,000	–	–	–	400,000

No amount has been paid, or is payable, by the Executive in relation to these deferred shares. All the above shares are available to call.

(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 2011	Other Change[1]	Interest in Shares as at 30 June 2012	Other Change[1]	Interest in Shares as at 30 June 2013
Leigh Clifford	51,622	100,000	151,622	100,000	**251,622**
Peter Cosgrove	25,632	8,933	34,565	–	**34,565**
Patricia Cross	10,474	20,000	30,474	5,000	**35,474**
Richard Goodmanson	20,000	–	20,000	–	**20,000**
Garry Hounsell	43,449	36,551	80,000	–	**80,000**
William Meaney	n/a	–	–	–	**–**
Corinne Namblard	–	–	–	–	**–**
Paul Rayner	21,622	50,000	71,622	–	**71,622**
John Schubert	41,375	61,728	103,103	(103,103)	**–**
James Strong	44,717	–	44,717	(44,717)	**–**
Barbara Ward	17,597	30,000	47,597	–	**47,597**

1 Includes shares acquired through salary sacrifice, purchased or sold and the number of shares held by the person upon ceasing to be a KMP.

Key Management Personnel – Executives	Interest in Shares as at 30 June 2011	Awarded as Remuneration[1]	Rights Converted to Shares	Other Change[2]	Interest in Shares as at 30 June 2012[3]	Awarded as Remuneration[1]	Rights Converted to Shares	Other Change[2]	Interest in Shares as at 30 June 2013
Alan Joyce	2,475,118	375,014	56,070	–	2,906,202	–	–	–	2,906,202
Bruce Buchanan[3]	348,366	103,166	–	–	451,532	n/a	n/a	n/a	n/a
Gareth Evans	242,864	111,658	–	–	354,522	62,620	–	–	417,142
Lesley Grant	n/a	n/a	n/a	n/a	207,752	42,926	–	–	250,678
Rob Gurney[4]	287,663	81,671	1,540	(153,000)	217,874	n/a	n/a	n/a	n/a
Simon Hickey	803,488	109,119	–	–	912,607	49,234	–	–	961,841
Jayne Hrdlicka	–	35,704	–	–	35,704	50,080	–	33,000	118,784
Lyell Strambi	396,700	99,600	–	(159,000)	337,300	59,773	–	(151,500)	245,573

1 Refer to pages 83 to 87 for details of the STIP.
2 Other change includes shares purchased, sold or forfeited.
3 Bruce Buchanan ceased to be a KMP on 30 June 2012 and ceased employment with Qantas on 31 January 2013.
4 Rob Gurney ceased to be a KMP and employment with Qantas on 30 June 2012.

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 2013 or during the 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 arm's length terms. The value of the transactions throughout the year was $7,440 (2012: $326,958). The amount payable as at 30 June 2013 was $nil (2012: $89,280).

(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 received engine maintenance services from LTQ Engineering Pty Limited (LTQ) prior to LTQ ceasing operation
» 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 Qantas Frequent Flyer store
» The Qantas Group provides aircraft sourcing for Jetstar Japan Co., Ltd. and Jetstar Hong Kong Airways Limited
» The Qantas Group established a business service agreement with Jetstar branded airlines in Japan and Hong Kong for the provision of business services to enable the low cost airline to operate a consistent customer experience for the Jetstar brand

Prior to the sale of AUX Investments Pty Ltd and its controlled entities (AUX Investments Group) and the consolidation of AaE, the Qantas Group transacted with the AUX Investments Group as follows:

» The Qantas Group provided ramp handling services to the AUX Investments Group
» The Qantas Group leased aircraft and domestic freight capacity and sub-leases certain property to the AUX Investments Group
» The Qantas Group received certain domestic freight and document delivery services from the AUX Investments Group
» The Qantas Group received interest from the AUX Investments Group on an investment loan

32. Related Parties continued

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

	Notes	Qantas Group 2013 $M	Qantas Group 2012 $M
Revenue and other income			
– Associates		54	94
– Jointly controlled entities		2	181
Finance income – Jointly controlled entities	5	5	10
Expenditure			
– Associates		70	34
– Jointly controlled entities		1	9
Current receivables			
– Associates		312	213
– Jointly controlled entities		2	13
Non-current receivables – Jointly controlled entities	11	–	128
Current payables – Associates		11	1

33. Consolidated Entities

Consolidated Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 30 June 2013 %	Qantas Group Ownership Interest 30 June 2012 %
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	2	064 186 214	Australia	–	100
TAA Superannuation Pty. Ltd.	2	065 318 461	Australia	–	100
Australian Regional Airlines Pty. Ltd.	1	25 006 783 633	Australia	100	100
Regional Airlines Charter Pty Limited	1	21 147 543 806	Australia	100	100
Network Aviation Pty Ltd	1	082 007 350	Australia	100	100
The Network Trust	1		n/a	100	100
Network Aviation Holdings Pty Ltd	1	081 505 008	Australia	100	100
The Network Holding Trust	1		n/a	100	100
Network Holding Investments Pty Ltd	1	110 179 818	Australia	100	100
Network Turbine Solutions Pty Ltd	1	20 110 180 008	Australia	100	100
Osnet Jets Pty Ltd	1	99 128 559 419	Australia	100	100
Sunstate Airlines (Qld) Pty. Limited	1	82 009 734 703	Australia	100	100
Southern Australia Airlines Pty Ltd	1	38 006 604 217	Australia	100	100
Airlink Pty Limited	1	76 010 812 316	Australia	100	100
Eastern Australia Airlines Pty. Limited	1	77 001 599 024	Australia	100	100
Impulse Airlines Holdings Proprietary Limited	1	67 090 590 024	Australia	100	100
Impulse Airlines Australia Pty Ltd	1	17 090 379 285	Australia	100	100
Jetstar Airways Pty Limited	1	33 069 720 243	Australia	100	100
Jetstar Airways Limited			New Zealand	100	100
Jetstar Group Pty Limited	1	64 003 901 353	Australia	100	100
Jetstar Holidays Co. Ltd.			Japan	100	100

Consolidated Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 30 June 2013 %	30 June 2012 %
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
Australian Airlines Limited	1	85 099 625 304	Australia	100	100
Jetstar Services Pty Limited	1	19 107 638 326	Australia	100	100
Hooroo Pty Limited	3	32 152 774 457	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.	4		Singapore	49	49
Orangestar Investment Holdings Pte. Ltd.	4		Singapore	49	49
Jetstar Asia Airways Pte. Ltd.	4		Singapore	49	49
Valuair Limited	4		Singapore	49	49
Jetstar International Group Australia Pty. Limited		17 152 774 395	Australia	100	100
Jetstar International Group Holdings Co. Limited			Hong Kong	100	100
Jetstar Regional Services Pte. Ltd.	5		Singapore	100	–
Jetstar International Group Japan Co., Ltd			Japan	100	100
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			Malaysia	75	75
Holiday Tours & Travel Limited			Hong Kong	75	75
Holiday Tours & Travel Ltd			Taiwan	75	75
Holiday Tours & Travel (Korea) Limited			Korea	56.25	56.25
Holiday Tours & Travel (Singapore) Pte. Ltd.			Singapore	75	75
PT Pacto Holiday Tours			Indonesia	52.5	52.5
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 Ticket Agent (Shanghai) Co. Ltd			China	75	75
Tour East Singapore (1996) Pte Ltd			Singapore	75	75
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
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

33. Consolidated Entities continued

Consolidated Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 30 June 2013 %	Qantas Group Ownership Interest 30 June 2012 %
Q Catering Cairns Pty Limited	6	51 008 646 302	Australia	–	100
Q Catering Riverside Pty Limited	6	37 062 648 140	Australia	–	100
Airport Infrastructure Finance Pty. Limited	6	14 011 071 248	Australia	–	100
Qantas Defence Services Pty Limited	1	53 090 673 466	Australia	100	100
Qantas Airways Domestic Pty Limited	7	52 123 140 152	Australia	100	100
Qantas Domestic Pty Limited	1	21 134 556 255	Australia	100	100
Qantas Freight Enterprises Limited	1	55 128 862 108	Australia	100	100
Express Freighters Australia Pty Limited	1	73 003 613 465	Australia	100	100
Australian Air Express Pty Ltd	1, 8	74 054 307 336	Australia	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 Foundation Trustee Limited		130 129 449	Australia	100	100
Qantas Frequent Flyer Limited	1	12 129 456 908	Australia	100	100
Wishlist Holdings Limited	1	38 085 529 979	Australia	100	100
Loyalty Magic Pty. Ltd.	1	51 075 350 239	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	2	62 100 510 843	Australia	–	100
QF A388 Leasing 2 Pty Limited	2	66 100 510 861	Australia	–	100
QF B738 2011 No.1 Pty Limited		76 151 556 393	Australia	100	100
QF B738 2011 No.2 Pty Limited		95 151 556 473	Australia	100	100
QF B738 2011 No.3 Pty Limited		97 151 556 482	Australia	100	100
QF B738 2011 No.4 Pty Limited		23 151 556 544	Australia	100	100
QF B738 2011 No.5 Pty Limited		27 151 556 562	Australia	100	100
QF BNP 2008-1 Pty Limited		25 132 252 174	Australia	100	100
QF BNP 2008-2 Pty Limited		17 132 252 138	Australia	100	100

Consolidated Entities	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 30 June 2013 %	30 June 2012 %
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 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		31 149 204 713	Australia	100	100
QF Dash Leasing No. 6 Pty Limited	9	35 164 390 238	Australia	100	100
QF ECA 2008-1 Pty Limited		71 133 356 475	Australia	100	100
QF ECA 2008-2 Pty Limited		73 133 356 420	Australia	100	100
QF ECA A380 2010 No.1 Pty Limited		14 145 079 312	Australia	100	100
QF ECA A380 2010 No.2 Pty Limited		78 145 079 205	Australia	100	100
QF ECA A380 2010 No.3 Pty Limited		61 145 079 134	Australia	100	100
QF ECA A380 2010 No.4 Pty Limited		42 145 079 054	Australia	100	100
QF ECA A380 2011 No.1 Pty Limited		11 145 078 931	Australia	100	100
QF ECA A380 2011 No.2 Pty Limited		19 146 437 774	Australia	100	100
Snap Fresh Pty Limited	1	55 092 536 475	Australia	100	100
Southern Cross Insurances Pte Limited			Singapore	100	100
Travel Software Solutions Pty Limited		36 005 407 465	Australia	100	100

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.
2 These companies were deregistered on 30 January 2013.
3 This company changed its name from J Stay Pty. Limited to HOOROO Pty Limited on 11 July 2012.
4 In accordance with the Air Navigation Act (Singapore 2009), Newstar Investment Holdings Pte Ltd and its Singapore based airline subsidiaries are substantially owned and effectively controlled by Singapore nationals. Notwithstanding this, the Qantas Group is required to consolidate Newstar Investment Holdings Pte Ltd and its controlled entities in the Qantas Group Financial Statements.
5 This company was incorporated on 4 December 2012.
6 Qantas disposed of these companies on 31 October 2012.
7 This company changed its name from Aerial Operations Services Pty Limited to Qantas Airways Domestic Pty Limited on 24 December 2012. On 5 February 2013 Qantas Airways Limited acquired 100 per cent interest in Qantas Airways Domestic Pty Limited from Qantas Defence Services Pty Limited.
8 Qantas acquired 100 per cent of this company on 13 November 2012 and the company became a party of the Qantas Deed of Cross Guarantee on 20 November 2012.
9 This company was incorporated on 20 June 2013.

34. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) (Class Order), the wholly-owned entities identified in Note 33 are relieved from the Corporations Act requirements for preparation, audit, distribution and lodgement of Financial Statements and Directors' Reports.

It is a condition of the Class Order that Qantas and each of the controlled entities eligible to obtain relief under the Class Order enter into a Deed of Cross Guarantee (Deed).

Under the Deed, Qantas guarantees to each creditor payment in full of any debt upon the winding up under certain provisions of the Corporations Act of any of the controlled entities that is party to the Deed. If the winding up occurs under other provisions of the Corporations Act, Qantas will only be liable if, six months after a resolution or order for the winding up of the controlled entity, any debt of a creditor of that controlled entity has not been paid in full. Each controlled entity that is party to the Deed has given similar guarantees in the event Qantas is wound up.

Qantas and its eligible controlled entities first entered into a Deed on 4 June 2001. Subsequently, additional controlled entities became party to the Deed by way of Assumption Deeds dated 17 June 2002, 26 June 2006, 29 June 2007, 30 June 2008, 29 June 2009, 16 June 2010, 25 November 2010, 4 April 2011, 13 October 2011 and 20 November 2012.

On 31 October 2012, a Notice Of Disposal was lodged to remove Q Catering Cairns Pty Limited and Q Catering Riverside Pty Limited from the Deed.

The consolidated Condensed Income Statement and Balance Sheet for Qantas and each of its controlled entities that are party to the Deed is set out below. The principles of consolidation are:

» Transactions, balances and unrealised gains and losses on transactions between entities that are party to the Deed are eliminated
» Investments in controlled entities that are not party 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 investments in associates and jointly controlled entities are recognised as income

	Qantas Group	
	2013 $M	2012 $M
CONDENSED INCOME STATEMENT		
Statutory profit/(loss) before income tax expense	**201**	**(344)**
Income tax (expense)/benefit	(11)	105
Statutory profit/(loss) for the year	**190**	**(239)**
Retained earnings as at 1 July	1,059	1,296
Shares unvested and lapsed	4	2
Retained earnings as at 30 June	**1,253**	**1,059**

	Consolidated	
	2013 $M	2012 $M
BALANCE SHEET		
Current assets		
Cash and cash equivalents	2,693	3,178
Receivables	1,776	1,229
Other financial assets	180	88
Inventories	364	376
Assets classified as held for sale	42	73
Other	385	399
Total current assets	**5,440**	**5,343**
Non-current assets		
Receivables	1,891	2,307
Other financial assets	27	17
Investments in controlled entities which are not parties to the Deed	271	310
Investments in associates and jointly controlled entities	111	368
Property, plant and equipment	13,776	14,089
Intangible assets	637	544
Other	18	18
Total non-current assets	**16,731**	**17,653**
Total assets	**22,171**	**22,996**
Current liabilities		
Payables	1,922	1,861
Revenue received in advance	2,959	3,106
Interest-bearing liabilities	1,020	1,294
Other financial liabilities	86	369
Provisions	540	529
Liabilities classified as held for sale	–	12
Total current liabilities	**6,527**	**7,171**
Non-current liabilities		
Revenue received in advance	1,186	1,136
Interest-bearing liabilities	6,956	7,254
Other financial liabilities	54	225
Provisions	696	724
Deferred tax liabilities	677	653
Total non-current liabilities	**9,569**	**9,992**
Total liabilities	**16,096**	**17,163**
Net assets	**6,075**	**5,833**
Equity		
Issued capital	4,693	4,729
Treasury shares	(43)	(42)
Reserves	172	87
Retained earnings	1,253	1,059
Total equity	**6,075**	**5,833**

35. 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.

Qantas may from time to time seek to purchase and retire outstanding debt through cash purchases in open market transactions, privately negotiated transactions or otherwise. Any such repurchases would depend on prevailing market conditions, liquidity requirements and possibly other factors.

The 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 2013 $M	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
FINANCIAL LIABILITIES				
Trade creditors	655	–	–	**655**
Bank loans – secured[1]	663	1,787	1,400	**3,850**
Bank loans – unsecured[1]	50	1,107	–	**1,157**
Other loans – unsecured[1]	107	767	283	**1,157**
Lease and hire purchase liabilities[1]	257	345	439	**1,041**
Derivatives – inflows	(186)	(846)	(27)	**(1,059)**
Derivatives – outflows	223	928	44	**1,195**
Net other financial assets/liabilities – outflows	(127)	(14)	–	**(141)**
Total financial liabilities	**1,642**	**4,074**	**2,139**	**7,855**

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

2012 $M				
FINANCIAL LIABILITIES				
Trade creditors	645	–	–	**645**
Bank loans – secured[1]	689	2,124	1,794	**4,607**
Bank loans – unsecured[1]	54	957	–	**1,011**
Other loans – unsecured[1]	557	742	–	**1,299**
Lease and hire purchase liabilities[1]	69	500	291	**860**
Derivatives – inflows	(595)	(888)	(89)	**(1,572)**
Derivatives – outflows	868	1,149	92	**2,109**
Net other financial assets/liabilities – inflows	33	24	–	**57**
Total financial liabilities	**2,320**	**4,608**	**2,088**	**9,016**

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

(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 using a floating versus fixed rate debt framework. The relative mix of fixed and floating interest rate funding is managed by using interest rate swaps, forward rate agreements and options.

For the year ended 30 June 2013 interest-bearing liabilities amounted to $6,080 million (2012: $6,549 million). The fixed/floating split is 19 per cent and 81 per cent respectively (2012: 11 per cent and 89 per cent).

For the year ended 30 June 2013, other financial assets and liabilities include derivative financial instruments relating to debt, obligations and future interest payments totalling $74 million (liability) (2012: $431 million (liability)). Of these amounts, the derivatives relating to recognised debt obligations total $4 million (asset) (2012: $380 million (liability)).

(ii) Foreign Exchange Risk

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

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

As at 30 June 2013, total unrealised exchange gains on hedges of net revenue designated to service long-term debt were $115 million (2012: $164 million).

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.

For the year ended 30 June 2013, other financial assets and liabilities include derivative financial instruments used to hedge foreign currency, including hedging of future capital and operating expenditure payments, totalling $124 million (net asset)(2012: $62 million (net liability)). 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. For the year ended 30 June 2013, other financial assets and liabilities include fuel derivatives totalling $17 million (asset) (2012: $6 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 (2012: 100 basis points) increase and decrease in all relevant interest rates
» 20 per cent (2012: 20 per cent) USD depreciation and USD appreciation
» 20 per cent (2012: 20 per cent) increase and decrease in all relevant fuel indices
» Sensitivity analysis assumes hedge designations and effectiveness testing results as at 30 June 2013 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

35. Financial Risk Management continued

	Qantas Group			
	Profit Before Tax		Hedge Reserve	
	2013 $M	2012 $M	2013 $M	2012 $M
100bps increase in interest rates				
Variable rate interest-bearing instruments (net of cash)	(25)	(29)	–	–
Derivatives designated in a cash flow hedge relationship	–	–	30	34
Derivatives and fixed rate debt in a fair value hedge relationship	(14)	5	–	–
100bps decrease in interest rates				
Variable rate interest-bearing instruments (net of cash)	25	29	–	–
Derivatives designated in a cash flow hedge relationship	–	–	(32)	(36)
Derivatives and fixed rate debt in a fair value hedge relationship	15	(5)	–	–
20% movement in foreign currency pairs				
20% (2012: 20%) USD depreciation	(101)	(27)	(350)	(205)
20% (2012: 20%) USD appreciation	101	60	728	422
20% movement in fuel indices				
20% (2012: 20%) increase per barrel in fuel indices	60	88	200	70
20% (2012: 20%) decrease per barrel in fuel indices	(70)	(45)	(51)	(82)

(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:

» Trade debtor counterparties – the credit risk is the recognised amount, net of any impairment losses. As at 30 June 2013 trade debtors amounted to $898 million (2012: $794 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.
» 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 2013:

		Qantas Group	
	Notes	2013 $M	2012 $M
On Consolidated Balance Sheet			
Cash and cash equivalents	10	2,829	3,398
Trade debtors	11	898	794
Sundry debtors	11	712	661
Other loans	11	–	128
Other financial assets	26	207	105
Off Consolidated Balance Sheet			
Operating leases as lessor	29	12	90
Total		**4,658**	**5,176**

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 2013 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 $3,037 million (2012: $3,423 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.

(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	2013 $M	2012 $M	2013 $M	2012 $M
Financial assets					
Cash and cash equivalents	10	2,829	3,398	2,837	3,413
Trade debtors	11	898	794	898	794
Sundry debtors	11	712	661	712	661
Other loans	11	–	128	–	128
Other financial assets	26	207	105	207	105
Other investments		23	23	23	23
		4,669	**5,109**	**4,677**	**5,124**
Financial liabilities					
Trade creditors	19	655	645	655	645
Other creditors and accruals	19	1,204	1,231	1,204	1,231
Bank loans – secured	21	3,285	3,733	3,393	3,870
Bank loans – unsecured	21	992	877	1,056	924
Other loans – unsecured	21	927	1,216	1,065	1,225
Other financial liabilities	26	140	593	140	593
Lease and hire purchase liabilities	21	876	723	942	789
		8,079	**9,018**	**8,455**	**9,277**
Net financial liabilities		**3,410**	**3,909**	**3,778**	**4,153**

35. Financial Risk Management continued

(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 2013 $M	Level 1	Level 2	Level 3	Total
Derivative financial assets	–	207	–	207
Derivative financial liabilities	–	(140)	–	(140)
Net financial instruments measured at fair value	**–**	**67**	**–**	**67**
2012 $M				
Derivative financial assets	–	105	–	105
Derivative financial liabilities	–	(593)	–	(593)
Net financial instruments measured at fair value	**–**	**(488)**	**–**	**(488)**

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.

(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 focused 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 2013 the Qantas Group invested $1.3 billion (2012: $2.3 billion) in capital expenditure and maintained an investment grade credit rating.

In the year ended 30 June 2014 the Qantas Group estimates it will spend $1.2 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. The Board considers it prudent not to pay a dividend for the year ended 30 June 2013.

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

36. Events Subsequent to Balance Date

On 29 August 2013, Qantas announced the sale of its wholly owned subsidiary Qantas Defence Services (QDS) to Northrop Grumman Australia, part of global aviation firm Northrop Grumman Corporation for a price of $80 million for the business and other related assets, an amount in excess of the Group's carrying value.

Other than as disclosed above, there has not arisen in the interval between 30 June 2013 and the date of this Report any other event that would have had a material effect on the Financial Statements as at 30 June 2013.

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

(A) CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Qantas	
	2013 $M	2012 $M
CONDENSED INCOME STATEMENT		
Revenue and other income	11,650	10,918
Expenditure	(10,882)	(11,473)
Statutory profit/(loss) before income tax expense and net finance costs	**768**	**(555)**
Net finance costs	(176)	(165)
Statutory profit/(loss) before income tax benefit/(expense)	**592**	**(720)**
Income tax benefit	102	222
Statutory profit/(loss) for the year	**694**	**(498)**
CONDENSED BALANCE SHEET		
Current assets		
Cash and cash equivalents	2,655	3,093
Receivables	3,835	3,033
Inventories	292	309
Other	570	526
Total current assets	**7,352**	**6,961**
Non-current assets		
Receivables	1,874	2,298
Property, plant and equipment	12,240	12,640
Intangible assets	382	377
Other	592	870
Total non-current assets	**15,088**	**16,185**
Total assets	**22,440**	**23,146**
Current liabilities		
Payables	3,270	3,495
Revenue received in advance	2,500	2,658
Interest-bearing liabilities	1,020	1,286
Other	480	819
Total current liabilities	**7,270**	**8,258**
Non-current liabilities		
Revenue received in advance	1,186	1,145
Interest-bearing liabilities	6,956	7,253
Other	1,287	1,487
Total non-current liabilities	**9,429**	**9,885**
Total liabilities	**16,699**	**18,143**
Net assets	**5,741**	**5,003**
Equity		
Issued capital	4,693	4,729
Treasury shares	(43)	(42)
Reserves	153	76
Retained earnings	938	240
Total equity	**5,741**	**5,003**

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

	Qantas 2013 $M	Qantas 2012 $M
CONDENSED STATEMENT OF COMPREHENSIVE INCOME		
Statutory profit/(loss) for the year	**694**	**(498)**
Effective portion of changes in fair value of cash flow hedges, net of tax	106	(51)
Transfer of hedge reserve to the Income Statement, net of tax	(50)	(89)
Recognition of effective cash flow hedges on capitalised assets, net of tax	21	92
Total other comprehensive income/(loss) for the year	**77**	**(48)**
Total comprehensive income/(loss) for the year	**771**	**(546)**
CONDENSED CASH FLOW STATEMENT		
Net cash from operating activities	1,298	1,289
Net cash used in investing activities	(703)	(2,009)
Net cash (used)/from in financing activities	(1,033)	425
Net decrease in cash and cash equivalents held	**(438)**	**(295)**
Cash and cash equivalents held at the beginning of the year	3,093	3,388
Effects of exchange rate changes on cash and cash equivalents	–	–
Cash and cash equivalents at the end of the year	**2,655**	**3,093**
(B) CAPITAL EXPENDITURE COMMITMENTS		
Capital expenditure commitments contracted but not provided for in the Financial Statements, payable:		
Not later than one year	1,029	1,083
Later than one year but not later than five years	4,618	7,930
Later than five years	3,444	4,928
	9,091	**13,941**

Qantas has a number of cancellation and deferral rights within its aircraft purchase contracts which can reduce or defer the above capital expenditure. The Company also has further opportunities to place ordered aircraft with its associates.

(C) FINANCING FACILITIES

The Financing facilities held by the parent entity are the same as those held by the Group as disclosed in Note 27.

(D) CONTINGENT LIABILITIES

The Contingent liabilities held by the parent entity are the same as those held by the Group as disclosed in Note 30.

(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 34.

(F) INTEREST-BEARING LIABILITIES

The parent entity has total interest-bearing liabilities of $7,976 million (2012: $8,539 million) of which $3,960 million (2012: $4,338 million) represents lease and hire purchase liabilities payable to controlled entities. Of the $4,016 million (2012: $4,201 million) payable to other parties, $2,097 million (2012: $2,100 million) represents secured bank loans and lease liabilities with the remaining balance representing unsecured loans and deferred lease benefits.

38. New Standards and Interpretations Not Yet Adopted

The following table details the standards, amendments to standards and interpretations which 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 2013, but have not been applied in preparing these Financial Statements.

Topic	Key Requirements	Effective Date for Qantas
Australian Accounting Standards and Interpretations Not Yet Adopted		
AASB 119 Employee Benefits (2011) (AASB 119)	AASB 119 (2011) eliminates the use of the 'corridor approach' and instead mandates immediate recognition of all re-measurements of a defined benefit liability and defined benefit assets (including actuarial gains and losses) in comprehensive income. The Qantas Group's accounting policy utilises the 'corridor approach' to account for actuarial gains and losses with respect to defined benefit superannuation plans. Upon adoption of the amended AASB 119 for the 30 June 2014 Financial Statements, the opening Consolidated Balance Sheet (30 June 2012), comparative Balance Sheet (30 June 2013) together with the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year ended 30 June 2013 will be restated. AASB 119 (2011) also changes the measurement principles for the expected return on the plan assets. The estimated impact of these restatements is as follows: » Consolidated Balance Sheet – 30 June 2012: Prepayments reduced by $293 million, Provisions increased by $308 million, Deferred Tax Liability decreased by $180 million and Equity decreased by $421 million. – 30 June 2013: Prepayments reduced by $162 million, Deferred Tax Liability decreased by $49 million and Equity decreased by $114 million. » Consolidated Income Statement – Year ended 30 June 2013: Statutory profit for the year reduced by $4 million. » Consolidated Statement of Comprehensive Income – Year ended 30 June 2013: Other comprehensive income for the year increased by $312 million resulting in total comprehensive income for the year being increased by $308 million. AASB 119 (2011) also changes the definition of short-term and long-term employee benefits. This change in classification is not expected to have a material impact on the financial statements.	AASB 119 (2011) will become mandatory for the Qantas Group's 30 June 2014 Financial Statements.
AASB 9 Financial Instruments (2010) and AASB 9 Financial Instruments (2009)	AASB 9 (2010) introduces new requirements for the classification and measurement of financial assets. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. AASB 9 (2011) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.	AASB 9 (2010 and 2009) will become mandatory for the Qantas Group's 30 June 2016 Financial Statements. The Group has not yet determined the effect of this standard on the Group.
AASB 10 Consolidated Financial Statements (AASB 10)	The objective of AASB 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls another entity to present consolidated financial statements. It defines the principle of control and sets out how to apply this principle of control to identify whether an investor controls an investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.	This standard will become mandatory for the Qantas Group's 30 June 2014 Financial Statements. The Group has not yet performed a detailed analysis of the new standard, related guidance and interpretations, however it does not expect the new standard to have a material impact on the financial statements.

38. New Standards and Interpretations Not Yet Adopted continued

Topic	Key Requirements	Effective Date for Qantas
Australian Accounting Standards and Interpretations Not Yet Adopted		
AASB 11 Joint Arrangements (AASB 11)	AASB 11 discusses the structure of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest.	This standard will become mandatory for the Qantas Group's 30 June 2014 Financial Statements. The Group has not yet performed a detailed analysis of the new standard, related guidance and interpretations, however it does not expect the new standard to have a material impact on the financial statements.
AASB 12 Disclosures of interests in other entities (AASB 12)	AASB 12 brings together into a single standard all the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	This standard will become mandatory for the Qantas Group's 30 June 2014 Financial Statements and is not expected to have a material impact on the Financial Statements.
AASB 13 Fair value measurement (AASB 13)	AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs.	This standard will become mandatory for the Qantas Group's 30 June 2014 Financial Statements, but is not expected to have a material impact on the Financial Statements.
AASB 127 (revised 2011) Separate financial statements (AASB 127)	As a consequence of issuing AASB 10, a revised version of AASB 127 was issued. AASB 127 now only includes the requirements relating to separate financial statements.	This standard will become mandatory for the Qantas Group's 30 June 2014 Financial Statements, but is not expected to have a material impact on the Financial Statements.
AASB 128 (revised 2011) Associates and joint ventures	As a consequence of issuing AASB 10, AASB 11, AASB 12, a revised version of AASB 128 was issued. AASB 128 includes the requirements for associates and joint ventures that have to be equity accounted following the issue of AASB 11.	This standard will become mandatory for the Qantas Group's 30 June 2014 Financial Statements, but is not expected to have a material impact on the Financial Statements.
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	This standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities on the entity's financial position. This standard also amends AASB 132, Financial Instruments: Presentation and by clarifying some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.	This amendment will become mandatory for the Qantas Group's 30 June 2014 Financial Statements; however, it is not expected to have a material impact on the Financial Statements.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2013

1 In the opinion of the Directors of Qantas Airways Limited (Qantas):

(a) The Consolidated Financial Statements and Notes set out on pages 98 to 162, and the Remuneration Report set out on pages 76 to 94 in the Directors' Report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Qantas Group as at 30 June 2013 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that 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 Group and the controlled entities identified in Note 33 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 financial year ended 30 June 2013.

4 The Directors draw attention to Note 1(A) to the Consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a Resolution of the Directors:

Leigh Clifford
Chairman
6 September 2013

Alan Joyce
Chief Executive Officer
6 September 2013

Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2013

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 2013, 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 38 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 2013 and of its performance for the year ended on that date, and

   (ii) Complying with Australian Accounting Standards 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 2013. 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 on the Directors' Remuneration Report

In our opinion, the Remuneration Report of Qantas Airways Limited for the year ended 30 June 2013, excluding the non-statutory remuneration disclosures, complies with Section 300A of the Corporations Act 2001.

Auditor's Opinion on the Non-statutory Remuneration Disclosures

In our opinion, the non-statutory remuneration disclosures set out in the Directors' Report of Qantas Airways Limited for the year ended 30 June 2013 have been properly prepared, in all material respects, in accordance with the methodology used for the Remuneration Outcomes Table set out in the Directors' Report on page 92.

KPMG

Duncan McLennan
Partner
Sydney
6 September 2013

Shareholder Information

The shareholder information set out below was applicable as at 13 August 2013.

TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares Held	% of Issued Shares
1. J P Morgan Nominees Australia Ltd	594,269,905	26.51
2. HSBC Custody Nominees (Australia) Limited	492,814,777	21.98
3. National Nominees Limited	306,049,294	13.65
4. Citicorp Nominees Pty Limited	247,774,750	11.05
5. BNP Paribas Noms Pty Ltd	61,180,089	2.73
6. Pacifica Group Plans Ltd	22,727,062	1.01
7. AMP Life Limited	19,203,287	0.86
8. QIC Limited	10,139,331	0.45
9. The Senior Master of the Supreme Court	9,933,285	0.44
10. Share Direct Nominees Pty Ltd	8,873,186	0.40
11. Bond Street Custodians Limited	6,156,588	0.27
12. Ecapital Nominees Pty Limited	5,685,046	0.25
13. CS Fourth Nominees Pty Ltd	5,141,147	0.23
14. UBS Wealth Management Australia Nominees Pty Ltd	4,954,405	0.22
15. Suncorp Custodian Services Pty Limited	4,401,196	0.20
16. SBN Nominees Pty Limited	3,200,000	0.14
17. UBS Nominees Pty Ltd	2,715,221	0.12
18. Alan Joyce Pty Ltd	1,948,188	0.09
19. Pamela Honora Ditchfield	1,800,000	0.08
20. Investment Research Pty Ltd	1,605,000	0.07
Total	**1,810,571,757**	**80.75**

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]	22,130,810	48,874	0.99
1,001–5,000	145,411,542	58,305	6.49
5,001–10,000	73,682,051	10,449	3.29
10,001–100,000	138,240,204	6,312	6.17
100,001 and over	1,862,281,181	265	83.06
Total	**2,241,745,788**	**124,205**	**100.00**

1 19,363 shareholders hold less than a marketable parcel of shares in Qantas.

ON-MARKET SHARE BUY-BACK

On 15 November 2012, Qantas announced its intention to undertake an on-market share buy-back of up to approximately four per cent of Qantas shares. To date, Qantas has bought back 23.4 million shares or approximately one per cent of issued capital for approximately $35.9 million.

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]	112,201,803	5.01
Franklin Resources, Inc.[2]	244,595,616	10.91
The Capital Group Companies, Inc.[3]	259,184,530	11.44
Commonwealth Bank of Australia[4]	225,886,843	9.97

1 Substantial shareholder notice dated 13 August 2013.
2 Substantial shareholder notice dated 8 August 2013.
3 Substantial shareholder notice dated 1 August 2012.
4 Substantial shareholder notice dated 3 May 2012.

Sustainability Statistics and Notes

The Group Strategy, supported by environment, procurement and community strategies, underpins the identification and reporting on material items.

To support the Group's core goal of delivering sustainable returns to shareholders, areas of focus are used to measure, monitor and report on the Group's performance.

Areas of focus and measures are reviewed and updated to ensure that they remain relevant.

The Group Strategy drives sustainable outcomes

Governance	Corporate governance is core to ensuring the creation, protection and enhancement of shareholder value.		
Stakeholders	We are committed to communicating effectively with our stakeholders.		
	Financial	**Safety and Health**	**Customers**
Vision	We strive to build a strong viable business capable of delivering sustainable returns to shareholders.	To be recognised as the world's leading airline group in air, ground and people safety and health.	Our Customers are the core of everything we do. The Group is continually striving towards providing exceptional customer experiences.
Focus **Qantas Sustainability Review 2013**	» Long-term Profitability » Prudent Investment » Disciplined Capital Management » Financial Risk Management	» Safety is our First Priority » Safety Commitments » Safety Governance Framework » Safety Reporting	» Customer Satisfaction » Net Promoter Score » On Time Performance » Customer Feedback » Customer Experience Initiatives
Measures **Sustainability Statistics and Notes, Qantas Annual Report 2013**	» Underlying Profit before Tax (PBT) » Net Underlying Unit Cost » Free Cash Flow » Average Fleet Age	» Total Recordable Injury Frequency Rate » Lost Work Case Frequency Rate » Duration Rate » Absenteeism	» On Time Performance

The Qantas Group's vision is 'Always the first choice for customers in the markets we serve'.

The Group Strategy underpins our vision and positions the Group towards delivering sustainable returns to our shareholders.

The Qantas Sustainability Review 2013 provides a holistic review of the Group's governance structures.

The Qantas Sustainability Review 2013 provides an overview of our commitment to Stakeholder Engagement.

People

The success of the Qantas Group is underpinned by our People and ensuring that our People are skilled, developed, motivated and supported to do great things.

- Engagement
- Communication
- Diversity
- Development
- Talent
- Recognition
- Industrial Relations
- Supporting

- Gender Diversity
- Age Diversity
- Workplace Flexibility
- Indigenous Employment
- Number of Full Time Equivalents (FTEs)

Environment

A leading airline group committed to environmental sustainability.

- Direct Greenhouse Gas Emissions
  - Fuel Efficiency and Fleet Renewal
  - Biofuel
  - Carbon Offset
  - Utilities and Resources
- Noise Impacts
- Environmental Engagement

- Aviation Fuel and Carbon Emissions
- Aviation Fuel and Carbon Efficiency
- Electricity, Water and Waste

Procurement

The Group is committed to ensuring supplier relationships are managed in a competitive, fair and ethical manner.

- Supplier Requirements
- Sustainable Procurement Procedure
- Sustainable Sourcing
- Sustainability Assessment
- Supplier Relationship Management
- Supplier Diversity

Community

To inspire social impact through community leadership, commitment and excellence.

- Qantas Foundation
- Qantas Community Champions
- Qantas in the Community
- Jetstar's Philanthropic Activities
- Investing in Regional Australia

- National Export Revenue
- Domestic Traveller Expenditure

SCOPE

The Sustainability Statistics and Notes for the year ended 30 June 2013 comprise Qantas and its wholly-owned entities (together referred to as the Qantas Group) except where the definition and scope indicates otherwise.

The definition and scope of each indicator is provided in the Definitions and Scopes section on pages 175 to 177.

ASSURANCE

KPMG's independent limited assurance report on the Sustainability Statistics and Notes can be found on pages 178 to 179.

1. Financial

The objective of the Group's strategy is to achieve financial sustainability whilst providing sustainable returns to our shareholders. The Group acknowledges that achieving sustainable returns to shareholders requires focus on performance in the areas of safety and health, customer, people, environment and community. The Group focuses on the following key financial sustainability measures:

UNDERLYING PROFIT BEFORE TAX (PBT)

Underlying PBT is a non-statutory measure used by the Qantas Group's Management Committee and the Board of Directors as the primary measure to assess the Group's financial performance.

Key Performance Indicators	Unit	2013	2012
Underlying PBT	$M	192	95

Statutory Profit after tax was $6 million (2012: Statutory loss after tax of $244 million). Refer to the Review of Operations on page 54 of the Annual Report. Refer to Note 2(D)(iii) to the Financial Statements on page 116 for a reconciliation of Underlying PBT to Statutory PBT.

NET UNDERLYING UNIT COST

Unit cost management is a key indicator of financial performance and the sustainability of the Qantas Group. It involves constantly finding ways to maximise cost efficiency while maintaining the highest standards of safety and an optimal level of customer experience. Unit cost performance forms part of the performance measures for incentive plans pursuant to the Group's Executive remuneration framework.

Key Performance Indicators	Unit	2013	2012
Net underlying unit cost[1]	C/ASK	4.99	5.30

1 Net underlying unit cost for 2011/2012 has been restated to include an element of ancillary revenue, previously categorised as passenger revenue.

Net underlying unit cost improved by 0.31 cents per ASK in 2012/2013. Refer to the Review of Operations on page 54 of the Annual Report.

FREE CASH FLOW

Free cash flow is a measure of financial performance calculated as operating cash flows net of investing cash flows.

Key Performance Indicators	Unit	2013	2012
Free cash flow	$M	372	(472)

Positive net free cash flow of $372 million was achieved for the period. This is the third consecutive half year of positive net free cash flow and reflects the Group's focus on retaining its investment grade credit rating by strengthening the balance sheet through disciplined capital management. The Group reported negative free cash flows between 2008/2009 and 2011/2012 as it entered a growth phase in Jetstar and fleet renewal in Qantas. This phase is now complete and the Group is targeting for capital expenditure to be funded from its operating cash flows.

AVERAGE FLEET AGE

Regular ongoing investment in new aircraft drives improvements in passenger comfort, unit 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 requirements. The Group's priority is to provide for ongoing renewal of its fleet, which will directly improve customer experience, unit cost and fuel efficiency.

The Group's fleet strategy supports the Group's objectives of growth and provides for long-term fleet renewal and simplification.

Key Performance Indicators	Unit	2013	2012
Average fleet age – scheduled passenger fleet	Years	7.9	8.3

The Group's average fleet age has fallen by 0.9 years since 2008/2009, reflecting the fleet renewal activity undertaken and is projected to remain within the targeted strategic range of eight to ten years over the long term. This targeted range reflects the Group's strategic objectives and compares favourably to airline peers. In 2012/2013 six aircraft were retired from the Boeing 737-400 fleet, five from the B747-400 fleet, three from the B767-300 fleet and six from the A320-200 fleet. The Group took delivery of one A330-200, thirteen A320-200s, seven B737-800s and three Bombardier Q400s.

2. Safety and Health

Safety is always our first priority. We are committed to the safe operation of our aircraft and to the safety and health of our people and our customers. The Group's Safety and Health strategic vision "to be recognised as the world's leading airline group in air, ground and people safety and health" recognises that safety remains paramount in the context of our broader strategic initiatives. The Safety and Health strategic goals highlight the importance of continuously improving our safety management system, targeting known risks, improving safety culture and behaviours and engaging our regulators to minimise the risk of harm to people and our assets.

The implementation of systems and processes to identify and mitigate risk and the fostering of a culture in which our people take responsibility for and are committed to safety are integral to delivering on this strategy.

The Qantas Group is committed to providing a safe workplace for our people, with risk-based safety and health programs across the business in place to prevent workplace injuries. If people are injured, we are committed to assisting them to return to work through proactive injury management.

SAFETY

The varying nature of the Group's operations, work environments and work tasks require business units to tailor the Workplace Health and Safety (WHS) aspects of their safety management system to their risk profiles.

Total Recordable Injury Frequency Rate (TRIFR) and Lost Work Case Frequency Rate (LWCFR) are the key measures used by the Qantas Group to monitor workplace safety performance. This year, Duration Rate (DR) has been added as an indicator of lost productivity and to enhance the Group's commitment to assist injured employees to return to work. To reaffirm the importance of safety, TRIFR, LWCFR and DR form part of the performance measures under the Group's Executive remuneration framework.

Key Performance Indicators	Unit	2013	2012
Occupational health and safety			
Total Recordable Injury Frequency Rate	Rate per million work hours	29.5	35.5
Lost Work Case Frequency Rate	Rate per million work hours	9.6	11.6
Duration Rate	Days	52.1	53.3

The Qantas Group recorded improved performance across all three injury measures in 2012/2013 when compared to prior year. This improvement reflects investment in targeted initiatives including manual handling training, the introduction of mechanical aids and early intervention strategies which have helped reduce and manage body stress injuries, the main driver of injury performance.

There were no aviation or workplace health and safety fatalities in 2012/2013.

HEALTH

Absenteeism is a lagging indicator which reflects employee health and wellbeing, 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	Unit	2013	2012
Absenteeism per annum	Days		
Qantas		10.0	10.3
Jetstar		4.7	6.0
Qantas Freight		8.9	9.7
Qantas Frequent Flyer		2.7	3.3
Corporate		3.1	3.3
Qantas Group		**9.1**	**9.6**

Absenteeism days for the Group has improved from 2011/2012. This is improvement has been observed across all business segments.

3. Customer

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

Key Performance Indicators	Unit	2013	2012
Australian domestic on time departures	%		
Qantas Airlines		84.7	84.4
QantasLink		78.8	77.7
Jetstar		75.6	76.6
Qantas Group		**80.1**	**80.1**
Australian domestic on time arrivals	%		
Qantas Airlines		82.8	83.4
QantasLink		75.4	75.3
Jetstar		76.1	77.6
Qantas Group		**78.3**	**79.1**
Australian domestic cancellations	%		
Qantas Airlines		1.6	1.7
QantasLink		2.5	2.0
Jetstar		1.3	1.6
Qantas Group		**1.8**	**1.8**

Qantas was the most on time major domestic airline for 2012/2013, for jet operations greater than 10,000 sectors and outperformed our major domestic competitor.

This consistent on time performance has contributed to Qantas Domestic reaching the highest level of domestic customer satisfaction ever achieved.

4. People

The Qantas Group's strategy is underpinned by a diverse and talented workforce. As at 30 June 2013, the Qantas Group community consisted of people with 99 nationalities, who speak 51 languages and are from 151 countries of origin.

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

GENDER DIVERSITY

The Group values the benefits that a diverse workforce brings. The Group is committed to providing all employees with equal access to the opportunities that are available at work.

Key Performance Indicators	Unit	2013	2012
Percentage of women	%	41.2	41.6
Percentage of women in senior positions	%	31.3	31.5
Percentage of women Directors on the Qantas Board	%	22.2	25.0
Percentage of female graduates recruited	%	57.1	61.5

Female representation in the Group's workforce has remained between 41 per cent and 42 per cent over the last five years.

As at 30 June 2013, the Qantas Board comprised two female Directors and seven male Directors (30 June 2012: three female Directors and nine male Directors).

Qantas recently announced the appointment of two Non-Executive Directors to the Board, Maxine Brenner and Jacqueline Hey (with effect from 29 August 2013) and the retirement of Patricia Cross after Qantas' 2013 Annual General Meeting (AGM). Following the 2013 AGM, the Qantas Board will comprise 30 per cent female Directors.

AGE DIVERSITY

The Qantas Group values the wide range of experience and expertise brought to the Group by its diverse workforce. This is reflected in one of the four Qantas Values, Wisdom of Experience, which recognises the value of drawing on experience to produce quality outcomes.

Key Performance Indicators	Unit	2013	2012
Employee by age group (permanent employees)	%		
16–24 years		4.6	4.1
25–34 years		19.9	19.8
35–44 years		29.7	30.4
45–54 years		30.8	30.9
55–64 years		13.8	13.6
65+		1.2	1.2

The percentage of employees representing the age groups of 44 years and below and 45 years and above remains consistent with the prior year. The Group aims to provide opportunities to those early in their careers as well as benefit from the skills and knowledge of more experienced members of the workforce.

WORKPLACE FLEXIBILITY

The Group values flexible workplace arrangements including part-time work arrangements and other wellbeing 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	Unit	2013	2012
Percentage of part-time employees	%	15.5	14.1

The percentage of part-time employees continues to increase as the Group seeks to provide enhanced workplace flexibility.

4. People continued

INDIGENOUS EMPLOYMENT

The Qantas Group strives to create meaningful and lasting opportunities for Indigenous Australians to build upon their existing skills and experience and to be an employer of choice for Aboriginal and Torres Strait Islander people. A focus in recent years has been to increase the number of Indigenous Australians in the workforce.

Qantas continues to provide employment opportunities for the Indigenous community through key career pathways including school-based traineeships, internships and direct entry recruitment. Another key focus area is Indigenous employee retention which includes career development assistance, organising culturally specific events and pre-assessment support.

Key Performance Indicators	Unit	2013	2012
Number of Indigenous Australian employees	#	354	354

The number of Indigenous Australian employees remained consistent compared to 2011/2012.

The Qantas Group has undergone business transformation in 2012/2013. This has resulted in the contraction of the workforce as Qantas aligns the organisation structure with the new strategy.

Qantas is redefining success measures in relation to Indigenous recruitment that reflect sustainable and diverse employment outcomes.

The Group is projected to reach approximately 380 Indigenous employees by December 2013 against the previous target of 450.

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	Unit	2013	2012
Number of full-time equivalent (FTE) employees	#		
Qantas		25,665	26,936
Jetstar		5,201	4,813
Qantas Freight		1,456	927
Qantas Frequent Flyer		263	194
Corporate		680	714
Qantas Group		**33,265**	**33,584**

The Group's FTEs decreased by 1.0 per cent primarily driven by transformation initiatives in Qantas. This decrease was partially offset by continued growth in Jetstar and Qantas Frequent Flyer. Qantas Freight's increase in FTEs has resulted from the 100 per cent acquisition and consolidation of Australian air Express during 2012/2013.

5. 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 Qantas Group has committed to achieving ambitious targets set out for international aviation, by the International Aviation Transport Association, of an average improvement in fuel efficiency of 1.5 per cent per year (measured as litres of fuel per 100 Revenue Tonne Kilometres – RTKs) through to 2020, against a 2008/2009 baseline, and carbon neutral growth from 2020.

To achieve these targets the Qantas Group is committed to emissions reductions, pursuing the commercialisation of sustainable aviation fuel in Australia, investing in more fuel efficient aircraft and engine technology, and process optimisation.

The Qantas Group is investing in newer, more fuel efficient aircraft which, in the long run, will offer the greatest benefits. This investment is being complemented by a focus on technical and process initiatives that improve fuel performance, including, but not limited to:

- Collaboration with air traffic management providers to improve airspace usage and implement new procedures, such as Required Navigation Performance
- Engineering initiatives that optimise fuel consumption, such as Ground Power Unit and Pre-Conditioned Air implementation, and new aircraft wash techniques that reduce drag and improve fuel efficiency
- Process optimisation procedures that improve aircraft performance, such as load management and refined scheduling procedures

Key Performance Indicators	Unit	2013	2012
Aviation fuel and carbon emissions			
Aviation fuel consumption	'000 Litres	4,834,093	4,876,999
CO_2 -e emissions from aviation	Tonnes	12,383,245	12,493,157
Aviation fuel and carbon efficiency			
Fuel per 100 RTKs	Litres	38.8	38.8
CO_2 -e per 100 RTKs	Kilograms	99.5	99.3

Aviation fuel consumption and the resulting CO_2-e emissions were 0.9 per cent lower than 2011/2012. This was driven mainly by the decrease in capacity in Qantas International, partially offset by capacity growth in Qantas Domestic and Jetstar. The acquisition of Australian air Express during 2012/2013 also increased total consumption in Qantas Freight.

Australian domestic carbon emissions from aviation fuel were 4.63 million tonnes (2011/2012: 4.38 million tonnes) an increase of 5.7 per cent. This increase is in line with an increase in domestic ASKs of 5.6 per cent during 2012/2013 and the acquisition of Australian air Express during the year.

The Qantas Group has achieved 3.2 per cent improvement in aviation fuel efficiency against the 2008/2009 baseline.

Fuel efficiency is a long-term commitment as the Group executes its strategic objectives and transforms its network. Fuel saving targets have been agreed across the Group's flying businesses for 2013/2014 and activities such as international fleet re-configuration, fleet renewal and ongoing fuel optimisation activities will have a positive effect on fuel efficiency.

5. Environment continued

AUSTRALIAN ELECTRICITY USE, WATER USE AND DIRECT WASTE TO LANDFILL

The Qantas Group is committed to being an environmentally responsible organisation across all levels and functions of the business. Targets for reduction of electricity, water and waste diverted directly to landfill have 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	Unit	2013	2012
Electricity (Australia)	MWh	222,667	228,424
Water (Australia)	'000 Litres	901,917	975,412
Direct waste to landfill (Australia)	Tonnes	22,563	24,306

In 2011/2012 the Group refreshed its utility reduction strategy moving to new business unit specific targets. These targets are aggregated at a Group level to give electricity, water and waste diverted directly to landfill 2020 reduction targets of 10, 10 and 20 per cent respectively (set against 2009/2010 baseline).

Due to significant initiatives and business transformation, the Group is close to achieving its 2020 reduction targets, already delivering a 5.3 per cent decrease in electricity consumption, a 9.8 per cent decrease in water consumption and a 19.7 per cent decrease in waste diverted directly to landfill against the 2009/2010 baseline. Given this early progress, the targets and scope are being reviewed to continue to drive utility reductions.

6. Community

As Australia's national carrier, the Group has a responsibility to work with and contribute to the communities in which we operate and live, and to improve community engagement. The 2013 Sustainability Review outlines the Group's philanthropic activities.

Furthermore, the Group makes a contribution to the community through national export revenue (bringing overseas visitors into Australia) and to domestic and regional tourism (carrying passengers within Australia).

Key Performance Indicators	Unit	2013	2012
Tourism spending by Qantas Group passengers	$M		
National export revenue		5,227	5,372
Domestic traveller expenditure		22,732	22,255

In 2012/2013, the Group made a direct contribution to national export revenue of $5.2 billion, 2.7 per cent lower than 2011/2012. The reduction was driven by a decrease in the number of international visitors brought to Australia by the Qantas Group. This does not take into account passengers travelling with the Group's codeshare or alliance partners.

The Group's contribution to domestic traveller expenditure was 2.1 per cent higher than 2011/2012. This improvement was driven by an increase in the number of domestic passengers carried by Qantas Group carriers.

Definitions and Scopes

FINANCIAL

Underlying Profit Before Tax (PBT)

Underlying PBT is a non-statutory measure, and is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer (CEO), the Management Committee and the Board of Directors. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of each Segment and the Group.

Underlying PBT is derived by adjusting Statutory PBT for the impacts of AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) which relate to other reporting periods and identifying certain other items which are not included in Underlying PBT.

A detailed definition, methodology and reconciliation of Underlying PBT to Statutory PBT is contained in Note 2 to the Financial Statements on page 112 of the Financial Report.

Net Underlying Unit Cost

The net underlying unit cost of the Group, which is the Underlying PBT less passenger revenue and fuel, divided by the Group's Available Seat Kilometres (ASKs). Net underlying expenditure is derived from total passenger revenue less Underlying PBT.

Free Cash Flow

Free cash flow is a measure of financial performance calculated as operating cash flows net of investing cash flows.

Scope:
The Consolidated Financial Statements for the year ended 30 June 2013 comprise Qantas and its controlled entities and the Qantas Group's interest in associates and jointly controlled entities.

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 of the Qantas Group, including both owned and leased aircraft. The Qantas Group's scheduled passenger fleet does not include dedicated freighters and Network Aviation fleet.

SAFETY AND HEALTH

Total Recordable Injury Frequency Rate (TRIFR)

The total number of injuries or illnesses during work hours (1 July to 30 June) with an accepted workers' compensation claim for Australian-based personnel, or equivalent in other jurisdictions, per million hours worked. Journey and slip port injuries are excluded from this calculation. This metric includes embedded contractors that work exclusively for the Qantas Group and perform work that is considered core business. Calculation is based on injury record status as at 15 July 2013 (2012: 13 July 2012).

Lost Work Case Frequency Rate (LWCFR)

The total number of injuries or illnesses during work hours (1 July to 30 June) with an accepted workers' compensation claim for Australian-based personnel, or equivalent in other jurisdictions, which resulted in total incapacity, per million hours worked. Total incapacity is defined as any injury or illness that results in an injured worker being unfit for work. Journey and slip port injuries are excluded from this calculation. This metric includes embedded contractors (as described above). Calculation is based on injury record status as at 15 July 2013 (2012: 13 July 2012).

Duration Rate

The average number of lost days per injury/illness with an accepted workers' compensation claim for Australian-based personnel, or equivalent in other jurisdictions, resulting in partial incapacity or total incapacity. Partial incapacity means any injury/illness that resulted in an injured/ill worker being fit for work but at a reduced capacity. Lost days means the number of medically certified calendar days, including partial days, for which the injured worker is unable to fulfil the duties for which they are employed (partial days are counted as one full day). Journey and slip port injuries are excluded from this calculation. This metric includes embedded contractors (as described above).

Workplace Health and Safety Fatality

The death of an employee or embedded contractor arising from an occupational injury or disease sustained or contracted while working for the Qantas Group in Australia and overseas.

Scope:
Employees and embedded contractors of wholly-owned entities of the Qantas Group excluding Australian air Express.

Aviation Fatality

Fatal injuries as a result of being in Qantas Group aircraft or having direct contact with any part of Qantas Group aircraft, including parts which have become detached from the aircraft, or direct exposure to jet blast except when the injuries are from natural causes, self-inflicted or inflicted by other persons, or when the injuries are to stowaways hiding outside the areas normally available to the passengers and crew, or where the fatality is recorded as an occupational health and safety fatality. For statistical uniformity only, an injury resulting in death within 30 days of the date of the accident is classified as a fatal injury (adapted from Australian Transport Safety Bureau (ATSB) and International Civil Aviation Organization (ICAO) definitions for serious injuries resulting from aircraft events).

Scope:
Qantas Group branded aircraft.

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:
All Australian and New Zealand-based employees of wholly-owned entities of the Qantas Group.

Definitions and Scopes continued

CUSTOMER

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 at the scheduled departure port within 15 minutes of the scheduled departure time and subsequently proceeds to take off, for sectors flown. Cancelled flights do not count as being on time, as per the Bureau of Infrastructure, Transport and Regional Economics (BITRE) Airline On Time Performance definitions.

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 at the scheduled arrival port within 15 minutes of the scheduled arrival time for sectors flown. Neither diverted nor cancelled flights count as being on time, as per the BITRE Airline On Time Performance definitions.

Australian Domestic Cancellations

The percentage of Australian domestic cancellations from 1 July to 30 June. Any cancellation that occurs within seven days of original scheduled departure time is recorded as a cancellation for on time performance purposes, as per the BITRE Airline On Time Performance definitions.

Scope:
Australian domestic scheduled services.

PEOPLE

Percentage of Women

The percentage of female employees of the wholly-owned entities of the Qantas Group in Australia and overseas 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.

Percentage of Women Directors on the Qantas Board

The percentage 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 are 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, including school-based trainees and interns.

Scope:
Wholly-owned entities of the Qantas Group.

Percentage of Female Graduates Recruited

The percentage of female graduates recruited into the Qantas Graduate Program during the financial year.

Scope:
The Qantas Airways Graduate Program.

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.

Scope:
Wholly-owned entities of the Qantas Group. Additionally, the FTEs of Jetstar Asia are included.

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, QantasLink, Network Aviation, Jetconnect and Qantas Freight, for both domestic and international operations. Aviation fuel consumption does not include consumption by Jetstar Asia or codeshare partners. Aviation fuel consumption by Australian air Express is included from 1 December 2012, the first full month after this entity was acquired by the Group.

CO_2-e Emissions from Aviation

The amount of greenhouse gas emissions measured in carbon dioxide equivalent (CO_2-e) tonnes generated from aviation fuel consumption 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 Aviation Fuel 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 attributable to domestic coded flights.

Scope:
Emissions from aviation fuel consumption by domestic flights of Qantas, Jetstar, QantasLink and Network Aviation. Domestic aviation fuel consumption by Australian air Express is included from 1 December 2012, the first full month after this entity was acquired by the Group.

Fuel per 100 Revenue Tonne Kilometres (RTKs)

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

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 megawatt hours (MWh) where electricity is separately billed for the period 1 July to 30 June.

Scope:
Qantas Group sites within Australia.

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.

Direct Waste to Landfill (Australia)

The total solid waste and quarantine waste generated, as measured in tonnes, where this waste is delivered from Qantas premises directly to a landfill site and 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.

COMMUNITY

National Export Revenue

National export revenue is calculated as the number of inbound visitors brought to Australia by Qantas, Jetstar and Jetstar Asia for the 12 months to 31 May (latest available data as at 30 June) multiplied by the estimated average visitor expenditure of $3,331. (Source: Tourism Australia's March 2013 International Visitor Survey (latest available data)) (2012: $3,313 (Source: Tourism Australia's March 2012 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 $674 (Source: Tourism Australia's March 2013 National Visitor Survey (latest available data)) (2012: $681 (Source: Tourism Australia's March 2012 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, eg 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'.

Independent Limited Assurance Report

FOR THE YEAR ENDED 30 JUNE 2013

Independent limited assurance report to Qantas on the Sustainability Statistics and Notes section in the Qantas Airways Limited Annual Report 2013

Introduction

We have been engaged by Qantas Airways Limited (Qantas) to undertake a limited assurance engagement 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 2013.

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 of 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 quantitative and qualitative 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 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 2013 has not, in all material respects, been prepared and presented in accordance with the Criteria established by Management.

KPMG

KPMG
Sydney
6 September 2013

Financial Calendar and Additional Information

2013		2014	
21 February	Half year result announcement	27 February	Half year result announcement
30 June	Year end	12 March	Record date for interim dividend*
29 August	Preliminary final result announcement	14 April	Interim dividend payable*
18 October	Annual General Meeting	30 June	Year end
		28 August	Preliminary final result announcement
		12 September	Record date for final dividend*
		15 October	Final dividend payable*
		24 October	Annual General Meeting

* Subject to a dividend being declared by the Board.

2013 ANNUAL GENERAL MEETING

The 2013 AGM of Qantas Airways Limited will be held at 11:00am on Friday 18 October in Brisbane.

Further details are available on the Investors section of the Qantas website (www.qantas.com)

REGISTERED OFFICE

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COMPANY SECRETARY

Taryn Morton

An electronic copy of this Annual Report is available at www.qantas.com

ISO 14001

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