Annual Report 2009

QANTAS

Contents

An online version of this Report, plus additional sustainability and investor information, is available at qantas.com/annualreport

2008/09 was a year of change and challenge for the Qantas Group.

A Transformative Year

Restoring our Reputation

A priority for the new management team, led by Chief Executive Officer Alan Joyce, was to restore Qantas' reputation for safety and reliability, which had been damaged by an industrial dispute and subsequent maintenance backlog; and two inflight incidents. By January 2009, Qantas had regained its industry leadership in domestic on-time performance. In March 2009, on the basis of its preliminary investigations, the Australian Transport Safety Bureau found the inflight incidents were related to manufacturing faults beyond Qantas' control. And in June 2009, monthly customer satisfaction reached its highest level since 2003.

Confronting the Crisis

The impact of the global financial crisis on airlines has been severe and the downturn may be prolonged. The Qantas Group reacted faster than almost any other airline, announcing decisive measures from November 2008 and throughout the following months to ensure the Qantas Group remains strong through this challenging period. For the Group, these trading conditions also represent an opportunity to transform and emerge stronger and more competitive.

Operating Sustainably

Sustainability is about responsibly creating long term shareholder value by embracing opportunities and managing the risks deriving from economic, environmental and social developments. The safety and security of employees and customers will always be the Qantas Group's paramount priority. The Group is also investing in its diverse and talented workforce; energetically responding to climate change and seeking to reduce its environmental footprint; and actively and creatively engaging with the community.

Planning for the Future

The new management team has staked out clearly defined goals for the Qantas Group:

Short term (up to 12 months)
preserving revenues and reducing costs; maintaining balance sheet strength; and preparing to emerge stronger from the economic downturn.
Medium term (up to three years)
returning profitability to pre-crisis levels and generating strong cash flow to enable investment in fleet renewal and growth.
Longer term (beyond three years)
generating sustainable returns through the economic cycle.

The Vision

All Qantas Group businesses – from Frequent Flyer to Freight – depend upon the core strength of our two airlines, Qantas and Jetstar.

The Qantas Group's long term vision is to operate both the world's best premium airline and the world's best low fares carrier.

The Group's future will be determined by its capacity to reward shareholders who provide it with the capital to grow and invest. In February 2009, shareholders demonstrated their confidence in the Group by providing more than $500 million to strengthen the balance sheet and support fleet renewal.

The World's Best Premium and Low Fares Airlines

Sustainable Returns to Shareholders

Safety is our First Priority

Unwavering commitment to world's best safety practices and reporting

Right Aircraft Right Routes

Fleet renewal delivering one of the world's most effective fleets flying on an optimal route network

Customer Service Excellence

Consistent customer service excellence as the cornerstone of our business

Operational Efficiency

Major projects underway, internally and with suppliers, to achieve simplicity and further productivity across the business

Two Strong Complementary Brands

Qantas and Jetstar as the best premium and low fares brands respectively

Great People

The success of the Qantas Group is underpinned by our 35,000 plus employees. The future of the Qantas Group is about great people who are skilled, motivated and supported to do great things.

New Management Team

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

Financial Overview

In an extremely challenging operating environment, the Qantas Group remains profitable and financially strong.

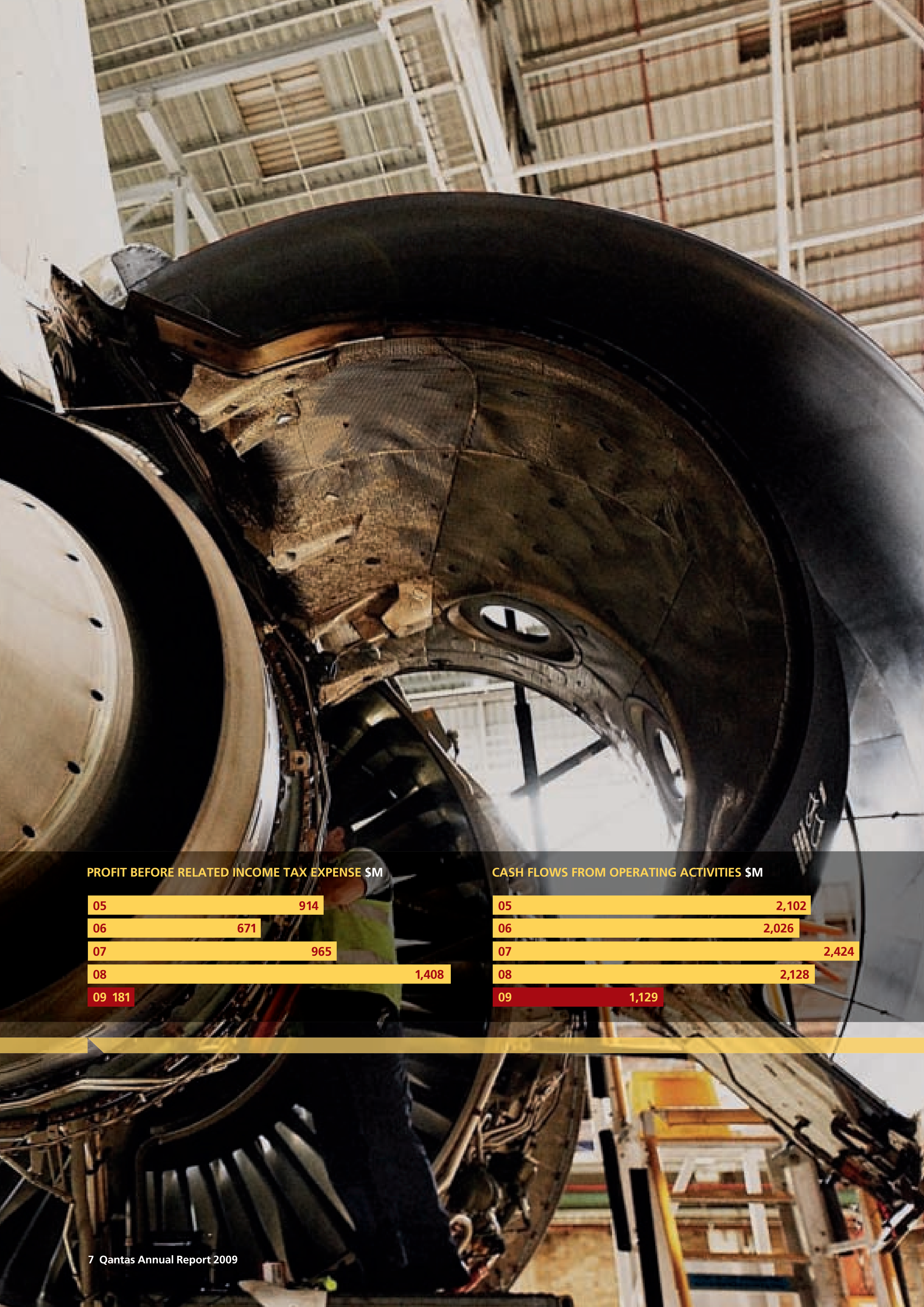
Revenue $14.6 billion
Profit before tax $181 million
Earnings per share 5.6 cents
Operating cash flow $1.1 billion
Cash held at year end $3.6 billion
New financing in place $3.4 billion

CASH HELD $M

05	1,904
06	2,902
07	3,363
08	2,599
09	3,617

SALES AND OTHER INCOME $M

05	12,564
06	13,661
07	15,060
08	15,627
09	14,552



PROFIT BEFORE RELATED INCOME TAX EXPENSE $M

05	914
06	671
07	965
08	1,408
09	181

CASH FLOWS FROM OPERATING ACTIVITIES $M

05	2,102
06	2,026
07	2,424
08	2,128
09	1,129

Operational Overview

The operational excellence of the Qantas Group is underpinned by its broad scale, deep experience and exceptional people.

334,000 flights over 530 million kilometres*
38 million passengers carried
36 million meals prepared
18 per cent more Frequent Flyer points redeemed
575,000 tonnes of freight handled
490,000 engineering tasks undertaken

*Excluding Jetstar Asia and Jetstar Pacific

Chairman's Report

There has never been a more challenging time for the modern aviation industry. I am pleased to report that the Qantas Group has been a standout performer among world airlines, delivering a profit and staying financially strong, while laying a platform for prosperity when conditions improve.

Highlights

- Revenue of $14.6 billion
- Profit before tax of $181 million
- Earnings per share of 5.6 cents
- Operating cash flow of $1.1 billion
- Cash held at year end of $3.6 billion
- New financing in place of $3.4 billion

Global and Australian Context

With the onset of the global financial crisis and prolonged economic downturn, a major contraction has occurred in global aviation demand, yields and capacity. The International Air Transport Association forecasts at least $US9 billion in industry net losses for calendar year 2009. Multiple airlines have collapsed since 2008. Previously profitable airlines are now reporting substantial profit declines and even losses. H1N1 Influenza 09 has negatively affected Asian markets. Protracted industrial action undertaken by the Australian Licensed Aircraft Engineers Association between May and July 2008 harmed Qantas punctuality, productivity, costs and reputation, and full recovery took many months.

Qantas Group Response

The Qantas Group has reacted quickly and effectively to the economic downturn.

Group liquidity was increased with $3.4 billion of new funding and future debt facilities, including a $514 million capital raising. The capital expenditure pipeline has been restructured with US$7.9 billion of aircraft, at 2009 list prices, deferred or cancelled over the next four years.

A robust operating cash flow has been secured with innovative sales activity; consolidating flights and switching capacity to Jetstar; substantial enhancement of the Frequent Flyer program; and an energetic focus on corporate account retention.

The cost base has been adjusted with capacity reductions; grounding and reducing the utilisation of the equivalent of ten aircraft; and working with suppliers to identify savings. 590 management positions have been removed, and the Group is on track to remove the equivalent of a further 1,250 full time positions. Executive pay has been frozen.

People

This year the Qantas Group underwent major change in its senior management, with the appointment of Chief Executive Officer Alan Joyce and a new management team. The team has shown great resolve and judgement in addressing the current difficult circumstances. I would also like to acknowledge the hard work of all Qantas Group employees throughout the year. It has been immensely challenging, but our people have responded superbly.

Outlook

The global economic outlook remains uncertain and we are yet to see substantial improvements in underlying business conditions. Many factors are in play that could affect the timing of the recovery. Uncertainty is also being created through significant capacity increases, domestically and internationally, by Qantas Group competitors, some of whom enjoy very favourable taxation and other arrangements.

With the interim dividend of 6 cents per share, Qantas has paid out 100 per cent of full year profit after tax. Under present circumstances, the Board considers it prudent not to pay a final dividend, and future dividends will be assessed against ongoing earnings performance and capital requirements.

With the strengths of its two flying brands, strong management, and dedicated people, the Qantas Group is well-positioned to withstand this period of downturn, and will be ready to grasp opportunities fully during the eventual recovery.

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Leigh Clifford, AO Chairman

It is a privilege to lead more than 35,000 Qantas Group employees. These are difficult times, and yet our people have responded with skill, imagination and goodwill to all that we've faced.

Restoring our Reputation

During the first half of the year we encountered a confluence of events that affected our reputation negatively. Two inflight incidents, QF30 in July 2008 and QF72 in October 2008, attracted widespread attention. Preliminary findings from independent authorities found no suggestion that Qantas safety was a cause. Our customers also experienced punctuality issues deriving from a long-running engineering industrial dispute and subsequent maintenance backlog, and this led to a shift in perception that Qantas had reduced its commitment to safety.

We worked hard over subsequent months to assure our customers that safety is, and will always be, our first priority. With 5,500 engineering employees in Australia, Qantas spends $1.4 billion each year on the safety and performance of our aircraft, with between 80 and 90 per cent of all Qantas aircraft heavy maintenance carried out in Australia. Our decision to undertake heavy maintenance work on our A330 fleet in Brisbane secured more than 500 jobs.

We have brought our on-time performance back to industry leading standards and achieved significantly improved customer satisfaction ratings.

We will never take our customers' confidence in us for granted, and continue to put safety at the forefront of all we do.

Managing for the Long Term

During the second half of the year, the Qantas Group experienced the adverse effects of the downturn in the global economy. While managing effectively through the short term, we are equally focused on achieving our long term objective of being the world's best premium and low fares airlines, delivering sustainable returns for our shareholders.

We have emerged as one of the few airlines worldwide to deliver a full year profit this year, and we have more than 160 new aircraft on order over the next 10 years.

Two Brand Strategy

The Group's two flying brands give us unique strength in terms of scale, network and customer reach. As you can see in our case studies on page 27, we derive significant benefit from our capacity to match capital and resources to changing customer demand.

Qantas remains Australia's carrier of choice for premium and corporate travellers. We continue to invest to deliver an outstanding experience for customers. On pages 34 and 35 you can see a sample of improvements made to the customer journey, from a better online experience, to airport lounge refurbishments, upgraded fleet and better network connectivity.

In December last year we opened our $10 million Centre of Service Excellence to ensure our people deliver consistently excellent service.

The introduction of the A380 during the year was a clear success, achieving exceptional customer satisfaction ratings.

Jetstar is the Qantas Group's low fares brand and has become the world's largest low fares, long haul carrier. In May 2009, Jetstar became the second largest carrier of passengers to and from Australia after Qantas.

It has achieved outstanding growth over five years and cemented its lowest fare market position. During the year, Jetstar grew strongly, including by picking up capacity as Qantas withdrew from underperforming routes, and growing its Asian and intra-Asian operations. The Group increased its ownership in Jetstar Asia and, with a simplified ownership structure providing greater strategic alignment, this will provide a platform for future growth in the world's highest potential aviation market.

The Frequent Flyer business is Australia's number one loyalty program, achieving standout returns during the year. With the successful launch of the new Woolworths alliance, Qantas Frequent Flyer has now passed six million members and more than 400 partners. The Group has ruled out an initial public offering of the business, recognising the strategic value of the loyalty program's continued integration within the Group.

Transforming for Sustainable Success

Looking ahead, the leadership team is focused on creating a lean and responsive organisation. We have stripped back management layers to speed up decision-making and to give our frontline people more power. We are working internally, and with suppliers, to lower our cost to serve, and to streamline business processes. We are listening to our customers, and engaging our people to deliver consistently excellent service. In these challenging times, we are seizing the opportunity to transform for sustainable success.

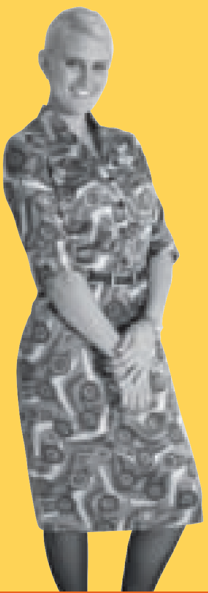
In these challenging times, we are seizing the opportunity to transform for sustainable success.

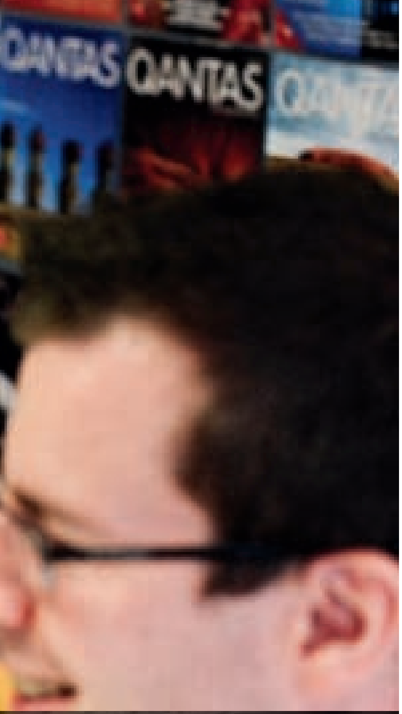
Alan Joyce Chief Executive Officer

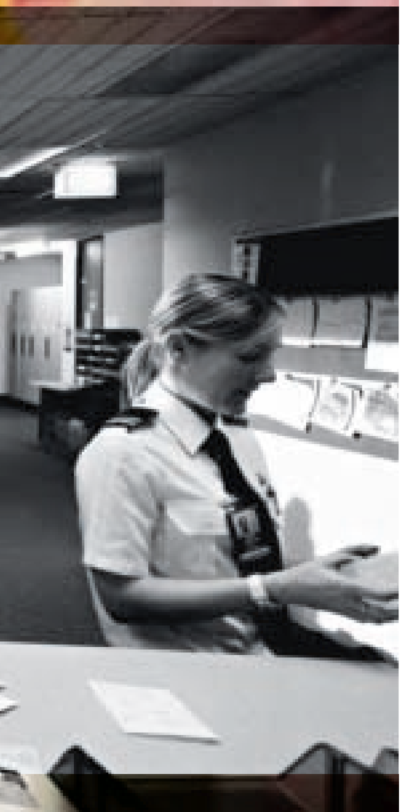
CEO's Report

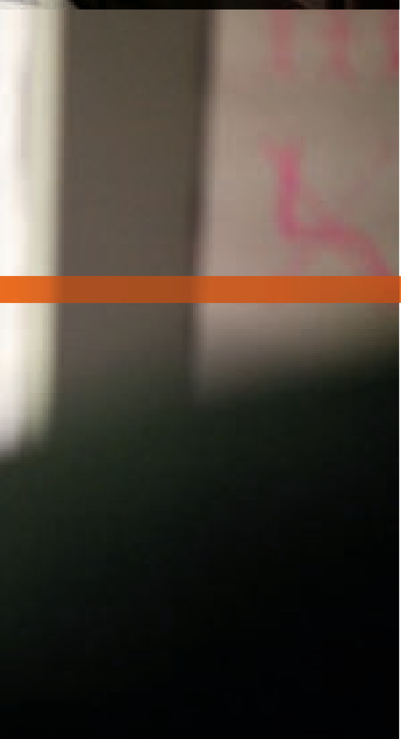
Our People

QANTAS FLIGHT ATTENDANT
CASEY BEAZLEY
"Our Centre of Service Excellence helps us to perform consistently at our best, and this means higher levels of service for our customers."









Each year, Qantas Group employees – around 35,000 people undertaking more than 250 unique roles, speaking approximately 55 languages, and representing 92 nationalities – work together with skill and enthusiasm to carry millions of passengers safely to their destinations.

The future of the Qantas Group is about ensuring that all our people are equipped, empowered and encouraged to contribute to their fullest potential.

To meet this goal, the People Plan is based around three key objectives:

- Developing our leaders' capability to take the Qantas Group through a period of major change
- Building a cohesive Qantas Group culture that engages all employees and facilitates lasting improvements in the organisation
- Creating a strong and stable basis for succession

Leadership development programs focus on graduates, emerging leaders, women and our senior business leaders. Coaching and mentoring, on-the-job stretch assignments, classroom learning, business projects and community contribution initiatives all play a role in this process.

Employee Engagement

Open and timely communication with employees is a key commitment of the new management team.

Since February 2009, Senior Leadership Forums have been held to build common purpose and alignment with the Group's strategy. A twice-yearly Managers Forum will be cascading the leadership vision down through the Group.

Employee engagement surveys are being undertaken across the Group to help develop further initiatives.

Equipping our People

Increasing the skills of frontline managers, supervisors and middle managers will strengthen leadership at all levels of the Group. More than 300 employees are enrolled to acquire Certificates III/ IV in Frontline Management. At Q Catering more than 200 employees – most of whom began their manufacturing careers without any tertiary education – are graduating with a Certificate III in Frontline Leadership after a comprehensive program of course-work, projects and assessments in business, change, people and injury management, quality, risk and communication.

A major program is underway to streamline and simplify business processes throughout the Group and to clarify accountabilities. The goal is to equip our people to move quickly and decisively, creating a more agile organisation.

In April 2009, Qantas Shared Services won two major awards: Best Australasian Shared Services Operation and Industry Thought Leader for Executive Manager Suzanne Young. These awards recognised outstanding work delivering the full range of in-house services that support all Qantas people and help business units perform better.

Embracing Diversity

As a major Australian employer, the Qantas Group seeks to nurture and utilise Australia's diverse talents. The Group has made a particular commitment to Indigenous Australia and was one of the first three major Australian companies to commit to a Reconciliation Action Plan in 2007. Qantas has also made concerted efforts to increase the representation of women across the organisation in non-traditional roles and in leadership roles.

The economic downturn has affected the achievement of some targets and has necessitated the adjustment of some targets, but the broad commitments and programs remain on track.

Women in the Qantas Group

- Female employees comprise 42 per cent of total workforce
- 22 per cent of female employees occupy senior roles
- 10 per cent increase in number of women accepted into the graduate intake
- 13 per cent increase in women's participation in the Harvard Leadership Program
- Senior Executive Program comprising 33 per cent female participants

Indigenous Australians

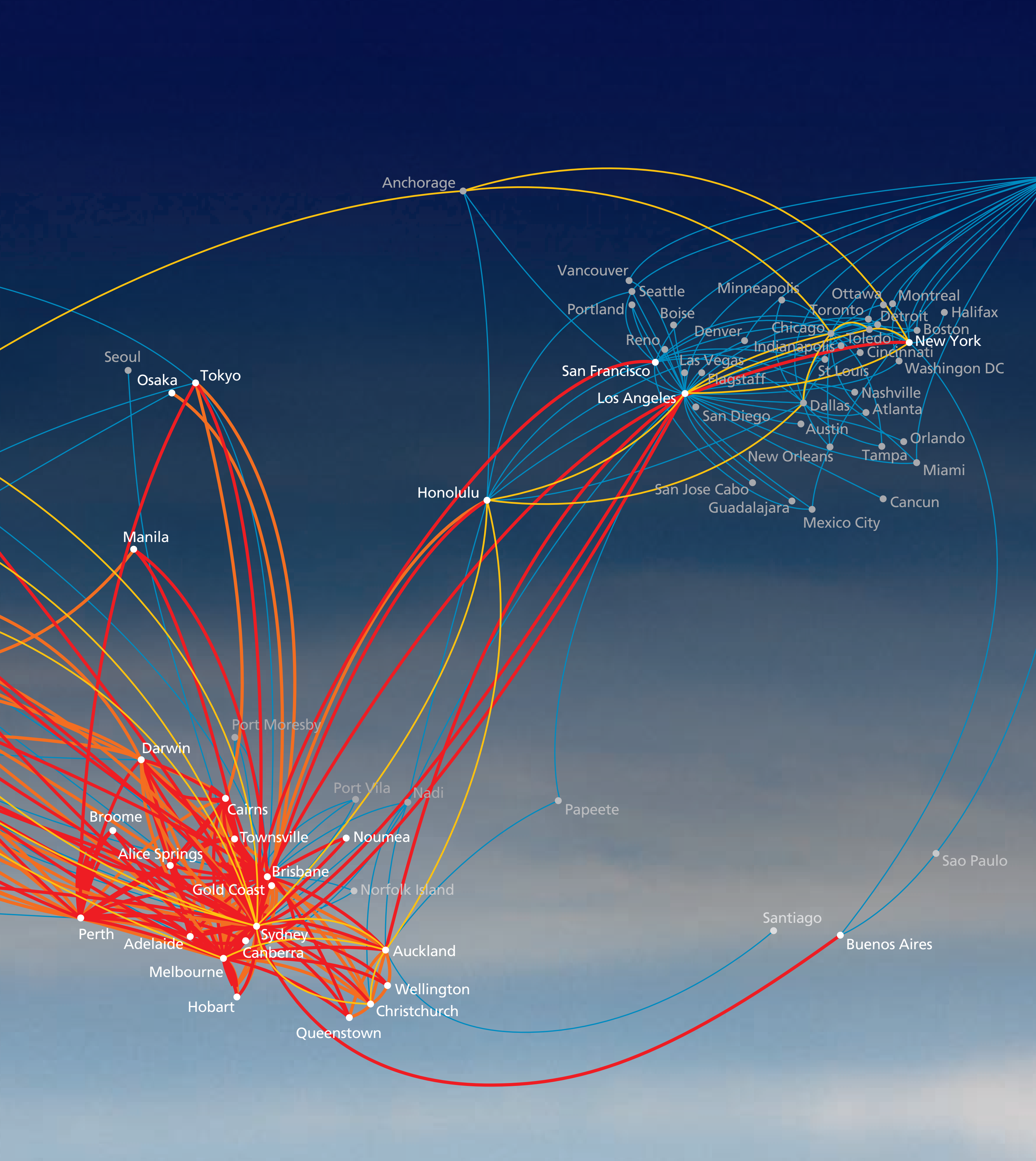
- 203 Indigenous Australians employed by the target date of June 2008 and a further 66 employed during 2008/09
- Quarterly Indigenous staff newsletter and forums
- An Annual Indigenous Champions Award
- An Acknowledgement of Country announcement on all international flights arriving in Australia during Reconciliation Week and NAIDOC Week
- A partnership with the Australia Council to create the Qantas Young and Emerging Indigenous Visual Artists Award
- Ongoing support for Indigenous sporting and cultural initiatives

Each year, Qantas Group employees work together with skill and enthusiasm to carry millions of passengers safely to their destinations.

Our Network

Qantas operates more than 4,700 flights each week to 72 destinations in Australia and around the world – to every continent but Antarctica.

The Jetstar brands operate around 1,900 flights each week to 50 destinations in Australia, New Zealand, Asia and the United States.



— Dedicated freighter services offer wide-body cargo capacity to key ports in Asia, the Pacific and North America.

— Routes operated by Qantas' partner airlines, including codeshare services, provide even more connections around the world.

At 30 June 2009, the Qantas Group operated a fleet of 229 passenger aircraft and four dedicated freighter aircraft. The Group also wet-leases (including crew) three B747-400 and one B767-200 freighter aircraft.

During the year, Qantas took delivery of three Airbus A380s, two A330-200s, three Boeing 737-800s and five Bombardier Q400s. Jetstar took delivery of five A320-200s and two A321-200s. The Group retired four B747-300s, two B737-300s, six Dash 8-100s and three B717-200s. Between 30 June and 31 October 2009, a further two A380s, one A321-200, three B737-800s and four Q400s are being added to the fleet.

Strategy

For the Qantas Group, fleet planning is about balancing the immediate flying needs of the business while investing in new aircraft to drive long term improvements in safety, passenger comfort, cost, fuel efficiency, noise emissions, freight capacity and range capability.

More than 160 new aircraft are planned for delivery over the next 10 years as part of the Group's fleet renewal program. As these come online, older aircraft and some aircraft types will be phased out.

The new generation A380 and the B787 Dreamliner remain central to the future of the Group's flying businesses. Both types were carefully assessed to ensure they matched specific safety, performance, market and route requirements. For flying needs outside the scope of these two aircraft types, the Qantas Group will continue to monitor manufacturers' developments, as well as the suitability and balance of its order book, to manage the changing needs of its network.

The A380 will replace B747s on mature dense routes such as London and Los Angeles and the A380 fleet will grow to 20 over the next six years.

The B787 will be ideal for point-to-point flying on medium density routes, both short and long haul; facilitating Jetstar's growth into Europe and in Asia; operating Qantas services into Asia; and potentially operating high traffic routes on the Qantas domestic network. The arrival of this new aircraft type will allow for the retirement of Qantas' B767 fleet. The expected range of the B787s means that Qantas and Jetstar can fly more point-to-point services without the need to operate via hubs, a key advantage for 'end of the line' carriers.

In 2008/09, a deterioration in passenger demand underpinned decisions to reduce flying, and in some cases retire, older aircraft. In April 2009, Qantas announced it would ground and reduce the utilisation of the equivalent of 10 aircraft (B747s and B767s) and make eight available for sale. The firm aircraft order delivery stream has also been reviewed and, through discussions with manufacturers, some aircraft have been cancelled or deferred. Fifteen B787-9 orders have been cancelled, with the total B787 firm order reduced from 65 to 50 – the second largest airline order in the world for this aircraft type. Four A380s, 12 B737-800s and 15 B787-8s have been deferred. The first B787 should now arrive in mid-2013 and the early deliveries are expected to operate on Jetstar's international network.

The cornerstone of QantasLink's fleet renewal remains the 72-seat turbo-prop Bombardier Q400. QantasLink now operates 14 Q400s, which enabled the retirement of the Dash 8-100 fleet by December 2008 and increased capacity on key regional routes. QantasLink's Q400 fleet will grow to 21 by February 2010.

In line with its short haul fleet plan announced in 2007, the Group is acquiring 92 narrow-body aircraft to support Qantas and Jetstar domestic and short haul international growth. Over the six years to 2015, 61 A320/A321 aircraft and 31 B737-800s are to be delivered, with options and purchase rights allowing flexibility for an additional 89 aircraft.

A Sustainable Airline Group

The fuel efficiency and lower emissions technology of newer aircraft will contribute significantly to the cost and environmental savings required for the Qantas Group's long term sustainability. The A380 burns around 10 per cent less fuel per passenger and emits substantially less noise than the B747, which it will largely replace. The B787 will offer a greater than 20 per cent reduction in fuel consumption per passenger and a 50 per cent smaller noise footprint compared with the B767. On regional routes, the Q400 burns 35 per cent less fuel than similar-sized jet aircraft.

For the Qantas Group, fleet planning is about retaining tactical flexibility while pursuing long range strategic goals.

Aircraft Type	Number of Aircraft
A380-800	3
B747-400ER	6
B747-400	24
B767-300ER	29
A330-300	10
A330-200*	6
A330-200*	6
A321-200	4
A320-200	33
B737-800	38
B737-400	21
B737-300	3
B717-200	11
Q400	14
Dash 8	21

*A330-200 aircraft are operated by both Qantas and Jetstar

Qantas

Qantas is Australia's iconic airline, a recognised global aviation leader in safety, premium long haul travel, customer service and innovation. With unrivalled national and global network reach, Qantas is Australia's carrier of choice for premium leisure and corporate travellers. During the year, Engineering, Airports, Catering, Flight Operations, Operations Planning and Control, and Associated Businesses were regrouped into a single Airline Operations unit, signalling a renewed focus on core aviation excellence.

INTERNATIONAL

Qantas' international operations were adversely affected by the economic downturn with considerably weaker yield and premium load factors in the second half, compounded by intensifying competition and the outbreak of H1N1 Influenza 09.

Yet it was a year of significant achievements and milestones – the delivery and entry into service of the first three Qantas Airbus A380s, the introduction of direct services to South America and the continued expansion of the airline's newest cabin: Premium Economy.

A380

The successful entry into service of the A380 was the culmination of seven years' hard work and preparation across the Qantas Group – from Engineering, Airports and IT through to Cabin Crew, Flight Training and Product Development.

On 30 September 2008, the first Qantas A380 was named *Nancy-Bird Walton*, in honour of the pioneer Australian aviatrix. When Nancy-Bird passed away on 13 January 2009, the *Nancy-Bird Walton* performed a tribute flyover of Sydney on the morning of her State funeral.

The inaugural commercial A380 service operated on 20 October 2008 between Melbourne and Los Angeles and Qantas launched A380 services to London via Singapore on 16 January 2009. The second and third A380s entered the fleet on 16 and 27 December 2008 respectively, with the fourth arriving in August 2009.

The delivery of the fourth A380 allows Qantas to increase its scheduled A380 services to five return Sydney-Singapore-London services per week, four return Sydney-Los Angeles services per week and two return Melbourne-Los Angeles services per week. By November 2009, Qantas will operate daily A380 services to London and Los Angeles from Sydney, and will increase Melbourne to Los Angeles A380 services to three per week.

Managing a Deteriorating Trading Environment

Qantas acted decisively to the serious downturn in trading conditions, by:

- holding high impact, differentiated retail promotions such as the '2 for 1 Sale' in November 2008 and 'Kids Fly Free' in February 2009, which significantly improved load factors;
- reducing network capacity to China, Hong Kong, Japan and the United States, as well as making ad hoc cancellations on London and US services; and
- removing fuel surcharges from international New Zealand services and halving fuel surcharges on other international fares.

Network Developments

While Qantas continues to focus on its core strategic network for corporate and premium leisure passengers, the Group was able to benefit from its two brand strategy, with Jetstar commencing services in select leisure markets.

China: Sydney-Shanghai services increased to daily; withdrawal of Sydney-Beijing and Melbourne-Shanghai services.

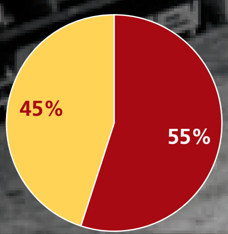
Hong Kong: Reduction from 14 to 11 weekly Sydney-Hong Kong services and withdrawal of three weekly Melbourne-Hong Kong services. Daily Melbourne-Hong Kong-London services remain.

India: Mumbai services reconfigured to three times per week via Singapore, increasing connectivity through other Australian capital cities.

Indonesia: Sydney-Jakarta services moved from B767 to newer A330 aircraft with Business Skybeds. Jetstar commenced Perth-Bali and Perth-Jakarta services.

Qantas Passenger Revenue Split 2008/09

International
Domestic



Qantas Key Figures	2008/09	2007/08
Revenue ($m)	11,710	12,971
Underlying Earnings Before Interest and Tax ($m)	4	1,358
Earnings Before Interest and Tax ($m)	(77)	1,230
Passengers (millions)	27.7	29.4
Employees (Full Time Equivalent)	27,636	29,573

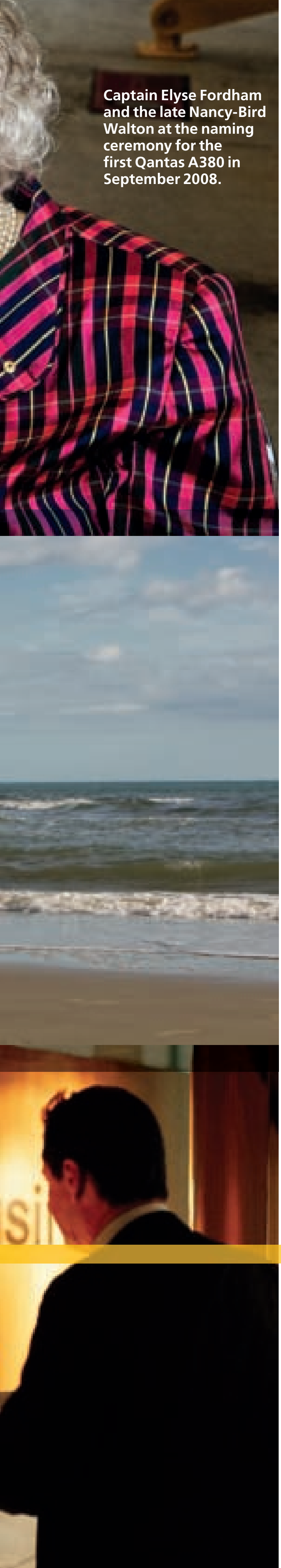
QANTAS FIRST OFFICER TOBY WILKS

"Qantas operated a special charter flight for the return trip to Rome of His Holiness Pope Benedict XVI in July 2008, as part of our support for World Youth Day. Qantas also flew more than 20,000 pilgrims to Sydney for the event and operated eight special services from Rome and Los Angeles to Sydney. And in August 2008, Qantas operated two charters from China to carry the Australian Olympic Team home from the Beijing Olympic Games."

Qantas

MANAGER QANTAS MEETING ROOMS MARCEL WEISSEL

"Qantas Meeting Rooms cater for customer meetings in domestic terminals around the country, with services benchmarked against premium hotel providers. After the initial success of the Sydney and Melbourne Meeting Rooms, facilities opened in Brisbane in October 2008 and in Adelaide in July 2009."



Captain Elyse Fordham and the late Nancy-Bird Walton at the naming ceremony for the first Qantas A380 in September 2008.

Japan: Withdrawal of Melbourne-Tokyo services and reduction in Sydney-Tokyo frequencies from 10 to seven per week. Replaced by Jetstar on Cairns-Tokyo routes.

New Zealand: Replaced by Jetstar on domestic New Zealand services from 10 June 2009, but increased trans-Tasman frequencies, integrating with a rescheduled daily Auckland-Los Angeles service to provide connection to Qantas' daily service to New York.

South Africa: Increase from five to six return flights per week between Sydney and Johannesburg.

South America: Non-stop Sydney-Buenos Aires services launched in November 2008, with three services per week using B747-400 aircraft.

United States: Reduction from 17 to 14 return Sydney-Los Angeles services per week and reduction in Honolulu frequencies from four to three per week.

Product and Service

Qantas continued to roll out its new Premium Economy cabin, which is now available on most long haul services from Sydney and Melbourne.

The introduction of the flagship A380 underpinned a broader reinvention of Qantas' inflight product offering – from the seats and curtains to the crockery and cutlery – inspired by Qantas Creative Director and world-renowned industrial designer Marc Newson. Customer research shows satisfaction with the A380 is very high at 84 per cent.

From late 2009, new B737-800 aircraft with Marc Newson-styled seats and in-seat inflight entertainment will progressively be introduced on services from Sydney and Melbourne to Auckland.

Pre-purchase of exit row seats for selected Qantas international flights was introduced in June 2009.

Qantas is relocating to Terminal 3 at London Heathrow in October 2009 with a new shared British Airways Lounge available for First and Business customers, Platinum and Gold Frequent Flyers and all Qantas Club members.

The Centre of Service Excellence opened in Sydney in December 2008: a dedicated facility to host learning and development programs. By July 2009, nearly 6,000 Qantas employees had participated in the Centre's e**X**ceptional service training.

And on 22 August 2009, Qantas launched a new version of the long-running and successful 'I Still Call Australia Home' advertising campaign, featuring three Australian children's choirs.

DOMESTIC

Qantas' domestic business performed solidly over the full year, despite network disruption in the early weeks of 2008/09 as a result of the industrial action by licensed engineers and increasingly soft demand for corporate travel in the final two quarters.

The Group continued to adjust its flying to allocate the right aircraft to the right routes, with Jetstar complementing or replacing Qantas services in domestic leisure markets such as Cairns and the Gold Coast.

Qantas stimulated passenger demand with reductions in, and then the full removal of, fuel surcharges on domestic services in January 2009 and a major 'Domestic Bliss' fare sale in February 2009. These measures kept volumes in line with capacity.

In May 2009, Qantas supported a national campaign – 'AllofAus' – inviting Australians to describe what the Australian spirit means to them.

Network Developments

The phased retirement of B747-300 aircraft from Perth-Melbourne/Sydney domestic flying commenced in July 2008 and was completed by December 2008. New Airbus A330 aircraft were added to those routes from July 2008. As a result, on-time performance on these routes has improved by between nine and 13 per cent.

Perth-Port Hedland services were upgraded to larger B737 services and a twice-weekly Kalgoorlie-Adelaide service was introduced in March 2009.

In response to economic conditions, capacity was reduced on Sydney-Brisbane, Sydney-Melbourne and Adelaide-Melbourne routes in the second half of the year. Qantas withdrew its twice-weekly Melbourne-Uluru services in August 2008.

Jetstar commenced Cairns-Perth services and increased Gold Coast services.

Product

New Domestic Business Lounges for Business passengers and Platinum Frequent Flyers opened in Sydney Terminal 3, Brisbane, Melbourne and Canberra, offering increased privacy, hot meals and improved business services.

Awards Received

– Australian International Design Award 2009 for the A380 Economy Seat
– Best Long Haul Airline, 2009 ULTRAS (UK *Daily Telegraph*)
– Best Airline Australasia, 2009 Skytrax World Airline Awards
– Aviation Category, *Condé Nast Traveller* Innovation and Design Awards 2009 for A380 design
– Best Airline Accessory, Cutlery for Qantas, *Wallpaper* Design Award 2009

AIRPORTS

Qantas implemented a new check-in and boarding system across its domestic and international network in September 2008. The change involved more than 124 airports and 15,000 users and is delivering significant benefits for passengers and employees.

A $75 million redevelopment of the Qantas Perth Airport terminal began in mid-2007 and is due for completion by early 2010. It includes a new Chairmans Lounge, upgrades to the Qantas Club, expanded security screening, departure lounges and baggage reclaim, and upgraded bays including a new aerobridge.

Construction is underway on a new seamless transfer facility at Sydney International Terminal for Qantas passengers with domestic connections. The $16 million joint project with Sydney Airport to improve the transfer of customers and baggage is due to be operational by mid-2010.

Construction of Canberra Airport's $350 million Multi-User Terminal began in April 2009. Qantas will be the largest tenant of the state-of-the-art terminal, due for completion in 2012. Qantas completed a 12 month, $10 million program of improvements to its existing Canberra terminal in October 2008.

Other terminal works include major developments at Cairns and Gold Coast Airports to improve the check-in, baggage collection and departure lounge facilities used by Jetstar.

For the entry into service of the new A380, Qantas Airports commissioned two additional gates at Sydney International Terminal; the first A380 gate at London Heathrow's Terminal 4; and a second A380 gate at Los Angeles International Airport.

ENGINEERING

Qantas Engineering underwent a significant strategic shift in the second half of the year, transitioning from a stand-alone Maintenance Repair and Overhaul business, to be reintegrated into Qantas' operational business, leading to improved operational focus, faster and better decision-making and increased accountability. Its prime role is to provide world class airline engineering services to the Qantas Group.

A major focus for Qantas Engineering in 2008/09 was operational performance improvement following the industrial dispute with licensed engineers.

In May 2009, Qantas announced that, after successfully negotiating flexible work practices with its engineering employees in Brisbane, it would bring Airbus A330 Heavy Maintenance onshore, securing the future of 500 engineering jobs in Australia.

Qantas Engineering played a critical role in the preparation for, and entry into service of, the A380. With its unprecedented size and new technologies, the A380 required the introduction of new systems for spare parts, engines and components, executed by a dedicated support team. The A380 was also the first to use Qantas Engineering's new maintenance compliance system.

QANTAS CATERING

The Qantas Catering Group includes the premium airline catering business, Q Catering, and the meal component manufacturer, Snap Fresh.

More than 3,000 employees undertake menu development, food production, logistics and related services for Qantas international and domestic services, QantasLink, and around 35 external customers in airline and non-airline businesses.

Q Catering is the biggest flight caterer in the Southern Hemisphere and the first to have each of its seven food production centres accredited to international food safety management standards. In 2008/09, it produced approximately 36 million meals, received awards for its product and service and was a key contributor to outstanding results in the Skytrax Onboard Catering Awards for its airline customers.

Snap Fresh produces frozen meals for airline and non-airline customers, while continuing to grow into new markets such as the provision of meals for hospitals and the military.

Over the past five years, Qantas Engineering has invested $350 million in infrastructure and training.

At airports across Australia, vacuum bag lifters are being trialled to improve manual handling and to reduce physical strain on Qantas employees.

Q Catering Cairns has reduced waste to landfill by 80 per cent, by sending organic waste matter for conversion into compost for cane farms, and waste oil converted to biofuel to power catering centre vehicles. Q Catering Adelaide received an award from Adelaide Airport in November 2008 for its reduction of annual water consumption. Snap Fresh is reclaiming and reusing approximately one million litres of water through its cooling towers, and collecting 150,000 litres a month with newly installed rainwater tanks.

Qantas Engineering graduated 66 engineering apprentices in 2008/09.

ASSOCIATED BUSINESSES

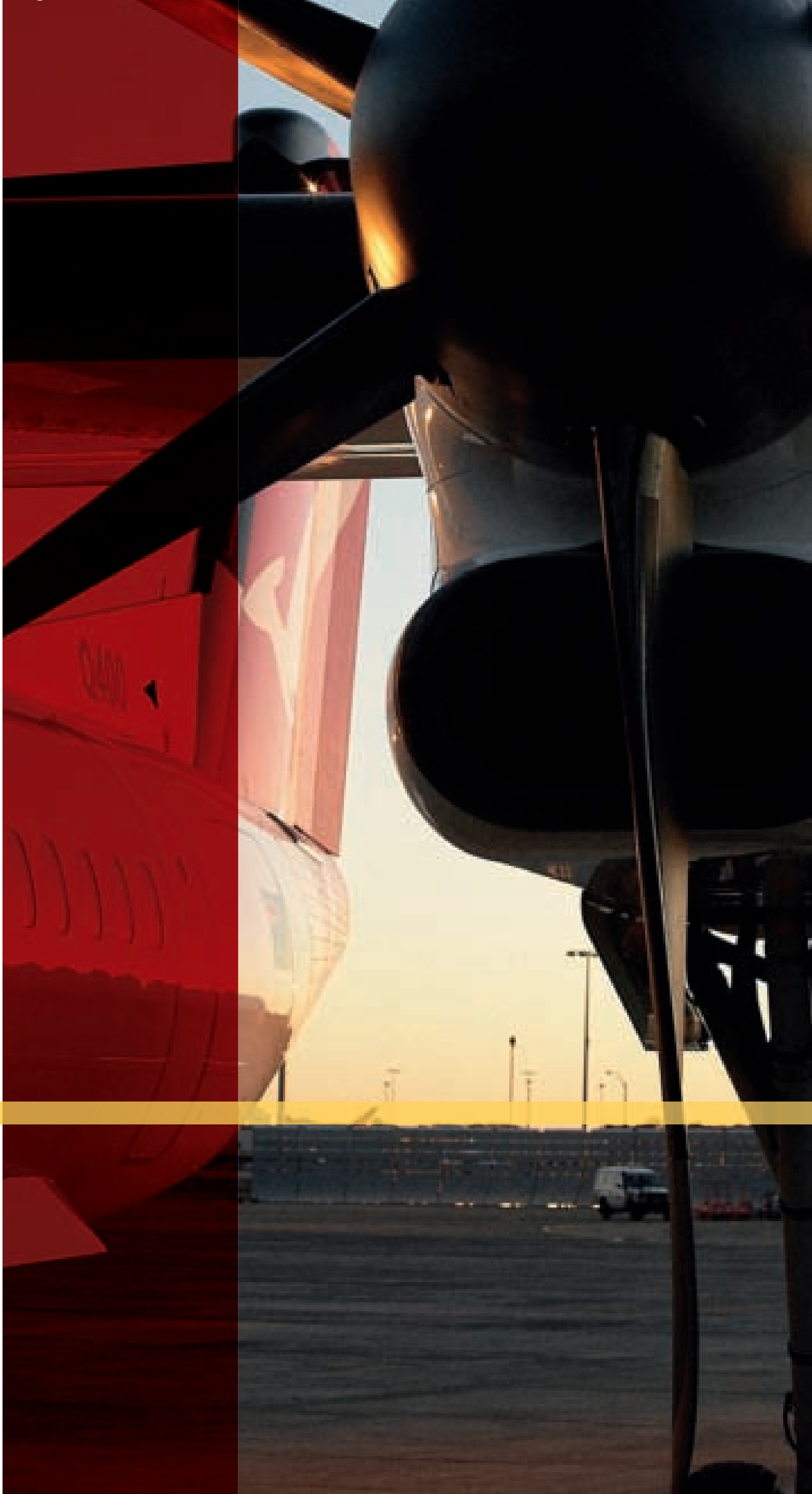
Associated Businesses delivers specialist services to the Qantas Group and third party customers. With annual revenues of $117 million, Qantas Defence Services (QDS) provides expert support for the Royal Australian Air Force's (RAAF) C130 Hercules aircraft at Richmond and Canberra, and the Australian Government's VIP aircraft in Canberra. QDS is also providing aircraft conversion services for Airbus Military on the RAAF's Multi-Role Tanker Transport – a large and complex project to convert four A330-200 aircraft to tankers with air-to-air refuelling capability. Employing 200 people in Brisbane and Amberley, QDS commenced converting the first of the four aircraft in August 2008 and a second aircraft arrived in June 2009.

LTQ is a joint venture between Qantas and Lufthansa Technik to repair and overhaul Qantas, Lufthansa and third party General Electric engines and Qantas aircraft flap tracks. Based in Melbourne, the business employs around 200 people.

Associated Businesses is also consolidating the support function for the Qantas Group's wide range of Ground Support Equipment, which will reduce duplication and increase efficiencies. Substantial savings are anticipated.

QantasLink

QantasLink plays a positive and active role in Australia's regional and rural communities. It won the prestigious 2008 National Breast Cancer Foundation Patron's Award for Innovation for its Pink Link promotion, including painting a Q400 pink and raising more than $520,000 for breast cancer research at Pink Link days around regional Australia.



QantasLink is Australia's premier regional airline, serving 52 destinations with 46 aircraft and approximately 1,750 flights each week. QantasLink has grown capacity by an average of 13 per cent each year for the past three years.

The QantasLink fleet is undergoing major renewal, with the retirement of all Dash 8-100 aircraft and the introduction of the new generation Bombardier Q400. In 2008/09, QantasLink added capacity to key regional routes in Queensland, New South Wales, Victoria and Tasmania.

Five new Q400 aircraft entered the QantasLink fleet during the year, with a further seven to be delivered by January 2010. This will bring the total number of Q400s to 21, or 40 per cent of the fleet, an investment of more than $650 million since 2006.

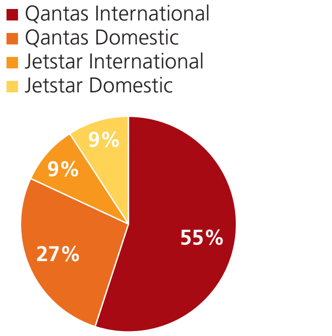
Additional Q400 capacity was deployed in Albury, Coffs Harbour, Devonport, Gladstone, Launceston, Port Macquarie, Rockhampton and Tamworth.

New Q400 services were introduced on the Townsville-Cloncurry-Mount Isa route in March 2009.

The QantasLink fleet of B717 aircraft continues to provide essential capacity in Western and Central Australia and North Queensland, servicing mining communities, coastal and tourist destinations. Adelaide-Kalgoorlie B717 services were introduced in March 2009.

Two Brands

Revenue Passenger Kilometres 2008/09



The Qantas Group is more resilient because of its diversification into the premium and low fares airlines of Qantas and Jetstar, each of which now has a strong domestic and international network. While each airline is valuable in its own right, the whole is even greater than the sum of its parts.

The Qantas Group's Flying Committee includes the CEO and CFO, the Jetstar CEO and other senior executives. It is responsible for managing the Group's portfolio of flying assets and allocating capital to achieve the highest returns for shareholders and the best outcomes for customers.

The current economic climate has left most conventional full-service airlines with little choice but to reduce capacity and shrink their networks. With the flexibility of the Qantas and Jetstar brands, the Qantas Group has been able to respond to market challenges and opportunities better than its competitors.

Japan

The cyclical Japanese market is a good example of the two flying brands in action. When Qantas' Japan services failed to generate adequate returns, Jetstar was able to replace some of Qantas' Australia-Japan services from December 2008, and in the process overturn conventional wisdom that the structure of the Japanese travel market was not conducive to an international low fares carrier with a predominantly online booking model.

In less than six months, Jetstar significantly increased returns on those routes and grew the Group's presence in Japan – with new Gold Coast-Tokyo flying and increased services between Sydney and Cairns to Tokyo and Osaka. An innovative marketing campaign – featuring Japanese megastar Becky – built strong brand recognition in new Japanese demographics.

Prior to the H1N1 Influenza 09 outbreak of May 2009, load factors were consistently around 80 per cent, while up to 40 per cent of bookings were made directly with Jetstar in Japan. In the final quarter, passenger loads from Japan were significantly affected by the outbreak of H1N1 Influenza 09, resulting in a significant impact on sales in May and June and around a 30 per cent reduction in capacity on Japanese routes.

New Zealand

Across the Tasman, the two brand strategy is delivering more choice, increased frequency, better value and additional jobs.

In the domestic New Zealand market, Jetstar has replaced Qantas, carrying out local recruitment for pilots and cabin crew and continuing to give travellers the opportunity to link into Qantas' and Jetstar's Australian domestic and international networks.

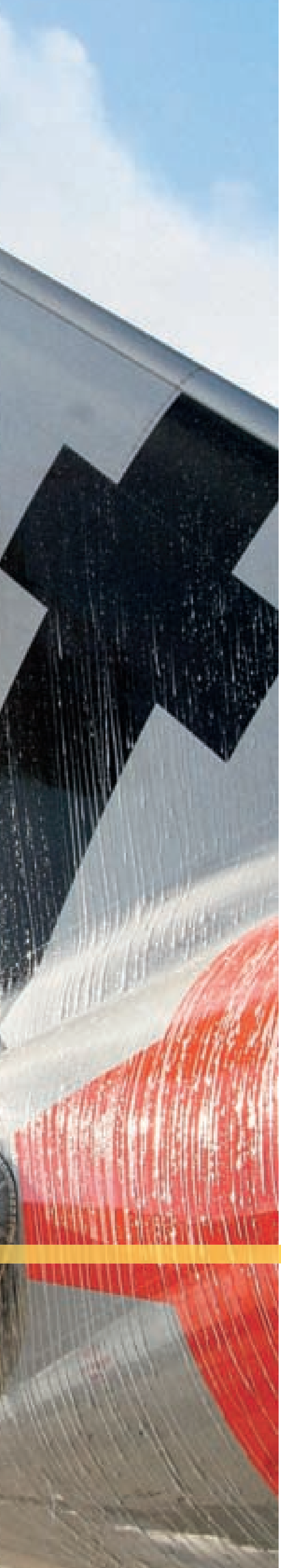
Qantas has refocused its Jetconnect subsidiary on trans-Tasman services, offering enhanced product and greater frequency with three new generation B737-800s to be delivered by the end of October 2009 and another three in early 2011. The new aircraft is styled by Marc Newson with in-seat video monitors for every passenger. Qantas now operates more than 140 services each week between Australia and Auckland, Christchurch, Queenstown and Wellington.

In May 2009, Jetstar was selected as one of the 100 Best Brands in Japan in the 'Breakthrough Advertising' category – the first time an Australian company has been recognised in these awards.

Jetstar

JETSTAR FLIGHT ATTENDANT
DANIELLA ECKERT

"Washing aircraft reduces drag, fuel consumption and emissions. We aim to conserve water wherever possible and the Qantas Group has set a water reduction target of 25 per cent by 2011."



Jetstar is the Qantas Group's low fares airline and the world's largest low fares long haul carrier. It has achieved exceptional growth over five years and cemented its lowest fares market position through its direct sales model, self-service and user-pays offerings, simplified fleet, and lean and accountable culture.

Jetstar has focused heavily on regional expansion within the Asia Pacific region over the past year, increasing its strategic holdings in affiliated businesses – Jetstar Asia in Singapore and Jetstar Pacific in Vietnam – and launching New Zealand domestic and additional trans-Tasman services.

As a result, the Jetstar brands – including Jetstar Asia and Jetstar Pacific – grew strongly in 2008/09, carrying 13.4 million passengers to 50 destinations in Australia, New Zealand, Asia and to Honolulu. Jetstar achieved an 18.8 per cent increase in revenues to $1.9 billion.

Domestic and Short Haul International

Jetstar continued to expand its Australian domestic and short haul international business, despite weaker economic conditions. Growth in Available Seat Kilometres remained steady at 4.1 per cent for the domestic business and grew strongly by 100 per cent for the short haul international business.

With the delay of the B787 program, Jetstar developed a strategy of short haul international expansion using its A320 fleet. Market growth focused primarily on driving domestic traffic to Jetstar's international gateway cities – Darwin, Perth, Gold Coast and Cairns – and onwards to Jetstar's developing pan-Asian network.

The Darwin hub, developed as the primary A320 link between Australia and Asia, is now served by 69 international and domestic flights per week to Adelaide, Brisbane, Cairns, Melbourne and Sydney; with all but the Adelaide services connecting directly on to international services to Denpasar, Ho Chi Minh City and Singapore.

Jetstar has also grown its Perth operations with flights from Adelaide and Melbourne, a new Cairns service and international services to Denpasar, Jakarta and Singapore.

Linking Cairns and the Gold Coast three times per week has increased Jetstar's ability to combine international and domestic flights for visitors from Japan to Queensland and to reinforce its Gold Coast hub, where Jetstar now operates over 130 flights per week.

In June 2009, Jetstar opened a passenger lounge at Gold Coast Airport. The lounge offers internet access, a selection of food and beverages, children's play area and a cinema. Access to the lounge is complimentary for StarClass passengers on international services and fee-based for other eligible customers.

Jetstar's narrow-body fleet increased from 30 to 37 A320/A321 aircraft over the course of 2008/09. The A321, with 37 more seats and five per cent lower operating costs compared to the A320, provides an effective vehicle for increasing capacity on high density domestic routes.

Low fare sales through jetstar.com and the launch of Jetstar's enhanced 'Price Beat Guarantee' in November 2008 reinforced Jetstar's position as the low fares leader.

In 2008/09, Jetstar continued to link its low fares sales activity to the Jetmail direct mail database. By targeting low fare promotions such as the weekly 'Friday Fare Frenzy', the 'Fifth Birthday Sale' and others, Jetstar's Jetmail database has become a powerful advertising tool.

Given the importance of ancillary revenue streams to Jetstar's profitability, product development has again been a key focus for 2008/09. In addition to the continued success of the 'JetSaver Light' product, with nearly 30 per cent of Jetstar passengers now travelling without checked baggage, Jetstar has launched 'Extra Leg Room' and 'Spare Seat' products.

Jetstar became the first airline in Australia to use self-tagging technology for baggage check-in at selected airports across its Australian domestic network. In combination with the roll out of check-in kiosks in nine Australian ports, the new technology is designed to save time and reduce queues, effectively lowering costs and driving improved customer satisfaction. More than 50 per cent of Jetstar's domestic passengers now check-in at kiosks or online, and planning for further expansion of these services is underway.

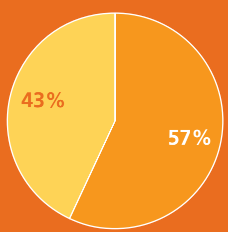
Jetstar Key Figures	2008/09	2007/08
Revenue ($m)	1,851	1,564
Underlying Earnings Before Interest and Tax ($m)	107	102
Earnings Before Interest and Tax ($m)	126	102
Passengers (millions)	10.7	9.2
Employees*(Full Time Equivalent)	3,010	2,735

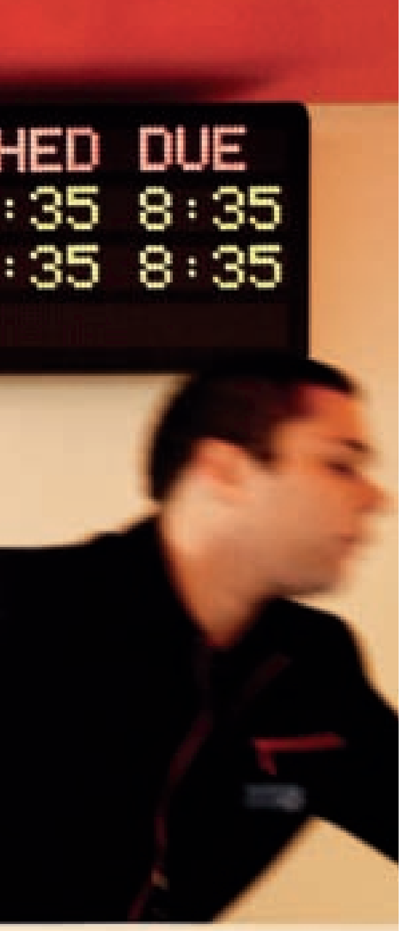
*Does not include employees of Jetstar Pacific or contracted support operations across the Jetstar brands.

Jetstar

Jetstar Passenger Revenue Split 2008/09

- International
- Domestic





New Zealand

Jetstar entered the Auckland market in April 2009 with daily services to Sydney and the Gold Coast.

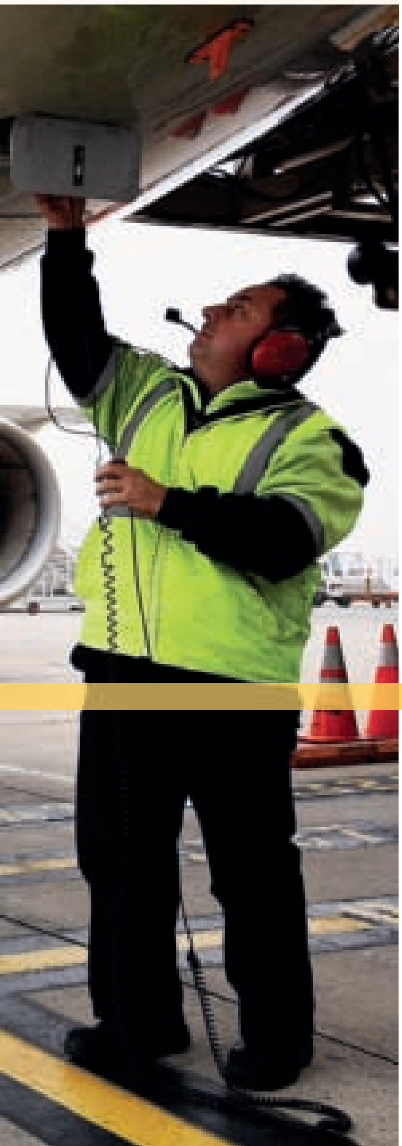
Jetstar replaced Qantas in the domestic New Zealand market in June 2009, operating 84 services a week between Auckland, Christchurch, Queenstown and Wellington and reshaping the market with one-way launch fares from NZ$29 and a special sale of NZ$1 seats.

International

Jetstar's growth into Asian markets was a standout for the Qantas Group in 2008/09. By May 2009, it was the second largest carrier in the Australian international market.

Jetstar grew frequency on its Japan services and established new flying from the Gold Coast to Osaka and Tokyo. Jetstar is now the primary carrier, by capacity, between Australia and Japan.

Product enhancements were made to Jetstar's international premium StarClass offering on long haul services, including new crockery and cutlery, an extended premium beverage selection, and newly designed meals, featuring Japanese cuisine on Japan flights. Plans are advanced for an increase to four fluent Japanese-speaking crew on each flight between Australia and Japan.



Jetstar Asia

A simplified ownership structure for Singapore-based Jetstar Asia was announced in April 2009, providing greater alignment with the Qantas Group's Australian operations and a platform for future growth. In anticipation of more 'open skies' across Asia, Qantas increased its holding to 49 per cent while a 51 per cent shareholding was acquired by Westbrook Investments Pte Ltd. Under the holding company Newstar Investment Holdings Pte Ltd, the new structure continues to enjoy Singapore traffic rights.

Jetstar Asia will take delivery of three new A320 aircraft and launch new services in 2009/10. Daily flights from Singapore to Penang commenced on 1 July 2009, increasing to twice daily on 1 October; additional frequencies were added to Singapore-Bangkok and Singapore-Manila; and services were reintroduced between Singapore and Phuket. Jetstar Asia operates 88 weekly services between Singapore and Malaysia.

Increased cooperation and alignment between the Australian and Singaporean operations are well advanced. Jetstar Asia has launched 'JetSaver Light' fares, 'Extra Leg Room' seating, 'Spare Seats' and interline sales with Qantas.

Jetstar Pacific

Vietnam's first domestic low fares carrier, Jetstar Pacific, received its first A320 aircraft in December 2008, commencing the gradual replacement of its existing fleet of five B737s.

Jetstar Pacific's Vietnamese domestic network includes seven destinations, with its hubs located in Ho Chi Minh City and Hanoi.

The Qantas Group owns 27 per cent of Jetstar Pacific, with the airline's remaining Vietnamese shareholders headed by State Capital Investment Corporation and Saigon Tourist Holding Company. A Business Services Agreement and a separate Branding Agreement with Jetstar provide a strategic foothold for the Qantas Group in one of Asia's fastest developing economies.

jetstar.com was named Vietnam's number one e-commerce website for 2008 and follows Jetstar Pacific in becoming the first airline to offer customers in Vietnam the convenience of online booking.

Since its launch in 2004, Jetstar Asia has grown to a network of 17 Asian destinations in 10 countries with a fleet of seven A320s.

Alliances

Qantas

Qantas is a founding member of **one**world which, in February 2009, celebrated its 10th anniversary and US$5 billion of revenue generated for its member airlines through alliance fares and sales products.

oneworld provides Qantas customers with access to 675 destinations and 550 airport lounges, and the opportunity to earn and redeem Frequent Flyer points across its global network.

A key milestone for 2009 is the October co-location of **one**world carriers in Terminal 3 at London Heathrow. While British Airways' (BA) core operation is in Terminal 5, all BA flights to Australia covered by the Joint Services Agreement with Qantas are to be operated from Terminal 3.

oneworld will welcome Mexicana and its affiliate Click Mexicana as members in late 2009, while Russia's largest domestic carrier, S7 Airlines, will join the alliance in 2010.

Qantas is also party to 26 bilateral codeshare agreements.

In November 2008, daily China Eastern codeshare flights became available between Shanghai and Chengdu and Xi'an; and a daily return codeshare service commenced between Shanghai and Beijing.

Qantas commenced a codeshare with Etihad in March 2009, adding 21 return services per week between Australia and Abu Dhabi, with onward codeshare services to Amman, Beirut and Bahrain.

Qantas extended its longstanding codeshare arrangement with **one**world member Japan Airlines (JAL) in June 2009 to include JAL services from Singapore to Osaka and Tokyo.

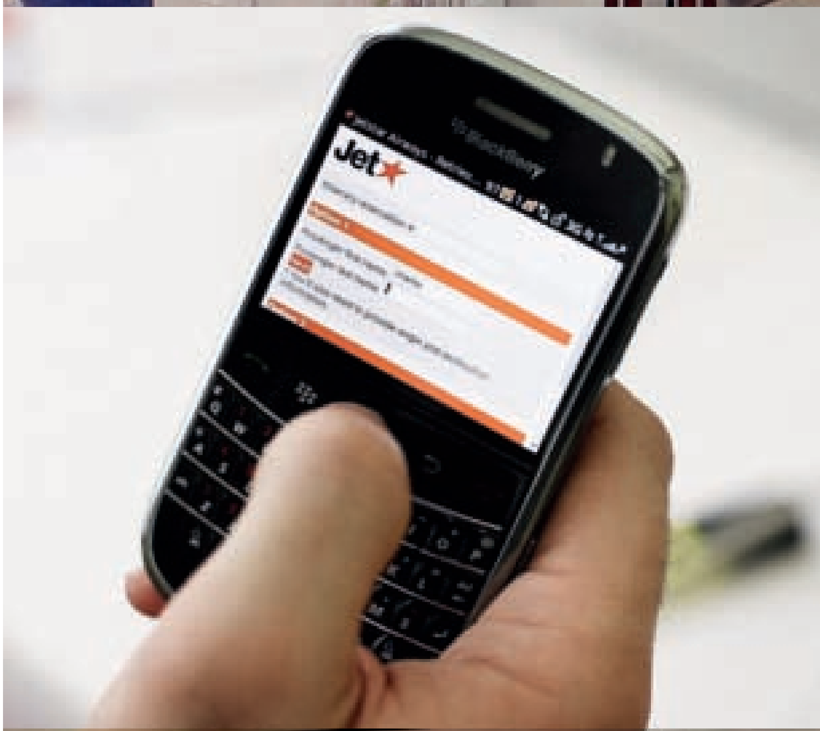
Also in June 2009, Qantas introduced new codeshares with **one**world partner airlines American Airlines and Iberia. Codesharing commenced on selected American Airlines flights to Atlanta, Cincinnati, Detroit, Indianapolis, Memphis, Minneapolis, New Orleans, and Tampa from American Airlines' Dallas and Chicago hubs, while Qantas launched codeshare services on Iberia flights to Madrid from Frankfurt and London.

Jetstar

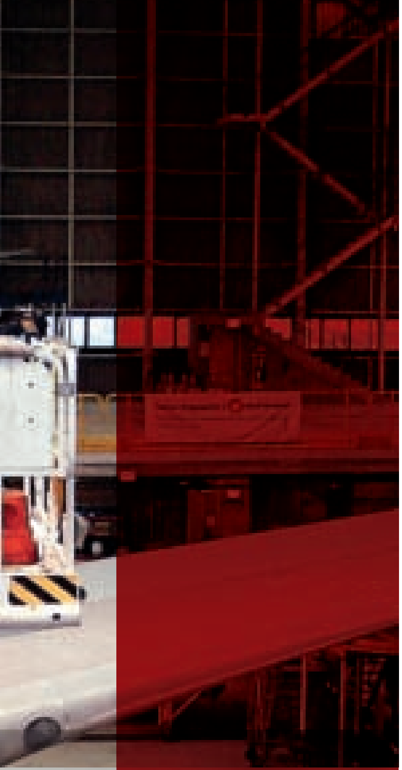
Jetstar is one of the first low fares carriers to offer an interline product with traditional carriers, while maintaining its low fares base.

Qantas became its first interline partner in March 2009; followed by Etihad in April; and Air Tahiti Nui, Air Calin, Royal Jordanian, Qatar and Air Pacific.

Jetstar began codesharing with Japan Airlines on Osaka-Gold Coast-Sydney from October 2008 and Tokyo-Cairns services from December 2008.



oneworld 10 years



Online

qantas.com

qantas.com remains Australia's number one travel site*, with an average of 7.5 million visits each month. In 2008/09, qantas.com continued to develop as a complete travel solution. Additional revenue streams were achieved with ancillary products such as car hire, hotels, travel insurance and Qantas Box Office. A comprehensive travel portal and blog, Travel Insider, was launched in November 2008, providing free content from Frequent Flyers, and journalists from inflight magazine *Qantas The Australian Way*.

qantas.com launched a number of significant product enhancements during the year. Following the successful launch of 'Business Solutions' in Australia in 2007/08, 'Qantas Business Essentials' – a customised online booking solution for small-to-medium enterprises offshore – was launched in February 2009. The tool incurs no booking fees and can be used by business customers in Hong Kong, New Zealand, Singapore, the UK and the US.

New interline selling now allows customers to book flights to a total of 59 domestic and 118 international destinations with the addition of 43 new carriers, including British Airways, Aer Lingus and American Airlines, as well as all Jetstar domestic services.

'Round the World' bookings became available with the launch of the **one**world booking engine, while international online booking capability was expanded to seven languages and 30 countries outside Australia. Customers can now change their international bookings online and eligible Qantas Frequent Flyers can choose their seat immediately after booking with 'Advance Seat Selection'. 'Online Check-in' was introduced for Qantas international flights in June 2009.

qantas.com mobile was enhanced to deliver the latest information direct to mobile devices such as the iPhone and the BlackBerry. The mobile site offers real-time flight arrivals and departures, worldwide flight timetables, a 'View Your Booking' function, contact numbers for Qantas offices worldwide and Qantas Club lounge locations and contact information.

qantas.com was successfully relaunched on 21 July 2009 with a new look and feel, showcasing the latest improvements.

*Source: Hitwise

jetstar.com

jetstar.com, the fastest growing of any Australian travel site*, now attracts around five million visitors a month. A new booking and reservation platform – New Skies – was introduced to equip the site for future growth, while international functionality was expanded to nine different languages.

Jetstar passengers can now check-in online up to 48 hours prior to departure and can check-in for their return leg at the same time if that flight falls within a week.

Jetstar was the first airline in the world to offer a sale exclusively through the social networking site Twitter and with the introduction of a mobile version of jetstar.com for iPhone and other 3G handsets. On the mobile version of jetstar.com, JetFlex customers can change existing bookings and all customers can retrieve flight information and check fares.

Jetstar was one of the world's first airlines to trial mobile phone SMS boarding pass technology for its Australian and New Zealand domestic services, developed by Jetstar and the Sissit Group.

Jetstar's 'Fifth Birthday Sale' attracted both the biggest booking hour and the biggest booking day in the carrier's history, with over a million visitors to jetstar.com during the two-day sale and over 150,000 seats sold on 6 May 2009.

*Source: Nielsen

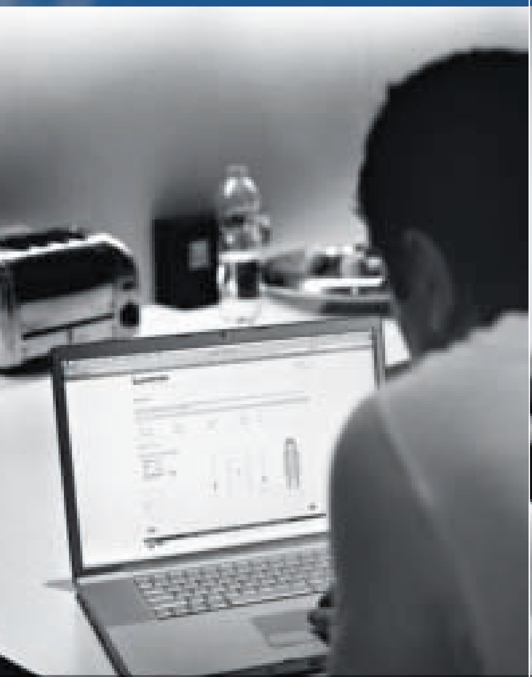
AWARDS

qantas.com
- **Outstanding Achievement Award, 2008 Interactive Media Awards, airline category**
- **Australia's Number One Website, 2008 Hitwise, Travel, Transport and Aviation, Commercial categories**
- **Best Airline site, 2008 TravelMole Best Web Awards Asia**

jetstar.com
- **Vietnam's number one e-commerce website for 2008**

Flying's better than ever with the Qantas Group

Choose my seat before I fly



22.00 At home in Perth

- Expanded options to earn and redeem Frequent Flyer points
- Plan your trip with Travel Insider on qantas.com
- 'Advance Seat Selection' available online to Platinum and Gold Frequent Flyers on international flights and to all travellers on domestic flights
- Purchase an exit row seat for selected Qantas international flights*
- Check-in online for Qantas domestic or international flights from 24 hours prior to departure

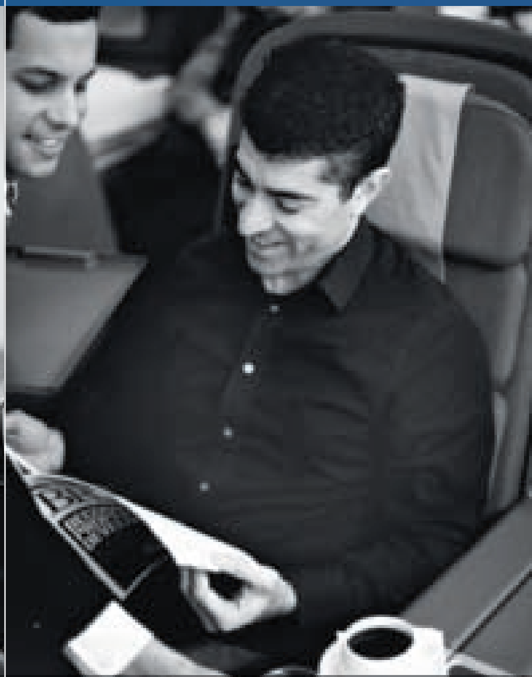
*Available through Telephone Sales and qantas.com by end of 2009

Relax in the Perth Qantas Club before my afternoon flight

15.00 Perth Qantas Club

- Australia-wide Qantas Club Lounges that provide comfortable seating, complimentary light refreshments, bar facilities, reading material, business facilities, complimentary wireless internet, and some with shower facilities
- $75 million Perth Airport refurbishment underway
- Domestic Business Lounges now open in Sydney, Melbourne, Brisbane and Canberra for Platinum Frequent Flyers and those travelling in Business

A great flight across the Nullarbor



16.15 QF566 Perth-Sydney

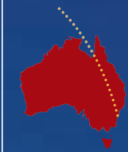
- New B737-800 aircraft with in-seat inflight entertainment coming to trans-Tasman routes*
- New A330-200s with in-seat video coming to domestic routes*
- Domestic fleet refurbishment completed in August 2008
- New safety video introduced fleet-wide in late 2008
- Updated Cabin Crew uniform introduced in October 2008, featuring a new dusk 'Wirriyarra' print

*Not available on all flights

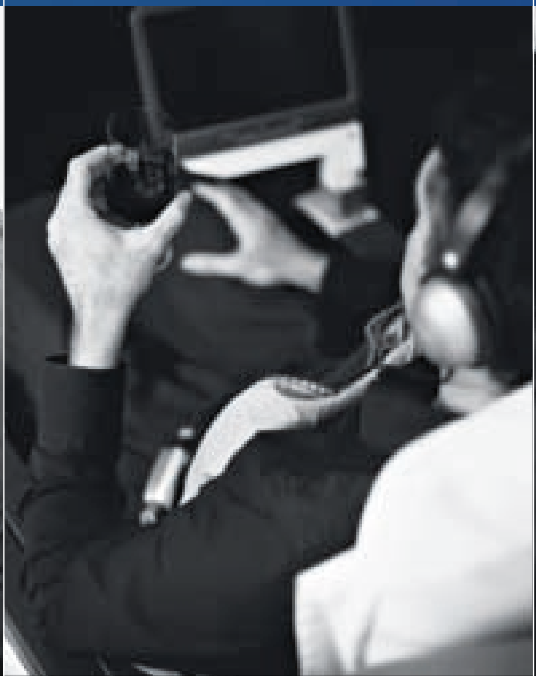
No need to fight the morning traffic – convenient meeting at Sydney Airport

10.15 Sydney Meeting Rooms

– Qantas Meeting Rooms available in Sydney, Melbourne and Brisbane; and recently opened in Adelaide



Been waiting for this! My first trip on the A380…



16.25 QF31 Sydney-Singapore

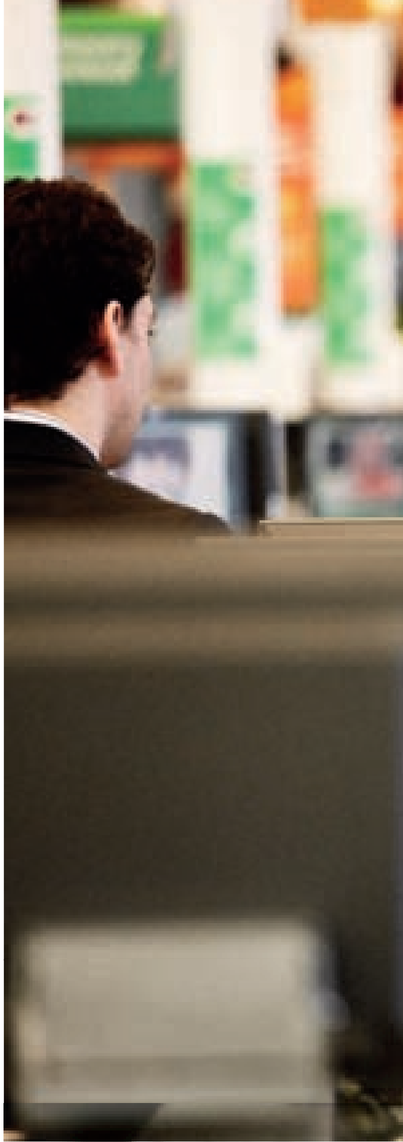
– The flagship A380 commenced service in October 2008. It features 14 First suites, 72 fully flat Skybeds, 32 spacious Premium Economy seats and 332 next-generation Economy seats, along with a new state-of-the-art entertainment system from Panasonic
– The A380 Economy seat won Australia's premier international design award in June 2009

Business over – now a fun weekend in Malaysia

15.05 3K675 Singapore-Penang

– A network of 17 Asian destinations available through Jetstar Asia from its Singapore hub
– Seamless transfers from Qantas to Jetstar Asia from Singapore and Bangkok

Frequent Flyer



Qantas Frequent Flyer is Australia's leading loyalty program with 5.8 million members at 30 June 2009. Members can earn points into their single Frequent Flyer account with over 400 program partners in Australia and worldwide – including car rental companies, hotels, financial institutions, restaurants and retailers – and use their points to redeem on Qantas, Jetstar and 23 partner airlines; or online at the Qantas Frequent Flyer Store, strengthened to offer over 1,000 products, services and vouchers. The program is uniquely positioned to recognise and reward the Qantas Group's most frequent and valuable customers.

Qantas Frequent Flyer has made fundamental enhancements to the program over the past 12 months.

Qantas and Jetstar 'Any Seat Awards' were introduced in July 2008, allowing members to use points for any available seat, including taxes and charges, on any flight with a QF or JQ flight number. The 'Points Plus Pay' option allows members to pay the difference where they do not have enough points.

A Qantas Frequent Flyer Direct Earn card provides members with the opportunity to link their credit or debit card directly to their Frequent Flyer membership to maximise points, consolidating all points earned into one account. A Direct Earn card also enables members to earn points twice on single transactions – once with any of over 400 partners and then again by paying with the Direct Earn card.

Qantas Frequent Flyer introduced its Restaurants Program in April 2009, commencing with more than 150 partner restaurants, bars and cafes that allow members to earn points when they dine. Plans are underway for further expansion across the country.

The Woolworths Group became a Qantas Frequent Flyer program partner in June 2009. The alliance has united two of Australia's most recognised and iconic brands and delivers greater reward opportunities for consumers through their everyday shopping. Members will be able to earn points at Woolworths and Safeway supermarkets, Woolworths and Safeway Liquor, Big W, Dick Smith, Tandy, BWS and Woolworths Caltex fuel outlets once the program is fully rolled out.

Qantas Frequent Flyer is focused on further expansion of its program partners, and is planning investments in systems and data analytics to support its anticipated growth in members.

A minority Australian initial public offering of the Qantas Frequent Flyer business has now been ruled out.

Frequent Flyer Key Figures	2008/09	2007/08
Revenue ($m)	1,133	849
Underlying Earnings Before Interest and Tax ($m)	226	128
Earnings Before Interest and Tax ($m)	310	128
Membership (millions)	5.8	5.3
Employees (Full Time Equivalent)	71	53

MANAGER LOYALTY PROGRAMS
MELINDA THORN

"With the new Qantas Frequent Flyer-Woolworths Group partnership, by using a Qantas Frequent Flyer Direct Earn card and a Woolworths Everyday Rewards card, an average family of four could clock up enough points each year for a return flight from Melbourne to the Gold Coast or from Sydney to Hamilton Island."

Jetset Travelworld Group

In July 2008, Qantas Holidays and Qantas Business Travel were merged into Jetset Travelworld Group, creating a vertically integrated travel company offering wholesale, retail and corporate travel services.

Since the merger, synergies have been realised through cross-selling, volume aggregation and the recruitment of new retail shops, together with efficiency and productivity improvements.

Trading conditions were adversely affected by the economic downturn. Jetset Travelworld Group's strategic focus is on managing through the crisis and positioning the business for recovery by building scale, online presence and cost competitiveness.

Freight

Qantas Freight Enterprises (QFE) markets the freight capacity of all Qantas and Jetstar international aircraft and a fleet of three wet-leased B747-400 freighters and one wet-leased B767-200 freighter. This capacity is complemented by agreements with **one**world and other carriers. QFE is Australia's largest operator of air freight terminals, handling more than 575,000 tonnes of airfreight during the year through facilities in all major Australian international gateways and in Los Angeles.

A multimillion dollar redevelopment of the Melbourne Freight Terminal was completed in June 2009, delivering state-of-the-art automation and a high degree of flexibility and green design. The works included construction of Australia's only dedicated airside temperature-controlled handling facility.

In October 2008, QFE sent Australia's first paperless air cargo shipment. In March 2009, it deployed the first module of the iCargo application, part of a multimillion dollar program to upgrade IT systems and improve work processes.

QFE also includes wholly-owned subsidiaries Express Freighters Australia, Qantas Road Express (trading as Jets Transport Express) and DPEX Worldwide, plus Australia-based joint ventures Australian air Express and Star Track Express.

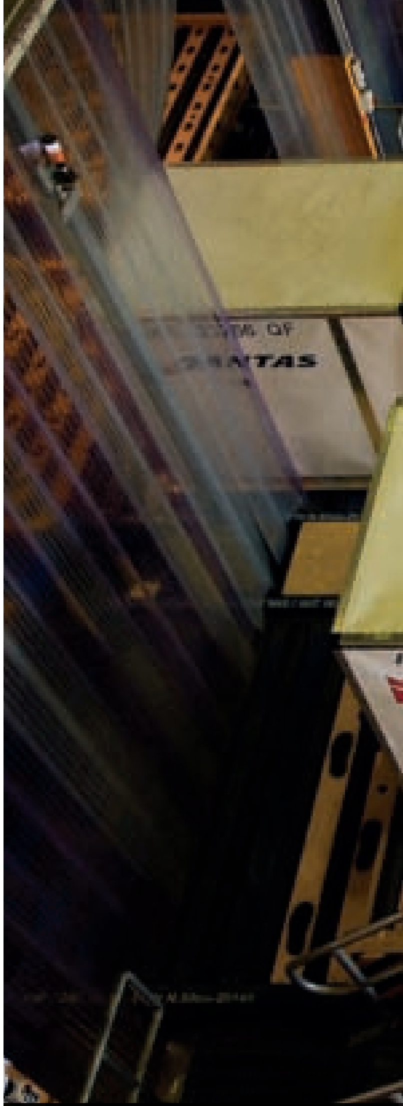
Through Express Freighters Australia, QFE maintains an Air Operator's Certificate and operates four B737 freighter aircraft which are wet-leased to Australian air Express on long term contracts.

Jets Transport Express, the bonded trucking business, continues to benefit from the domestic shift to lower cost road transportation of freight.

DPEX Worldwide, the Qantas Group's Asia-based express courier business, has expanded to offer a full range of branded express envelopes and small parcel services to cost-conscious consumers and small-to-medium enterprises in Australia. In 2008/09, it opened unaccompanied baggage counters in Australia's major international airports.

QFE operates two joint ventures with Australia Post: time-definite express services with Australian air Express, Australia's leading domestic express air freight service company; and Star Track Express, a premier road express transport and logistics solutions provider. Australian air Express is now delivering efficiencies from its fully automated sorting centres in Sydney and Melbourne.

QFE reacted decisively to the decline in global trade by redirecting capacity from underperforming routes and adding Auckland, Bangkok, Ho Chi Minh City, Melbourne and Singapore to its network.



HEAD OF QANTAS FREIGHT COMMERCIAL THEO TRIANTAFILLIDES

"This year, Qantas Freight began replacing aluminium cargo containers with a lightweight Twintex version, which will save more than 20,000 tonnes of CO_2 emissions over seven years."

Sustainable Transformation

Dow Jones Sustainability Indexes
Member 2008/09

FTSE4Good

At Qantas, sustainability guides everything we do. It means being a good corporate citizen and operating in an ethical and responsible way. Qantas has adopted a broader investor definition of sustainability, which includes embracing opportunities and managing risks related to non-financial resources and continuously improving performance in the areas of safety, security, environment, economic and social development, including Qantas Group people, our customers and the wider community.

Sustainability is an important part of the Qantas Group's Risk Management Framework and is governed by the Board. The Corporate Governance Statement (page 52 to 56) provides further information on governance structures and risk management.

Selected performance metrics can be found on pages 152 to 154. Additional information on sustainability related policies, including case studies, is available at qantas.com/annualreport.

Key Issues

The most important sustainability issues facing the Group and its stakeholders are to:

- Uphold the highest standards of safety and customer service in the air and on the ground
- Protect the health and welfare of Qantas employees through a continued reduction in injuries at work, to create work/life balance opportunities and to encourage participation in health and wellbeing programs
- Create and sustain a diverse and talented workforce and be considered an 'employer of choice'
- Minimise environmental impacts and, in particular, reduce the impact of climate change through a comprehensive environment program
- Support socioeconomic development in Australia by encouraging business links, supporting freight and tourism, nurturing family ties, charitable giving and a variety of community initiatives

Economic Contribution

In 2008/09, the Qantas Group made a direct contribution to national export revenue of around $5.8 billion, and to domestic and regional tourism of around $18.6 billion.

Stakeholder Relations

Qantas engages with a large and diverse range of stakeholders including shareholders and other providers of capital, customers, employees, suppliers, labour unions, national and international regulators, industry groups, non-governmental organisations and the wider community.

The Australian Government is a key stakeholder, and in July 2008 the Qantas Group made a wide-ranging submission to the Government's Aviation Green Paper, calling for flexible and forward-looking aviation policy settings that support a sustainable and efficient Australian aviation industry, capable of attracting investment to support growth, and operating on a fair and internationally competitive footing. The Group has actively participated in consultations on a range of government policy initiatives, such as proposed emissions trading regimes in several jurisdictions, including Australia.

Inclusion in Sustainability Investment Indexes

Qantas was included in the following responsible investment indexes for the first time in 2008/09:

- Dow Jones Sustainability Index (DJSI) Asia Pacific
- FTSE4Good Global Index and Australia 30 Index

Inclusion in these indexes demonstrates Qantas' performance and standards in the area of sustainability.

Qantas seeks guidance from a range of voluntary sustainability frameworks including the Global Reporting Initiative G3 Sustainability Reporting Guidelines; the United Nations Global Compact's principles; and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises.

Airport Commissionaires with specially-designed wheelchairs help our customers with special needs: part of our comprehensive commitment to social responsibility.

Safety and Security

Safety is the first and unwavering priority of the Qantas Group. Safety policies, systems and procedures reflect this commitment.

Qantas operates in a complex regulatory environment with multiple state, national and international requirements. Each of the flying businesses holds one or more Air Operator's Certificates (AOC), which give Qantas permission to operate its aircraft. Qantas recognises that under section 28BE of Australia's Civil Aviation Act, the AOC holder must at all times take reasonable steps to ensure that every activity covered by the AOC is performed with a reasonable degree of care and diligence.

The Safety, Environment & Security Committee of the Board provides oversight of safety, receiving regular updates on significant issues, analysis of key performance indicators, frequency rate trends and updated risk management plans.

As Chairman of the Qantas Airlines Safety Committee and the Qantas AOC holder, Alan Joyce leads a monthly review of safety issues. A robust system is in place for reporting safety concerns, with a strong focus on thorough and timely investigations of significant incidents. Investigations are conducted by a team of senior operations and safety professionals to determine underlying causes and develop preventative measures.

Last year, Qantas continued to improve its systems that manage safety risks. The Qantas Management System encompasses operational safety, occupational health, environment and security.

Through a *Just Culture*, Qantas provides an open and learning environment in which employees feel comfortable reporting mistakes, transmitting ideas and working together to manage and minimise risks.

Occupational Health

The Qantas Group has a suite of safety programs, known as *be safe!*, to contribute to the aspirational goal of zero injuries. Although substantive improvements have been achieved, these programs are being revised to focus further on workplace injury prevention.

Fatigue

The Group's comprehensive fatigue risk management system includes:

- Policies to establish personal, management and organisational responsibilities for fatigue management
- Improved shift-work design and appropriate rest opportunities
- Self-report systems for crew if their performance is likely to be affected by fatigue
- Systems to evaluate fatigue risk and control measures

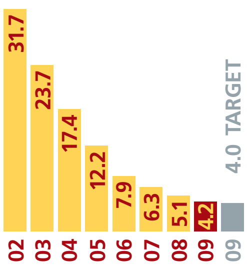
Alcohol and Other Drugs

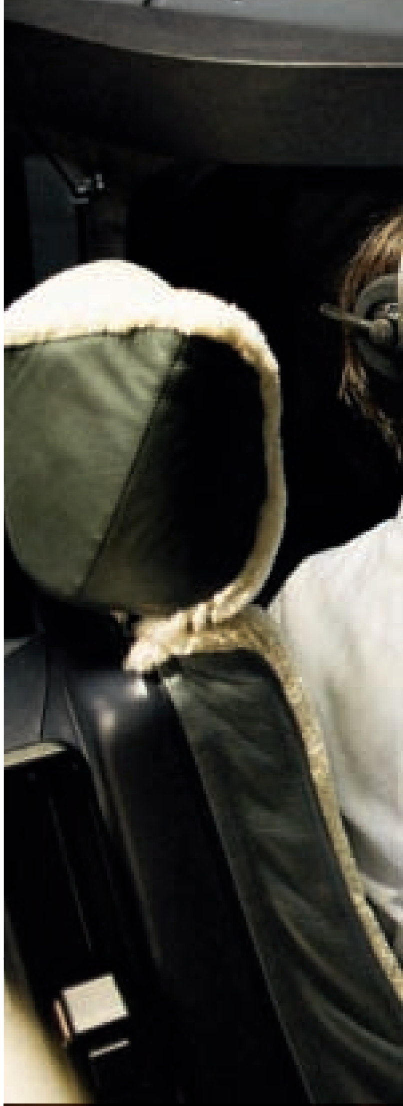
Since 2003, the Drug and Alcohol Management Program has provided for employees and contractors to undergo alcohol and other drugs training and testing. Sustained lobbying by Qantas resulted in legislation regulating alcohol and other drugs programs in the aviation industry.

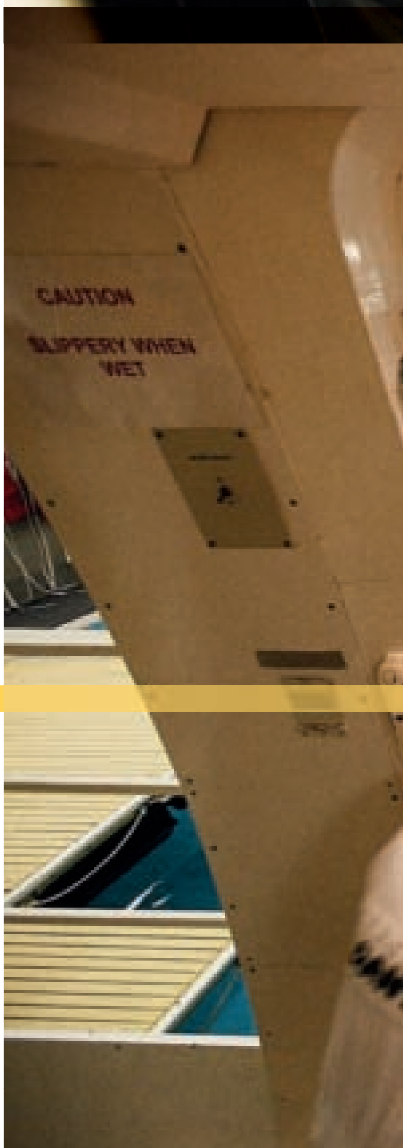
Injury Rates

The Qantas Group Lost Time Injury Frequency Rate (LTIFR) performance continued to improve in 2009, falling from 5.1 to 4.2. A further improvement of 20 per cent has been targeted for 2009/10.

QANTAS GROUP LTIFR BY YEAR



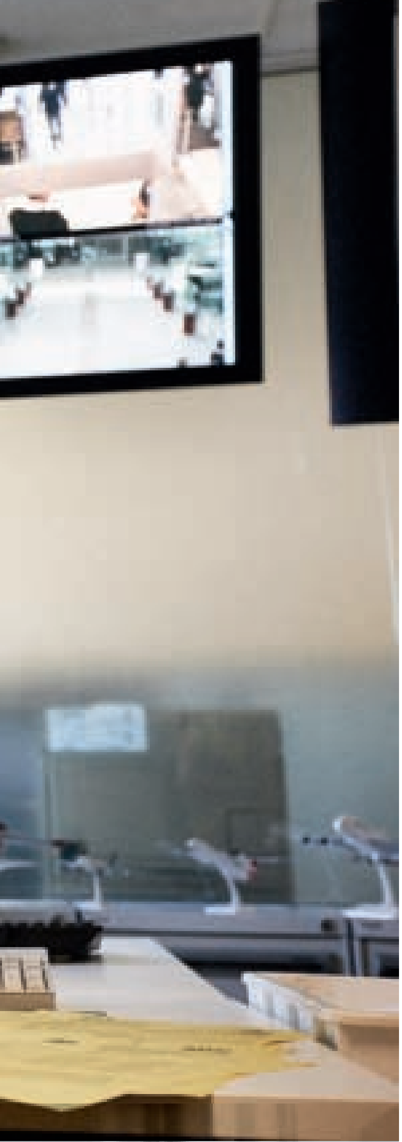




QANTAS CHIEF PILOT
CAPTAIN
PETER WILSON

"Each year our 2,200 Qantas pilots undergo more than 33,000 hours of simulator training and assessment to maintain our exemplary standards of flying safety."

Safety and Security



Significant Incidents

QF30: Diversion to Manila

The Qantas B747 aircraft operating as QF30 from Hong Kong to Melbourne on 25 July 2008 experienced a depressurisation event and diverted to Manila. Preliminary investigation by the Australian Transport Safety Bureau (ATSB) confirmed that one of 13 passenger oxygen bottles ruptured and damaged the aircraft, leading to a loss of cabin pressure.

While the full ATSB investigation continues into the cause of the cylinder failure, there is no suggestion that the rupture was a consequence of Qantas' actions or errors. As a result of the incident, Qantas has augmented passenger safety by reviewing Cabin Crew procedures relating to depressurisation and amending passenger safety briefing videos and safety onboard cards.

QF72: Diversion to Learmonth (Exmouth)

The Qantas A330 aircraft operating as QF72 from Singapore to Perth on 7 October 2008, experienced a sudden and uncommanded downward movement. The crew took immediate action to bring the aircraft back to the original cruising level of 37,000 feet. A few minutes later, the aircraft experienced a second downward movement. Several passengers and crew were injured. The aircraft diverted to the nearest port of Learmonth (Exmouth) in Western Australia and landed without further incident.

The investigation by the ATSB is still ongoing and has focused on issues with erroneous data from the Air Data Inertial Reference Unit and the subsequent effect on the Flight Control System. There is no suggestion that the incident was a consequence of Qantas' actions or errors.

Airbus has issued enhanced procedures to pilots and is completing upgrades to hardware and software, assuring improved fault detection capabilities.

Inflight Health

Qantas is committed to the highest standards of customer and employee health, safety and wellbeing. Qantas promotes and maintains appropriate occupational vaccination for all employees, including seasonal influenza vaccination in both the Northern and Southern Hemispheres.

Business Resilience

The Qantas Business Resilience Framework manages the risks associated with terrorism and pandemics and ensures the Group has the critical people and systems to respond to, and recover from, any major incident.

The global spread of H1N1 Influenza 09 has posed strategic and operational challenges. Qantas has in place contingency plans for a public health emergency, including procedures for the health and safety of Qantas customers and employees.

Security

The Qantas Group maintains a team which provides security expertise to address current and emerging security risks.

In response to terrorist attacks in Mumbai in November 2008 and civil unrest in Bangkok in April 2009, Qantas security specialists were deployed in India and Thailand and more than 1,000 passengers travelled from Thailand to Singapore on special relief flights.

Qantas has a dedicated medical services team which provides expert advice on aviation and occupational health issues for passengers and employees.

Environment and Climate Change

Connecting aircraft to ground power at the terminal significantly reduces airport noise, aircraft fuel usage and associated emissions.

Targeted Area*	Improvement by 2011 (%)	Progress Against Baseline of 2006/07 (%)	Improvement by 2020** (%)
Improvements in fuel efficiency			16.5
Reduce electricity consumption	10	2.8	
Reduce water consumption	25	12.0	

*A waste reporting framework has been established and data will be reported in 2009/10.
**Performance against baseline year of 2008/09 in alignment with the International Air Transport Association's agreed improvement target of an average of 1.5% per annum between 2009 and 2020.

The Qantas Group is working to reduce the emissions intensity of its business and has developed its long term strategy based upon:

- Robust measurement and reporting of its carbon footprint
- Investment in advanced technologies and fuel efficient aircraft
- A continuous focus on fuel conservation (In 2008/09, more than a 100 per cent improvement on the prior year)
- Active involvement in industry efforts to develop sustainable aviation fuel

The Group supports voluntary action and provides customers with the option to fly carbon neutral by offsetting their own share of flight emissions.

Reduced passenger and freight loads as a result of the global economic downturn has necessitated changes to new aircraft delivery plans. As a result, and in alignment with industry aspirations, the Qantas Group has reset its 2011 fuel efficiency target with an ambitious 2020 target. This, combined with a greater focus on sustainable aviation fuels (see Emerging Priorities), provides a foundation for the Group's commitment to environmental improvement.

Water consumption improvements reflect investment in new, more efficient equipment in Q Catering and continuous improvement in Airports. Mandated water restrictions have also contributed to this result.

be**green** is the Group's environmental improvement program to provide the framework for environmental management and build internal support for environmental initiatives. A range of effective waste reduction initiatives are underway with more detail at qantas.com.

2008/09 Highlights

- Qantas took delivery of three A380 aircraft, which emit fewer carbon emissions on a per passenger basis and have a substantially decreased noise footprint
- The inaugural A380 service between Los Angeles and Melbourne on 20 October 2008 flew a 'perfect flight path gate to gate', saving thousands of kilograms of carbon emissions in a joint initiative with Airservices Australia and the New Zealand and United States air services authorities, highlighting the important role of intergovernmental cooperation in achieving emissions reductions
- The Qantas Award for Excellence in Sustainable Tourism was supported by a national education campaign for tourism operators; and Qantas also supported Clean Up Australia Day, Saving the Tasmanian Devil and Earth Hour
- The voluntary carbon offset program was integrated in the qantas.com booking process, also enabling customers to use Frequent Flyer points to offset their share of emissions when booking a Classic or Any Seat award flight. Qantas and Jetstar customers paid to offset almost 250,000 tonnes of $CO_{2\text{-}e}$. Qantas will also offset more than 65,000 tonnes of $CO_{2\text{-}e}$ for its own work travel and ground vehicles, bringing the total to 315,000 tonnes of $CO_{2\text{-}e}$.

Emerging Priorities

Over the past 18 months, there has been significant technological progress to develop sustainable aviation fuels. Certification has commenced and commercial scale is now deemed a priority.

Qantas will work with government, scientific bodies and industry partners to identify the path to a commercially viable Australian sustainable aviation fuels industry.

Qantas has invested in measures to drive improvements in fuel efficiency, carbon emissions and reduced noise over some communities and has undertaken successful trials to fly more efficiently and make quieter approaches. Qantas is working with Airservices Australia and the Australian Government to make further progress.

Future Challenges

Carbon compliance regimes are planned in Australia, New Zealand, the European Union and the United States. A global trading scheme for international aviation emissions is being considered by aviation and various United Nations forums in the lead up to the December 2009 United Nations Conference on Climate Change in Copenhagen. These will potentially introduce significant compliance and input costs for Qantas.

The Qantas Group continues to press for harmonised and equitable global climate change policies to reduce competitive distortions between airlines, industries and regions and to give airlines time to adapt. The Group is preparing to meet mandatory reporting requirements in Australia and the European Union, investigating lowest cost carbon abatement and integrating the cost of carbon into business planning and financial systems.

QANTAS GROUP AVIATION CO_2 EMISSIONS (THOUSAND TONNES)

QANTAS CO_2 EMISSIONS EFFICIENCY (KILOGRAMS PER 100 REVENUE TONNE KILOMETRES)

*Reduced passenger and freight loads have adversely affected the CO_2 emissions efficiency in 2008/09

Community

The Qantas Group is a major contributor to charitable, educational, sporting and cultural endeavours, notably in Australia's regional and remote communities.

Sharing the Spirit

Beneficiaries include CanTeen, CARE Australia, Clean Up Australia, Garvan Institute, Mission Australia, National Breast Cancer Foundation, Starlight Children's Foundation and UNICEF.

In its fifth year, the Qantas Spirit of Youth Awards encourages young Australians in fashion, film and animation, industrial design, photography, music, visual arts and visual communications, with 12 months' mentoring from industry leaders plus cash and airfares.

Qantas operated two charity flights, raising more than $168,000 for the Royal Institute for Deaf and Blind Children and the Melbourne Royal Children's Hospital.

Jetstar's New Zealand charity flight raised $10,000 for local charity Cure Kids. Jetstar also appointed StarKids ambassadors throughout the Jetstar workforce in Australia to generate fundraising opportunities.

Sporting and Cultural Sponsorships

Sport: Sponsorships include the Australian Olympic Team, the Formula 1 Australian Grand Prix, the AFL, the Qantas Wallabies and the Qantas Socceroos. Jetstar sponsored the Gold Coast Titans and became official airline of the Rugby League World Cup 2008 and the Australian Kangaroos.

In January 2009, Qantas became the major corporate partner of AFL Indigenous programs, a sponsor of the Northern Territory's first AFL team, NT Thunder; and renewed its partnership with the Red Dust Role Model Program.

Arts: Sponsorships include AFI Awards, Art Gallery of New South Wales, The Australian Ballet, Australia Business Arts Foundation, Australian Chamber Orchestra, Australian Youth Orchestra, Bangarra Dance Company, Canberra Symphony Orchestra, Helpmann Awards, Museum of Contemporary Art Sydney, National Gallery of Victoria, Opera Australia, The Queensland Performing Arts Centre, Sydney Dance Company, Sydney Festival and Sydney Theatre Company.

Qantas Foundation

The Qantas Foundation aims 'to bring together Australia's spirit of sharing'. Since its establishment in April 2008, the Qantas Foundation has committed over $1 million worth of support to important charitable causes. The Foundation supports the Australian Business and Community Network programs in disadvantaged schools. Fauna and Flora International Australia received $100,000 for its biodiversity conservation project in Queensland.

Victorian Bushfires

Qantas Group people, with the support of the Qantas Foundation, rallied in support of Australians affected by the February 2009 bushfires, including some Qantas Group colleagues. The combined value of employee donations and financial, material and in-kind assistance was more than $800,000, including:

- Compassionate and support measures for employees affected by the bushfires, or working as volunteers
- A contribution of $100,000 in the immediate aftermath of the fires
- A combined donation by Qantas employees and the Group of $481,000, largely under the auspices of the Qantas Foundation
- A Qantas $100,000 air travel fund for drawing down by the Victorian Government
- Qantas and Jetstar flights for the Country Fire Association and to transport interstate Emergency Services personnel to assist in the recovery effort
- Donations of blankets, amenity kits, tableware and clothing
- Support for numerous fundraising events including the Sound Relief concerts in Melbourne and Sydney in March 2009 which raised more than $5 million
- Deployment of Qantas/Jetstar channels to promote the call for donations
- Sponsorship by Jetstar of more than 50 people affected by the fires to fly to the Gold Coast in partnership with the Salvation Army.

In 18 years, the Change for Good partnership with UNICEF has raised more than $20 million for children in over 150 developing countries. Passengers donated $1.9 million in 2008/09.

CHAIRMAN
QANTAS FOUNDATION
JOHN FIELD

"This year, through the Qantas Foundation, the Royal Flying Doctor Service of Australia was granted $100,000. Also, Landcare Australia and the Great Barrier Reef Foundation each received $100,000 to combat water degradation and coral reef bleaching as part of the Foundation's Environment Sustainability Fund."

Board of Directors

Leigh Clifford, AO
BEng, MEngSci
Chairman, Independent Non-Executive Director

Leigh Clifford was appointed to the Qantas Board in August 2007 and as Chairman in November 2007. He is Chairman of the Qantas Nominations Committee. Mr Clifford is a Director of Barclays Bank plc and Bechtel Group Inc. He is Chairman of Bechtel Australia Pty Ltd, a Senior Advisor to Kohlberg Kravis Roberts & Co, a Director of the Murdoch Children's Research Institute and a Board Member of the National Gallery of Victoria Foundation. Mr Clifford was Chief Executive of Rio Tinto from 2000 to 2007. He retired from the Board of Rio Tinto in 2007 after serving as a Director of Rio Tinto plc and Rio Tinto Limited for 13 and 12 years respectively. His executive and board career with Rio Tinto spanned some 37 years, including a wide variety of operational and marketing roles in the coal and metalliferous operations of the Rio Tinto Group in Australia and overseas. Age: 61

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

Alan Joyce was appointed Chief Executive Officer and Managing Director of Qantas on 28 November 2008; and Chief Executive Officer Designate and to the Qantas Board on 28 July 2008. Mr Joyce is a Director of a number of controlled and associated entities of the Qantas Group, a former Director of Orangestar Investment Holdings Pte Limited and Jetstar Pacific Airlines Aviation Joint Stock Company. Mr Joyce was appointed Chief Executive Officer of Jetstar in October 2003 after having spent over 15 years in leadership positions for full service carriers 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 a number of roles in Sales, Marketing, IT, Network Planning, Operations Research, Revenue Management and Fleet Planning. Age: 43

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

Richard Goodmanson was appointed to the Qantas Board in June 2008. He is a Member of the Qantas Remuneration Committee. Mr Goodmanson will retire as Executive Vice President and Chief Operating Officer of E.I. du Pont de Nemours and Company on 30 September 2009, after serving in the role since May 1999. He is a Director of Rio Tinto plc, Rio Tinto Limited and the United Way of Delaware (as Past Chair), and is an economic adviser to the Governor of Guangdong Province.
From 1996 to 1999, he was President and Chief Executive Officer of America West Airlines. Mr Goodmanson was previously Senior Vice President of Operations for Frito-Lay Inc. and was a principal at McKinsey & Company Inc. He previously 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: 62

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 Qantas Audit Committee and a Member of the Qantas Nominations Committee. Mr Hounsell is Chairman of PanAust Limited and a Director of Orica Limited and Nufarm Limited. Mr Hounsell is also Deputy Chairman of Mitchell Communication Group Limited. He is also Chairman of Investec Global Aircraft Fund, a Director of Ingeus Limited, a Board Member of law firm Freehills and a Director of The Macfarlane Burnet Institute for Medical Research and Public Health Ltd. Mr Hounsell is a former Senior Partner of Ernst & Young and Chief Executive Officer and Country Managing Partner of Arthur Andersen. Age: 54

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 Qantas Audit Committee and Qantas Safety, Environment & Security Committee. Mr Rayner is a Director of Boral Limited and Centrica plc. He also serves as Chairman of Boral's Audit Committee and Centrica's 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: 55

Colin Storrie
BCom, GradDipMgt, CPA, MAICD
Chief Financial Officer

Colin Storrie was appointed Chief Financial Officer and Finance Director, and to the Qantas Board on 30 September 2008. Mr Storrie has over 10 years' experience in senior financial roles at Qantas. Previously, he was Group Financial Controller, Group Treasurer and Deputy Chief Financial Officer with responsibility for the Group Finance function. He has been a member of the Qantas Executive Committee since October 2005. Mr Storrie is a Director of a number of controlled and associated entities of the Qantas Group. He was formerly a Director of Jetset Travelworld Limited, Australian air Express Pty Ltd, Star Track Express Pty Limited, Qantas Superannuation Limited and Jet Turbine Services Pty Limited. Prior to joining Qantas, Mr Storrie worked in finance and accounting roles within investment banking and the New South Wales Government. Age: 41

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 Qantas Safety, Environment & Security Committee and a Director of Qantas Superannuation Limited. General Cosgrove is Vice-Chairman of the Australian Rugby Union and a Director of Cardno Limited. He is also Chairman of the South Australian Defence Industry Advisory Board, Chairman of the Australian War Memorial Council and a consultant to Deloitte Touche Tohmatsu. General Cosgrove served in the Australian Army from 1965 and was the Chief of the Australian Defence Force from July 2002 until his retirement in July 2005. He was in command of the international forces in East Timor from 1999 until the force was withdrawn in February 2000, for which General Cosgrove was appointed a Companion of the Military Division of the Order of Australia. General Cosgrove was Australian of the Year in 2001. Age: 62

Patricia Cross
BSc (Hons), FAICD
Independent Non-Executive Director

Patricia Cross was appointed to the Qantas Board in January 2004. She is a Member of the Qantas Audit Committee and the Qantas Remuneration Committee. Mrs Cross is a Director of Wesfarmers Limited, National Australia Bank Limited, the Murdoch Children's Research Institute, the Grattan Institute and the Methodist Ladies College. She is also a Member of the Federal Government's Australian Financial Centre Forum. Mrs Cross was previously Chairman of Qantas Superannuation Limited and Deputy Chairman of Victoria's Transport Accident Commission. She has served on a variety of publicly listed, government, university and private company boards. Prior to becoming a professional company director in 1996, Mrs Cross held senior executive positions with Chase Manhattan Bank, Banque Nationale de Paris and National Australia Bank. Age: 50

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

John Schubert was appointed to the Qantas Board in October 2000. He is Chairman of the Qantas Safety, Environment & Security Committee and a Member of the Qantas Nominations Committee. He is Chairman of Commonwealth Bank of Australia and a Director of BHP Billiton Limited and BHP Billiton plc. He is also Chairman of G2 Therapies Limited and the Great Barrier Reef Foundation. Dr Schubert held various positions with Esso in Australia and overseas. In 1983, he was appointed to the Board of Esso Australia. In 1985, Dr Schubert became Esso's Deputy Managing Director and in 1988 he became Esso's Chairman and Managing Director. Dr Schubert was Managing Director and Chief Executive Officer of Pioneer International Limited from 1993 until 2000. From 2001 to 2003, he was President of the Business Council of Australia. He was also previously Chairman of WorleyParsons Limited. Age: 66

James Strong, AO
Independent Non-Executive Director

James Strong was appointed to the Qantas Board in July 2006. He is Chairman of the Qantas Remuneration Committee. Mr Strong was the Chief Executive Officer and Managing Director of Qantas between 1993 and 2001, following an appointment to the Board in 1991. He is Chairman of Woolworths Limited, Insurance Australia Group Limited (IAG), IAG Finance (New Zealand) Limited and the Australia Council for the Arts and a Director of the Australian Grand Prix Corporation. Mr Strong was formerly the Group Chief Executive of the DB Group in New Zealand and National Chairman of Partners of Corrs Chambers Westgarth. He was Chief Executive Officer of Australian Airlines from 1985 until 1989. He has been admitted as a barrister and/or solicitor in various state jurisdictions in Australia. Age: 65

Barbara Ward
BEc, MPolEc
Independent Non-Executive Director

Barbara Ward was appointed to the Qantas Board in June 2008. She is a Member of the Qantas Safety, Environment & Security Committee. Ms Ward is the Chairman of Country Energy, a Director of Lion Nathan Limited, Brookfield Multiplex Funds Management Limited and O'Connell Street Associates Pty Ltd and is on the Advisory Board of LEK Consulting. She was formerly a Director of Commonwealth Bank of Australia, Brookfield Multiplex Limited, Allco Finance Group Limited, Record Investments Limited, Data Advantage Limited, Rail Infrastructure Corporation and Delta Electricity. She was Chairman of NorthPower and a Board Member of Allens Arthur Robinson. Prior to becoming a professional company director in 1998, 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: 55

Corporate Governance Statement

OVERVIEW

Corporate Governance is core to ensuring the creation, protection and enhancement of shareholder value. The Board maintains, and ensures 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 Directors, have an appropriate balance of skills, experience and expertise.

The Board endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition (ASX Principles).

THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

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

- promoting ethical and responsible decision-making;
- monitoring compliance with laws, tax obligations, regulations, applicable accounting standards and corporate policies (including the Qantas Code of Conduct & Ethics);
- overseeing the Qantas Group, including its control and accountability systems;
- approving the annual operating budget and monitoring the operating and financial performance of the Qantas Group;
- approving and monitoring the capital management strategy, including major acquisitions and divestitures;
- appointing and removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO);
- monitoring the performance of the CEO, CFO and Executive Management;
- developing Board and Executive Management and succession planning;
- ensuring a clear relationship between performance and executive remuneration;
- monitoring the Group's system of risk management and internal compliance and control; and
- ensuring that the market and shareholders are fully informed of material developments.

The CEO is responsible for the day-to-day management of the Qantas Group with all powers, discretions and delegations authorised, from time to time, by the Board. Details of the CEO's Management Team are detailed on page 5.

Board Meetings

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

Details of the Directors, their qualifications, skills and experience are detailed on pages 50 and 51. Attendance at 2008/09 Board and Committee Meetings is detailed on page 63.

Australian Provisions

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

- head office must be in Australia;
- two thirds of the Directors must be Australian citizens;
- Chairman must be an Australian citizen;
- quorum for a Directors' Meeting must include a majority of Directors who are Australian citizens;
- maximum 49 per cent aggregate foreign ownership;
- maximum 35 per cent aggregate foreign airline ownership; and
- maximum 25 per cent ownership by one foreign person.

THE BOARD IS STRUCTURED TO ADD VALUE

Qantas currently has 11 Directors (see details on pages 50 and 51). Nine Directors are Independent Non-Executive Directors elected by shareholders. The Independent Non-Executive Directors are:

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

Independence

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

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

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

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

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

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

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

Qantas currently has two Executive Directors – Alan Joyce (CEO) and Colin Storrie (CFO). These Directors are not treated as independent.

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

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

Nominations Committee

The Nominations Committee:

- has three Members who are Independent Non-Executive Directors;
- is chaired by Leigh Clifford;
- has a written Charter which is available on the Corporate Governance section of the Qantas website; and
- meets as required to assist the Board in fulfilling its corporate governance responsibilities in regard to:
  - Board appointments and performance;
  - Directors' induction program;
  - Committee Membership;
  - Executive Management succession planning, appointments and terminations; and
  - other matters referred to the Committee by the Board.

The experience and qualifications of Members of the Nominations Committee are detailed on pages 50 and 51. The Nominations Committee was not required to convene separately during 2008/09 as Board performance and management succession matters were considered by the full Board.

Appointment, Induction and Re-Election of Directors

When appointing new Directors, the Board and its Nomination Committee looks to ensure that an appropriate balance of skills, experience and expertise 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.

A formal induction program is available to new Directors to ensure they have a working knowledge of Qantas and the aviation industry.

The Directors have open access to all relevant information, there are regular Management presentations and visits to operations. Directors may meet independently with Management at any time to discuss areas of interest or concern.

Directors are re-elected in accordance with the Qantas Constitution and the ASX Listing Rules.

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 2008/09, the Board undertook an externally facilitated performance review, which included written surveys and interviews. The Board discussed the results of the review at its February 2009 Meeting.

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

THE BOARD PROMOTES ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board has a formal code of conduct and ethics which deals with:

- compliance with laws and regulations;
- political contributions;
- unacceptable payments;
- giving or receiving gifts;
- protection of Qantas assets;
- proper accounting;
- dealing with auditors;
- unauthorised public statements;
- conflict of interest;
- use of inside information; and
- director and employee share trading.

The Qantas Code of Conduct & Ethics is available on the Corporate Governance section of the Qantas website.

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

Crime and Corruption Control Policy

The Qantas Crime and Corruption Control Policy further strengthens the policy framework for promotion of sound financial, legal and ethical decision making and behaviour. The policy adopts a "zero-tolerance" strategy in relation to crime and corruption and draws together existing prevention, detection, resolution and reporting initiatives adopted by Qantas.

Protected Disclosures Policy

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

Major Transaction Protocol

The Board has adopted a Major Transaction Protocol, which outlines the process to be followed if Qantas is approached by a third party that proposes a major transaction involving the Qantas Group. A copy of the Major Transaction Protocol is available on the Corporate Governance section of the Qantas website.

Other Policies and Statements

Qantas also has formal policies and statements relating to its legal and other obligations to all legitimate stakeholders. These include areas such as safety, health, environment and security, employment practices, fair trading and consumer privacy. Each policy is supported by procedures for compliance and monitoring effectiveness.

THE BOARD SAFEGUARDS THE INTEGRITY OF FINANCIAL REPORTING

Audit Committee

The Board has an Audit Committee which:

- has three 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 section of the Qantas website;
- includes Members who are all financially literate; and
- is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:
  - the reliability and integrity of financial information for inclusion in Qantas' Financial Statements;
  - enterprise-wide risk management (other than the risk management issues dealt with by the Board or delegated to the Safety, Environment & Security Committee (SESC));
  - compliance with legal and regulatory obligations (other than the compliance obligations monitored by the SESC), including audit, accounting, tax and financial reporting obligations;
  - compliance by all employees with all policies including the Qantas Code of Conduct & Ethics;
  - the integrity of the Qantas Group's internal control framework; and
  - safeguarding the independence of the internal and external auditors.

The experience and qualifications of Members of the Audit Committee are detailed on pages 50 and 51. Membership of and attendance at 2008/09 Audit Committee Meetings are detailed on page 63.

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 clause 38 of the Audit Committee Charter, the Audit Committee has advised the Board that it is appropriate for the following statement to be included in the 2009 Directors' Report under the heading "Non-audit Services":

"The Directors are satisfied that:

a. the non-audit services provided during the 2008/09 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001; and

b. any non-audit services provided during the 2008/09 financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

  – KPMG services have not involved partners or staff acting in a managerial or decision making capacity within the Qantas Group or being involved in the processing or originating of transactions;

  – KPMG non-audit services have only been provided where Qantas is satisfied that the related function or process will not have a material bearing on the audit procedures;

  – KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes;

  – a description of all non-audit services undertaken by KPMG and the related fees have been reported to the Board to ensure complete transparency in relation to the services provided; and

  – the declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from KPMG."

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

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

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

THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

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

The Continuous Disclosure Policy is available on the Corporate Governance section of the Qantas website. Qantas includes commentary on its financial results in its Annual Report.

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 available on the Corporate Governance section of the Qantas website.

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

The 2009 Notice of Annual General Meeting (AGM) will be provided to all shareholders and posted on the Qantas website, and the 2009 AGM will be available for viewing by live and archived webcast. For shareholders unable to attend, an AGM Question Form will accompany the Notice of Meeting, giving shareholders the opportunity to forward questions and comments to Qantas or the external auditor prior to the AGM.

Auditor at AGM

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

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by Qantas in relation to the preparation of the Financial Report; and
- 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 approving the risk management strategy for the Group. Management has designed and implemented a risk management and internal control system to identify, assess, manage and monitor the material business risks facing Qantas.

Qantas is a complex business and faces a range of strategic, financial and operational risks. All business areas within Qantas have established an ongoing process to identify, assess and monitor the material risks to achieving business objectives. Risks are assessed and escalated to Executive Management, relevant Board Committees and/or the Board as appropriate.

Qantas aligns its system of risk management and internal control to the principles included in the Australian/New Zealand Standard on Risk Management (AS/NZS 4360:2004) and the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework for evaluating internal controls.

The Audit Committee has oversight over the Risk Management Statement which outlines the risk management framework adopted by Qantas. The Qantas Risk Management Policy sets out the minimum requirements and roles and responsibilities for managing risk across Qantas. All employees have a responsibility to identify, report and/or manage risk as it arises within the work environment. The Qantas Risk Management Policy and other significant risk policy statements are available on the Corporate Governance section of the Qantas website.

Management self assessments, audits and risk management reviews are undertaken to confirm that risks are being mitigated where possible. The Qantas Management System (QMS) provides a standard for managing risks and simplifies the process for implementing a consistent risk and control framework. QMS elements include clear objective setting, policies and procedures, accountabilities, risk management, documentation management, change management, skills and competence, training, monitoring, and analysis and reporting.

Material business risks and the effectiveness of risk management plans are reported on a quarterly basis to the Board and Executive Management. Executive Management are required to certify that there is an effective risk management process in place within their area of responsibility each quarter.

Internal Audit and Executive Management report to the Board and relevant Board Committees that there is an effective risk management process in place for the financial period and up to the date of signing the Financial Report.

Safety, Environment & Security Committee

The SESC:

- has five Members – the CEO and four Independent Non-Executive Directors;
- is chaired by John Schubert, an Independent Non-Executive Director;
- has a written Charter which is available on the Corporate Governance section of the Qantas website; and
- is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:
  - safety, health, environment and security matters;
  - enterprise-wide risk management (other than the risk management issues dealt with by the Board or delegated to the Audit Committee); and
  - compliance with legal and regulatory obligations (other than the compliance obligations monitored by the Audit Committee).

The experience and qualifications of Members of the SESC are detailed on pages 50 and 51. Membership of and attendance at 2008/09 SESC Meetings are detailed on page 63.

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 for the year ended 30 June 2009 (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 in accordance with section 297 of the Corporations Act."

In addition, in accordance with Recommendation 7.3 of the ASX Principles, the CEO and CFO also state to the Board that, in respect of the entire reporting period:

1. "The declaration given in accordance with section 295A is founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks, based on the risk management statement adopted by Qantas. This statement incorporates as its foundation the principles included in the Australian/New Zealand Standard on Risk Management (AS/NZS 4360:2004).
2. The statements given in accordance with Recommendation 7.3 (above) regarding the risk management and internal compliance and control system provide a reasonable, but not absolute level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future."

Internal Audit

The Internal Audit function adopts a risk-based approach in formulating its audit plan to align audit activities to the key risks across Qantas. The Audit Committee reviews and approves the plan on a bi-annual basis. Audit projects performed by Internal Audit assist the Audit Committee to promote sound risk management and good corporate governance. Internal Audit assesses the design and operating effectiveness of controls for key business processes to mitigate risks identified in the Qantas risk profile. Management is responsible for ensuring that appropriate corrective actions are taken on the reported areas for improvement arising from audit projects within the required time frame. The status of audit Management actions are submitted to the Audit Committee on a quarterly basis.

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

THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas Executive Remuneration Philosophy and Objectives is set out in full in the Directors' Report (from page 68).

Remuneration Committee

The Board has a Remuneration Committee which:

- has three members who are Independent Non-Executive Directors;
- is chaired by James Strong, an independent Non-Executive Director;
- has a written Charter which is available on the Corporate Governance section of the Qantas website; and
- is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:
  - remuneration policies for Non-Executive Directors;
  - remuneration policies for the CEO, CFO and Executive Management;
  - Executive equity grants;
  - human resources policies; and
  - other matters referred to the Committee by the Board.

The experience and qualifications of Members of the Remuneration Committee are detailed on pages 50 and 51. Membership of and attendance at 2008/09 Remuneration Committee Meetings are detailed on page 63.

The remuneration of Executive Management is disclosed to the extent required in the Remuneration Report from page 68. All equity-based Executive remuneration is made in accordance with plans approved by shareholders.

On retirement, Qantas Directors are entitled to statutory superannuation and certain travel entitlements which are reasonable and standard practice in the aviation industry (see pages 72 and 74).

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 68. Executive Management's performance for the 2008/09 year was assessed against individual KPIs in August 2009. The structure of Non-Executive Directors remuneration is detailed on page 69.

Performance Summary

for the year ended 30 June 2009

CONDENSED INCOME STATEMENT		Qantas Group 2009 $M	2008 $M	Increase/ (decrease) %
Net passenger revenue		**11,604**	12,709	(8.7)
Net freight revenue		**764**	959	(20.3)
Other		**2,184**	1,959	11.5
Sales and other income		**14,552**	15,627	(6.9)
Manpower and staff related		**3,684**	3,533	4.3
Aircraft operating variable		**2,834**	2,608	8.7
Fuel		**3,602**	3,701	(2.7)
Ineffective and non-designated derivatives		**(105)**	55	(290.9)
Share of net loss/(profit) of associates and jointly controlled entities		**15**	(28)	(153.6)
Other operating expenses		**2,479**	2,527	(0.2)
Earnings before interest, tax, depreciation and amortisation and non-cancellable operating lease rentals (EBITDAR)		**2,043**	3,231	(36.8)
Depreciation and amortisation		**1,390**	1,469	(5.4)
Non-cancellable operating lease rentals		**450**	400	12.5
Profit before related income tax expense and net finance (costs)/income (EBIT)		**203**	1,362	(85.1)
Net finance (costs)/income		**(22)**	46	147.8
Profit before related income tax expense		**181**	1,408	(87.1)
Income tax expense		**58**	438	(86.8)
Profit for the year		**123**	970	(87.3)
Attributable to:				
Members of Qantas		**117**	969	(87.9)
Minority interest		**6**	1	–
OPERATIONAL STATISTICS AND PERFORMANCE INDICATORS	Unit			
Revenue passenger kilometres (RPKs)	M	**99,176**	102,466	(3.2)
Available seat kilometres (ASKs)	M	**124,594**	127,019	(1.9)
Revenue seat factor	%	**79.6**	80.7	n/a
Passenger yield (passenger revenue per RPK)	cents	**11.30**	11.81	(4.3)
Average full time equivalent employees	#	**33,966**	33,670	0.9
Operational passenger aircraft fleet at balance date	#	**229**	224	2.2
EDITDAR as a percentage of sales and other income	%	**14.0**	20.7	n/a
EBIT as a percentage of sales and other income	%	**1.4**	8.7	n/a
Earnings per share	cents	**5.6**	49.0	(88.6)
Return on equity	%	**2.1**	16.9	n/a

Discussion and Analysis of Performance Summary

for the year ended 30 June 2009

REVIEW OF INCOME STATEMENT

- Profit before related income tax expense (PBT) was $181 million, a decrease of $1.2 billion or 87.1 per cent. Profit attributable to members of Qantas was $117 million. This was achieved despite a 1.9 per cent decrease in capacity and a declining demand environment in both domestic and international markets as well as strong competition.
- A number of significant items were included in the results for the year. These items included a profit on sale of Qantas Holidays of $86 million, a change in Frequent Flyer accounting estimates which increased revenue by $164 million, of which $84 million is non-recurring, redundancies of $106 million and accelerated depreciation and impairment losses of $170 million.

REVIEW OF SALES AND OTHER INCOME

- Total sales and other income for the year decreased by $1.1 billion to $14.6 billion, a decrease of 6.9 per cent on the prior year.
- Net passenger revenue decreased by $1.1 billion or 8.7 per cent to $11.6 billion. This reflected capacity reductions of 1.9 per cent, a seat factor decrease of 1.1 percentage points and a yield reduction of 4.3 per cent primarily reflecting the decline in premium and business travel demand.
- Net freight revenue decreased by $195 million, or 20.3 per cent to $764 million. Reduced capacity as well as lower trade activity due to the economic downturn contributed to the decline.
- Other revenue categories increased by $225 million to $2.2 billion. This was primarily due to the profit on sale of Qantas Holidays and changes in accounting estimates for Qantas Frequent Flyer.

REVIEW OF EXPENDITURE

- Manpower and staff related expenditure increased by $151 million or 4.3 per cent to $3.7 billion. Redundancies and Enterprise Bargaining Agreement (EBA) increases were the main contributors to this increase.
- Aircraft operating variable costs increased by $226 million or 8.7 per cent to $2.8 billion largely due to increases in landing fees and engineering materials price rises.

REVIEW OF EXPENDITURE continued

- Fuel costs decreased by $99 million or 2.7 per cent. Increases in the into-plane fuel price after hedging were largely offset by favourable foreign exchange movements. The volume of barrels consumed decreased by 3.5 per cent in line with less flying hours from capacity reductions. Fuel conservation and other saving initiatives of $62 million also contributed to the decrease in fuel costs.
- Other expenditure decreased by $5 million or 0.2 per cent. Selling and marketing savings were offset by increased property costs, capacity hire and communication costs.
- Depreciation and amortisation costs decreased by $79 million or 5.4 per cent, mainly due to depreciation savings on aircraft written down in the prior year and a one-off maintenance accounting charge for QantasLink aircraft in the prior year.
- Non-cancellable operating lease charges increased by $50 million or 12.5 per cent as a result of unfavourable foreign exchange, as well as an increase in the number of leased aircraft.
- The share of net loss/(profit) in associates and jointly controlled entities decreased by $43 million to a $15 million loss. Lower earnings from Air Pacific and Jetstar Pacific were the main contributors to this change.

REVIEW OF OTHER INCOME STATEMENT ITEMS

- Ineffective and non-designated derivatives resulted in gains of $105 million in the current year compared to $55 million of losses last year.
- Net finance costs increased by $68 million, primarily due to a lower cash interest rates reducing interest income.
- The effective tax rate increased from 31.1 per cent to 32.0 per cent.
- Basic earnings per share decreased by 43.4 cents to 5.6 cents per share. This reflected the decreased profit after tax for the year and increased numbers or shares on issue.

CONDENSED BALANCE SHEET	Qantas Group 2009 $M	2008 $M	Increase/ (decrease) %
Current assets	**5,966**	5,616	6.2
Non-current assets	**14,083**	14,084	<0.0
Total assets	**20,049**	19,700	1.8
Current liabilities	**6,714**	7,604	(11.7)
Non-current liabilities	**7,570**	6,361	19.0
Total liabilities	**14,284**	13,965	2.3
Total equity	**5,765**	5,735	0.5
Net debt to net debt plus equity (ratio)	**25:75**	24:76	
Net debt to net debt plus equity including off Balance Sheet debt (ratio)	**49:51**	46:54	

The net assets of the Qantas Group increased by $30 million to $5.8 billion at year end. The major movements are discussed below.

REVIEW OF TOTAL ASSETS

- Cash and cash equivalents have increased by $1.0 billion, predominantly due to the capital raised in February 2009, new debt financing and effective working capital management initiatives.
- Total receivables decreased by $391 million mainly due to the receipt of liquidated damages on aircraft deliveries and lower trade receivables.
- Property, plant and equipment decreased by $186 million. This reflected capital expenditure on new aircraft, modifications and related equipment of $1.4 billion, including the purchase of three A380 aircraft, one B737-800 aircraft, one A330-200 aircraft and five Bombardier Q400 aircraft, and progress payments on A380, B787, B737-800, A330 and A320 aircraft. Offsetting these purchases were depreciation and amortisation charges and aircraft impairments.

REVIEW OF TOTAL LIABILITIES

- Total liabilities increased by 2.3 per cent to $14.3 billion largely due to increased long term debt for aircraft funding which was offset by lower payables and Other financial liabilities.

TOTAL OF EQUITY

- Issued capital increased by $753 million reflecting the capital raising completed during the year and participation by investors in the Dividend Reinvestment Plan (DRP). Reserves decreased due to the movements in the fair value of fuel and foreign exchange derivatives during the year.

GEARING

- Qantas Group gearing (including off Balance Sheet debt but excluding hedge reserves) at 30 June 2009 was 49:51 compared to 46:54 at 30 June 2008. The gearing ratio has increased due to the higher debt levels of the group partially reduced by the higher cash balances at year end compared to last year.

CONDENSED CASH FLOW	Qantas Group 2009 $M	2008 $M	Increase/ (decrease) %
Net cash from operating activities	**1,129**	2,128	(46.9)
Net cash used in investing activities	**(1,163)**	(1,322)	(12.0)
Net cash from/(used) in financing activities	**1,052**	(1,570)	167.0
Net increase/(decrease) in cash and cash equivalents held	**1,018**	(764)	233.2

The Qantas Group held cash of $3,617 million as at 30 June 2009. An additional $1.1 billion of funding facilities are in place for future aircraft deliveries and a $500 million undrawn standby facility is also available.

REVIEW OF CASH FLOWS FROM OPERATING ACTIVITIES

- Cash flows provided from operating activities decreased by $1.0 billion to $1.1 billion mainly due to the decline in profit during the year. Effective management of working capital has partially mitigated the full extent of the decline in cash receipts.

REVIEW OF CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows used in investing activities decreased by 12.0 per cent or $159 million to $1.2 billion.

- Capital expenditure increased by $106 million to $1.5 billion, reflecting aircraft deliveries, aircraft progress and delivery payments. This was offset by proceeds from sale and lease back transactions and other disposals.
- Other net investing cash outflows of $13 million included the acquisition of Jetset Travelworld Group and Jetstar Asia.

REVIEW OF CASH FLOWS FROM FINANCING ACTIVITIES

- Cash from financing activities increased by $2.6 billion to a total of $1.1 billion. Additional long-term debt funding of $1.5 billion as well as the capital raising of $514 million and lower dividends paid all contributed to the net inflow.

Discussion and Analysis of Performance Summary (by Segment)

for the year ended 30 June 2009

QANTAS	2009 $M	2008 $M	Increase/ (Decrease) %
Revenue	**11,710**	12,971	(9.7)
Underlying EBIT	**4**	1,358	(99.7)
EBIT	**(77)**	1,230	(106.3)
Total assets	**12,263**	12,406	(1.2)

- The Underlying EBIT for Qantas Airlines totalled $4 million, a decrease of $1,354 million.
- Net significant non-recurring expenses of $81 million reduced the reported EBIT to a loss of $77 million. Aircraft and investment write downs were partially offset by the profit on sale of Qantas Holidays.
- Net passenger revenue decreased by 9.2 per cent reflecting a decrease in seat factor to 80.1 per cent and yield declines as a result of the global economic downturn and reduction in passenger demand. Capacity decreased in the international market as a result of shifting some services to Jetstar and reduced flying. Domestically, QantasLink thrived on the introduction of more Bombardier Q400 aircraft.
- Fuel continued to be the largest cost for the segment with price increases offset by capacity reductions and fuel conservation measures.
- Manpower and aircraft operating costs were also higher this year compared to last as a result of foreign exchange rates and price rises.

JETSTAR	2009 $M	2008 $M	Increase/ (Decrease) %
Revenue	**1,851**	1,564	18.4
Underlying EBIT	**107**	102	4.9
EBIT	**126**	102	23.5
Total assets	**796**	678	17.4

- Jetstar recorded an Underlying EBIT of $107 million, an increase of $5 million.
- Reported EBIT increased to $126 million due to a $19 million non-recurring write back of an impairment provision from a previous year upon the change in ownership of Jetstar Asia.
- Passenger revenue increased by 17.6 per cent, largely driven by expansion across both the domestic and international networks. Load factors and yield improved across Jetstar contributing to the revenue improvement.
- The growth of the network increased costs particularly in manpower, fuel and aircraft operating costs, however foreign exchange rates also adversely affected costs.
- The Group increased its' percentage ownership in Jetstar Asia which is now consolidated in the Jetstar segment result.
- Equity losses from Jetstar Pacific increased from $3 million to $15 million.

QANTAS FREQUENT FLYER	2009 $M	2008 $M	Increase/ (Decrease) %
Revenue	**1,133**	849	33.5
Underlying EBIT	**226**	128	76.6
EBIT	**310**	128	142.2
Total assets	**2,616**	2,381	9.9

- The increase in Underlying EBIT of $98 million for Qantas Frequent Flyer is a 76.6 cent increase on the prior year.
- The growth of Underlying EBIT by $98 million, represents the increased popularity of the program (and membership) from recent enhancements and alliances.
- EBIT totalled $310 million, which includes a $147 million benefit from the change in accounting for frequent flyer revenue. Of this benefit, $84 million is non-recurring.

QANTAS FREIGHT	2009 $M	2008 $M	Increase/ (Decrease) %
Revenue	**1,080**	1,141	(5.3)
Underlying EBIT	**7**	79	(91.1)
EBIT	**(15)**	79	(119.0)
Total assets	**672**	715	(6.0)

- The Freight segment recorded an Underlying EBIT of $7 million, a decrease of $72 million.
- A non-recurring $22 million impairment of goodwill reduced EBIT to a loss of $15 million.
- The global economic downturn and capacity cuts across the network contributed to the 5.3 per cent decline in the segment revenue.
- Operating costs across the segment were in line with reduced capacity, however foreign exchange fluctuations adversely affected costs.

JETSET TRAVELWORLD GROUP	2009 $M	2008 $M	Increase/ (Decrease) %
Revenue	**145**	99	46.5
Underlying EBIT	**16**	19	(15.8)
EBIT	**16**	19	(15.8)
Total assets	**364**	240	51.7

- Jetset Travelworld Group became part of the consolidated group on 25 July 2008. The prior year comparatives represent the Qantas Holidays business only.

Financial Report
for the year ended 30 June 2009

Contents

Directors' Report

for the year ended 30 June 2009

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 2009 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
(appointed 28 July 2008 and as Chief Executive Officer and Managing Director 28 November 2008)
Colin Storrie
(appointed 30 September 2008)
Geoff Dixon
(resigned 28 November 2008)
Peter Gregg
(resigned 30 September 2008)
Mike Codd, AC
(resigned 15 October 2008)
Peter Cosgrove, AC, MC
Patricia Cross
Richard Goodmanson
Garry Hounsell
Paul Rayner
(appointed 16 July 2008)
John Schubert
James Strong, AO
Barbara Ward

Details of Directors, their qualifications, experience and any special responsibilities, including Qantas Committee Memberships, are set out on pages 50 to 51.

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

DIVIDENDS

No final dividend will be paid in relation to the year ended 30 June 2009 (2008: final dividend 17.0 cents per share). A fully franked interim dividend of $117 million (6.0 cents per share) was paid during the year.

REVIEW OF OPERATIONS AND STATE OF AFFAIRS

A review of, and information about, the Qantas Group's operations, including the results of those operations and changes in the state of affairs of the Qantas Group during the year together with information about the financial position of the Qantas Group, appear on pages 14 to 49. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Qantas Group that occurred during the year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS

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

DIRECTORS' MEETINGS

The number of Directors' Meetings (including Meetings of Committees of Directors[1]) held during the year are as follows:

	Qantas Board				Audit Committee		Safety, Environment & Security Committee		Remuneration Committee	
	Scheduled Meetings		Unscheduled Meetings							
Directors	Attended	Held[2]	Attended	Held[2]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]
Leigh Clifford	7	7	4	4	5[4]	5	2[4]	3	8[4]	8
Alan Joyce	7	7	2	3	5[4]	5	2	2	7[4]	7
Colin Storrie	5	5	3	3	4[4]	4	–	–	–	–
Geoff Dixon	3	3	1	2	1[4]	1	1	1	4[4]	4
Peter Gregg	2	2	–	1	–	1	–	–	–	–
Mike Codd	2	3	1	1	1	1	1	1	–	–
Peter Cosgrove	7	7	4	4	–	–	3	3	–	–
Patricia Cross	7	7	4	4	5	5	–	–	8	8
Richard Goodmanson	6	7	4	4	1[4]	5	–	–	7	8
Garry Hounsell	7	7	4	4	5	5	1[4]	3	1[4]	8
Paul Rayner	7	7	4	4	5	5	2	2	3[4]	8
John Schubert	7	7	3	4	–	–	3[5]	3	–	–
James Strong	7	7	4	4	–	–	–	–	8	8
Barbara Ward	7	7	3	4	–	–	3	3	–	–

1. The Nominations Committee was not required to convene separately during 2008/09 as all relevant business was considered during Board Meetings.
2. Number of Meetings held during the time that the Director held office during the year.
3. Number of Meetings held during the year that the Director held office and attended as a Committee Member or in an ex-officio capacity.
4. Attended Meetings in an ex-officio capacity.
5. Dr Schubert was appointed Chairman of the Safety, Environment & Security Committee on 15 October 2008 following the retirement of Mr Codd.

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2009 – FOR THE PERIOD 1 JULY 2006 TO 30 JUNE 2009

Leigh Clifford	
Qantas Airways Limited	– current, appointed 9 August 2007
Barclays Bank plc	– current, appointed 1 October 2004
Rio Tinto Limited[1]	– ceased, appointed 21 December 1995 and ceased 30 April 2007
Rio Tinto plc	– ceased, appointed 18 May 1994 and ceased 30 April 2007
Alan Joyce	
Qantas Airways Limited	– current, appointed 28 July 2008
Colin Storrie	
Qantas Airways Limited	– current, appointed 30 September 2008
Jetset Travelworld Ltd	– ceased, appointed 16 September 2008 and ceased 27 February 2009
Peter Cosgrove	
Qantas Airways Limited	– current, appointed 6 July 2005
Cardno Limited	– current, appointed 26 March 2007
Patricia Cross	
Qantas Airways Limited	– current, appointed 1 January 2004
National Australia Bank Limited	– current, appointed 1 December 2005
Wesfarmers Limited	– current, appointed 11 February 2003
Richard Goodmanson	
Qantas Airways Limited	– current, appointed 19 June 2008
Rio Tinto Limited	– current, appointed 1 December 2004
Rio Tinto plc	– current, appointed 1 December 2004
Garry Hounsell	
Qantas Airways Limited	– current, appointed 1 January 2005
Mitchell Communication Group Limited	– current, appointed 1 September 2006
Nufarm Limited	– current, appointed 1 October 2004
Orica Limited	– current, appointed 21 September 2004
PanAust Limited	– current, appointed 1 July 2008
Paul Rayner	
Qantas Airways Limited	– current, appointed 16 July 2008
Boral Limited	– current, appointed 5 September 2008
Centrica plc	– current, appointed 1 September 2004
British American Tobacco plc	– ceased, appointed 1 January 2002 and ceased 30 April 2008
John Schubert	
Qantas Airways Limited	– current, appointed 23 October 2000
BHP Billiton Limited	– current, appointed 1 June 2000
BHP Billiton plc[2]	– current, appointed 29 June 2001
Commonwealth Bank of Australia	– current, appointed 8 October 1991
James Strong	
Qantas Airways Limited	– current, appointed 1 July 2006
IAG Finance (New Zealand) Limited	– current, appointed 9 November 2004
Insurance Australia Group Limited	– current, appointed 10 August 2001
Woolworths Limited	– current, appointed 10 March 2000
Barbara Ward	
Qantas Airways Limited	– current, appointed 19 June 2008
Lion Nathan Limited	– current, appointed 21 February 2003
Allco Finance Group Limited	– ceased, appointed 27 April 2005 and ceased 25 January 2008
Commonwealth Bank of Australia	– ceased, appointed 14 September 1994 and ceased 3 November 2006
Brookfield Multiplex Limited	– ceased, appointed 22 October 2003 and ceased 31 October 2007

1. Mr Clifford was appointed to the board of The RTZ Corporation plc in May 1994. As a result of the merger between The RTZ Corporation plc and CRA Limited (Rio Tinto) in 1995, he was appointed to the board of Rio Tinto Limited.
2. Dr Schubert was appointed to the board of BHP Limited in June 2000. As a result of the merger between BHP Limited and Billiton plc in 2001, he was appointed to the board of BHP Billiton plc.

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

Cassandra Hamlin – Company Secretary, BCom, CA, FCIS

- joined Qantas in January 1996;
- appointed as a Secretary of Qantas in February 2006 and as Company Secretary in May 2007;
- 2001 to 2005 – Head of Qantas Investor Relations;
- 1996 to 2001 – various Qantas financial reporting roles, including Financial Reporting Manager;
- admitted as a Chartered Accountant with The Institute of Chartered Accountants in Australia in 1997;
- completed Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance in 2007; and
- admitted as a Fellow of the Institute of Chartered Secretaries and Administrators (Australian Division) in 2007.

Taryn Morton – Assistant Company Secretary, BA LLB

- joined Qantas in August 2008 and appointed as Assistant Company Secretary in December 2008;
- 2007 to 2008 – Company Secretary at Babcock and Brown for Group Real Estate companies;
- 2000 to 2007 – various roles at Network Ten with legal and company secretariat responsibilities;
- 1997 to 2000 – various roles at Blake Dawson Waldron including Assistant Manager of Company Administration Services; and
- admitted as a solicitor in 2003 and undertaking Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance.

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	**2009 Number**	2008 Number
Leigh Clifford	**51,622**	45,000
Alan Joyce	**138,255**	131,633
Colin Storrie	**1,245**	n/a
Peter Cosgrove[1]	**2,314**	2,124
Patricia Cross	**5,474**	2,163
Richard Goodmanson	**20,000**	–
Garry Hounsell	**43,449**	33,811
Paul Rayner	**21,622**	15,000
John Schubert	**41,375**	34,753
James Strong	**30,670**	28,158
Barbara Ward	**17,597**	10,975

1. See page 66 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 on behalf of General Cosgrove, Mr Joyce and Mr Storrie under the Qantas Deferred Share Plan (DSP) are as follows:

Peter Cosgrove	2009 Number	2008 Number
Deferred shares held in trust under:		
Non-Executive Director Share Plan[1]	**7,692**	2,475

1. General Cosgrove acquired these shares as part of salary sacrificing part of his Directors fees.

Alan Joyce	2009 Number	2008 Number
Deferred shares held in trust under:		
2004 Performance Share Plan	**30,000**	30,000
Alan Joyce Award (2005)	**25,000**	25,000
2005 Performance Share Plan	**35,000**	35,000
2006 Performance Share Plan	**34,000**	34,000
2006 Retention Plan	**350,000**	350,000
2007 Performance Share Plan	**23,500**	23,500
2007 Retention Plan	**400,000**	400,000
2008 Performance Share Plan	**100,000**	100,000
2009 Performance Share Plan	**173,363**[1]	–
	1,170,863	997,500
Rights granted under:		
2004/05 Performance Rights Plan	**–**[2]	7,000
2005 Performance Rights Plan	**13,750**[3]	13,750
2006 Performance Rights Plan	**55,000**[4]	55,000
2007 Performance Rights Plan	**65,000**	65,000
2008 Performance Rights Plan	**250,000**[5]	–
	383,750	140,750

1. The Board approved this award on 18 August 2009 and it was awarded on 19 August 2009.
2. These Rights were forfeited on 5 August 2009.
3. Mr Joyce can call for 6,350 of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next year, the remaining balance may be called for.
4. Mr Joyce can call for 45,485 of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next two years, the remaining balance may be called for.
5. Shareholders approved this award on 28 November 2008 and the Rights were awarded on 4 May 2009.

Colin Storrie	2009 Number	2008 Number
Deferred shares held in trust under:		
2006 Performance Share Plan	**14,268**	n/a
2006 Retention Plan	**200,000**	n/a
2007 Performance Share Plan	**18,500**	n/a
2007 Retention Plan	**350,000**	n/a
2008 Performance Share Plan	**52,000**	n/a
2009 Performance Share Plan	**54,270**[1]	n/a
	689,038	n/a
Rights granted under:		
2005 Performance Rights Plan	**17,000**[2]	n/a
2006 Performance Rights Plan	**35,000**[3]	n/a
2007 Performance Rights Plan	**44,000**	n/a
2008 Performance Rights Plan	**90,000**[4]	n/a
	186,000	n/a

1. The Board approved this award on 18 August 2009 and it was awarded on 19 August 2009.
2. Mr Storrie can call for 14,484 of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next year, the remaining balance may be called for.
3. Mr Storrie can call for 28,945 of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next two years, the remaining balance may be called for.
4. Shareholders approved this award on 28 November 2008 and the Rights were awarded on 4 May 2009.

RIGHTS

Performance Rights are awarded to select Qantas Group Executives under the Qantas DSP. Refer to pages 71 and 72 for further details.
The following table outlines the movements in Rights during the year:

Performance Rights Reconciliation	2009 Number	2008 Number
Rights outstanding as at 1 July	**6,121,033**	5,038,800
Rights granted	**3,117,000**	2,545,000
Rights lapsed	**(1,301,362)**	(288,276)
Rights vested	**(1,020,579)**	(1,174,491)
Rights outstanding as at 30 June	**6,916,092**	6,121,033

No Rights expired during the year. Rights will be converted to Qantas shares following the 10th anniversary of the date of the award to the extent performance hurdles have been achieved. The Rights do not allow the holder to participate in any share issue of Qantas. No dividends are payable on Rights. The fair value of Rights granted is calculated at the date of grant using a Monte-Carlo model and/or Black Scholes model.

The following Rights were outstanding at 30 June 2009:

			Number of Rights					
Testing Period	**Grant Date**	**Value at Grant Date**	**2009 Net Vested**	**2009 Unvested**	**2009 Total**	2008 Net Vested	2008 Unvested	2008 Total
30 Jun 07 – 30 Jun 09[1]	18 Aug 04	$2.25	**–**	**31,000**	**31,000**	–	51,000	51,000
30 Jun 07 – 30 Jun 09[1]	21 Oct 04	$2.28	**–**	**90,000**	**90,000**	–	108,000	108,000
30 Jun 07 – 30 Jun 09[1]	13 Jan 05	$2.47	**27,535**	**120,400**	**147,935**	102,033	147,700	249,733
30 Jun 07 – 30 Jun 09[1]	20 Jun 05	$1.88	**–**	**1,000**	**1,000**	–	1,000	1,000
30 Jun 08 – 30 Jun 10[2]	17 Aug 05	$1.98	**6,350**	**26,640**	**32,990**	–	395,000	395,000
30 Jun 08 – 30 Jun 10[2]	22 Nov 05	$2.67	**137,383**	**105,820**	**243,203**	–	883,000	883,000
30 Jun 08 – 30 Jun 10[2]	28 Mar 06	$2.28	**–**	**2,664**	**2,664**	–	18,000	18,000
30 Jun 09 – 30 Jun 11[3]	22 Aug 06	$2.39	**–**	**190,000**	**190,000**	–	345,000	345,000
30 Jun 09 – 30 Jun 11[3]	4 Oct 06	$2.95	**–**	**914,300**	**914,300**	–	1,125,300	1,125,300
30 Jun 09 – 30 Jun 11[3]	19 Oct 06	$3.17	**–**	**275,000**	**275,000**	–	400,000	400,000
30 Jun 10 – 30 Jun 12[4]	12 Dec 07	$4.42	**–**	**527,000**	**527,000**	–	905,000	905,000
30 Jun 10 – 30 Jun 12[4]	31 Mar 08	$2.75	**–**	**1,344,000**	**1,344,000**	–	1,640,000	1,640,000
30 Jun 11[5]	4 May 09	$1.64	**–**	**3,117,000**	**3,117,000**	–	–	–
			171,268	**6,744,824**	**6,916,092**	102,033	6,019,000	6,121,033

1. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2007.
2. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2008.
3. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2009.
4. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which is to commence 30 June 2010.
5. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which is to commence 30 June 2011.

Remuneration Report (Audited)

The Remuneration Report sets out the Executive Remuneration Framework at Qantas and discloses the remuneration of Directors and Disclosed Executives (includes Key Management Personnel and Highest Remunerated Executives).

EXECUTIVE REMUNERATION PHILOSOPHY AND OBJECTIVES
Executive pay is set competitively, based on the size and nature of the role (with reference to market benchmarks) and the performance of the individual in the role. The objectives of the Executive Remuneration Philosophy are to:

- attract, retain and appropriately reward a capable Executive team;
- motivate the Executive team to meet the unique challenges it faces as a major international airline based in Australia; and
- link pay to performance.

Remuneration includes an 'at risk' element for which the objectives are to:

- link Executive reward with Qantas' business objectives and financial performance;
- align the interests of Executives with shareholders; and
- support a culture of employee share ownership and the retention of participating Executives.

ROLE OF THE REMUNERATION COMMITTEE
The Remuneration Committee (a committee of the Board) has the role of reviewing and making recommendations on all elements of Executive Remuneration at Qantas to ensure they are appropriate from the perspectives of 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, CFO and Executive Management to pursue the long-term growth and success of Qantas;
- demonstrate a clear relationship between performance and remuneration;
- ensure an appropriate balance between 'fixed' and 'at risk' remuneration, reflecting the short and long-term performance objectives of Qantas; and
- differentiate between higher and lower performers through the use of a performance management framework.

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

THE REMUNERATION FRAMEWORK
During 2009, the Remuneration Committee performed an extensive review of the Remuneration Framework. In June 2009, the Remuneration Committee recommended and the Board approved a change to the framework. A new annual incentive, the Short Term Incentive Plan (STIP), is being introduced for the 2009/10 performance year. The STIP replaces the Performance Cash Plan (PCP) and the Performance Share Plan (PSP) which operated in 2008/09 and have been discontinued from 30 June 2009. The operation of the PCP and PSP are detailed on pages 72 and 73.

The Long Term Incentive Plan (LTIP) was previously referred to as the Performance Rights Plan.

The Remuneration Framework comprises:

Fixed Annual Remuneration (FAR)	Set based on the scope of the role and performance of the individual.
Short Term Incentive Plan (STIP)	Performance assessed against a scorecard of measures: • Profit before tax (PBT); • Unit cost; • Non-financial measures.
Long Term Incentive Plan (LTIP)	Performance Rights are awarded, with vesting determined by performance against three year financial targets: • Total Shareholder Return (TSR) vs S&P/ASX100 index; • Earnings Per Share (EPS) performance.

TARGET MIX OF REWARD COMPONENTS
The proportion of remuneration attributable to 'fixed' pay and 'at risk' pay (STIP and LTIP) is dependent on the level of responsibility of the Executive. The target reward mix is:

	% of Total Reward Opportunity ('at target')		
	FAR	**STIP**	**LTIP**
Chief Executive Officer	35%	45%	20%
Chief Financial Officer	45%	40%	15%
Group Executives	50%	35%	15%
Other Executives	60 – 85%	15 – 30%	0 – 10%

Remuneration Report (Audited) continued

FIXED ANNUAL REMUNERATION

Executives

FAR is a guaranteed salary level. Cash FAR, as disclosed in the remuneration tables, excludes salary sacrifice components such as motor vehicles and superannuation.

FAR is set with reference to market data, reflecting the scope of the role and the performance of the person in the role. FAR is reviewed annually and overall reflects a middle-of-the-market approach, as compared to similar comparative roles within Australia, with particular reference to large public companies for the most senior roles.

With the exception of increases linked to promotions and changes in roles, there has been a general freeze in Executive FAR since May 2008.

Non-Executive Directors

Non-Executive Director FAR is determined within an aggregate Directors' fee pool limit. An annual total pool of $2.5 million was approved by shareholders at the 2004 AGM. FAR comprises Director's fees, Committee fees and superannuation. In addition to FAR, Non-Executive Directors are paid a travel allowance when travelling on international flights of greater than six hours to attend Board and Committee Meetings.

Non-Executive Directors' remuneration reflects the responsibilities of Non-Executive Directors and is determined based on the advice of independent remuneration consultants.

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

The Non-Executive Director fee structure (including superannuation) is disclosed in the table below and has not been revised since 2007:

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

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

SHORT TERM INCENTIVE PLAN

The STIP was introduced on 1 July 2009 for the 2009/10 performance year and replaces both the PCP and PSP. It was approved by the Board at its June 2009 Meeting following an extensive review of the Remuneration Framework, which takes into consideration the views of key stakeholders on the structure and operation of the incentive plans at Qantas.

A key principle of the STIP is that performance is assessed against an appropriate balance of Group and business segment measures and both financial and non-financial measures. Accordingly, the performance scorecard for corporate roles is based on Qantas Group financial and non-financial measures. The performance scorecard for business segment roles is based on a mix of both Qantas Group measures and tailored business segment measures. This is a key change from prior years where the performance hurdles under the PCP and PSP focussed on Group measures. The change was introduced to promote greater accountability for business segment results.

A minimum of one third of any award under this plan will be deferred into Qantas shares with a two year vesting period.

The following table outlines the operation of the STIP:

Year 0	Year 1	Year 2	Year 3
• Group and Segment Scorecard targets set by the Board. • Set for each Executive: – 'at target' reward; and – individual Performance Plans (including KPIs).	• At the conclusion of the year, the Board assesses performance against Group and Segment Scorecard targets. • Individual performance reviews completed. • STIP reward determined, with: – between one third and 100 per cent of any reward deferred into Qantas shares; and – the remaining reward payable immediately in cash.	• Shares are subject to a two year vesting period. • If an Executive terminates employment in years 2 or 3 and is a Good Leaver (e.g. retirement, redundancy, death or total and permanent disablement), then shares are released, otherwise shares are forfeited on termination.	• Any Shares awarded at the end of year 1 vest at the end of year 3. • Shares may then be sold, subject to compliance with the employee Share Trading Policy.

Remuneration Report (Audited) continued

The make-up of the scorecard performance measures is summarised below:

Scorecard Measure	CEO	Group Executives	Other Corporate Executives	Other Segment Executives
Group Profit Before Tax (PBT)	65%	65%	65%	0% to 35%
Segment Profit Measure	0%	0%	0%	30% to 65%
Other Group Measures (financial and non-financial)	35%	0% to 35%	35%	0%
Other Segment Measures (financial and non-financial)	0%	0% to 35%	0%	35%
Total	100%	100%	100%	100%

PBT is the key budgetary and financial performance measure used both at Qantas Group and business segment level and PBT performance will determine 65 per cent of the scorecard result. To support the overall Group strategic agenda, Group PBT has been selected as the primary performance measure in the scorecard for the CEO, all Group Executives (senior reports to the CEO) and all corporate Executives. Executives in business segments (below Group Executive) have exposure to their segment's financial performance, with the performance assessed against either a combination of Group and business segment PBT, or entirely business segment PBT for more junior roles. For 2009/10, the PBT target is adjusted for restructuring charges, the impact of approved accounting policy changes and adjustments for volatility from the mark-to-market of open hedge instruments under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement.

Other performance measures are selected to support the strategic agenda of Qantas, either at a Group or business segment level, and these comprise 35 per cent of the overall scorecard.

In addition to the PBT measure, each Executive's scorecard also includes a measure related to cost or revenue performance.

Other scorecard measures vary by business segment. A threshold, target and maximum level of performance is set each year for each scorecard measure.

Examples of scorecard measures include:

Customer Service	Qantas performance in Skytrax World Airline Awards. Skytrax is a global, independent passenger survey of airline standards. In the 2009 survey, Qantas ranked sixth overall out of the 203 airlines rated by Skytrax.
Operational/Punctuality	Punctuality is measured against on-time departures and arrivals targets. For Qantas Airlines and Jetstar Executives, the measure relevant to their business unit is used. For corporate Executives a combined figure is used.
People/Safety	The objective of the People/Safety target is to reduce Lost Time Injury and Serious Injury rates of our employees. The targets at a Group level involve improving the Lost Time Injury Frequency Rate by 24 per cent on the 2008/09 result and improving the Serious Injury Frequency Rate by 19 per cent.
Unit Cost Improvement	Unit cost remains an area of focus across the business and, as a result, scorecards include a unit cost improvement performance measure. The target is set based on the annual financial budget. For Qantas Airlines, unit cost performance is calculated as Net Expenditure divided by Group Available Seat Kilometres (ASKs). To ensure the measure focuses on the underlying operating activities and efficiencies, the measure excludes the impact of fuel price changes and restructuring charges.

Remuneration Report (Audited) continued

The targets for all scorecard measures are set annually. Specific annual PBT and unit cost targets are not disclosed publicly for reasons of commercial sensitivity, however these targets are based on the financial budget set each year by the Board.

At the conclusion of the year, the Board assesses performance against target for each scorecard measure. For each Executive, reward under the STIP is calculated as follows:

FAR multiplied by	The individual Executive's FAR.
'at target' Opportunity multiplied by	An individual's target reward under the STIP, expressed as a percentage of FAR. 'At target' reward is set according to the Executive's level of responsibility and with reference to market data (S&P/ASX50 and S&P/ASX200 Indices).
Scorecard Result multiplied by	Performance against the scorecard of financial and non-financial measures (expressed as a percentage) that applies to that Executive.
Individual Performance Factor (IPF)	Differentiation of incentive payments among Executives based on individual performance is an important part of the approach to performance management at Qantas. At the beginning of each year, KPIs for individual Executives are set in the areas of customer service, operational performance, people achievements and financial performance. At the end of the year, performance against KPIs is assessed and each Executive is assigned an IPF based on their performance. Across all participants, IPFs average to 1.0.

Subject to the Qantas Group achieving a profit threshold determined by the Board, two thirds of the STIP reward is paid in cash, with the remaining one third deferred into Qantas shares with a two year vesting period. If the Qantas Group does not achieve the Group profit threshold then no cash bonus will be paid, however some deferred award may still be possible based on other scorecard measures.

LONG TERM INCENTIVE PLAN

The LTIP (previously referred to as the Performance Rights Plan (PRP)) involves annual grants of Performance Rights to participants, which may, subject to achievement against the three year performance hurdles, be converted to Qantas shares. Any Performance Rights for which the performance hurdles have not been met will lapse. The LTIP seeks to align the interests of participating Executives with the longer term interests of shareholders.

Each year, the Board sets the performance hurdles for the LTIP awards. The performance hurdles for the past five years' awards are outlined in the table below:

	Proportion of LTIP Awards subject to each Performance Hurdle				
Performance Hurdle	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
EPS growth				50%	50%
Relative TSR vs S&P/ASX100	50%	50%	50%	50%	50%
Relative TSR vs Airlines	50%	50%	50%		

By implementing a dual TSR/EPS performance hurdle, as Qantas has done since 2007/08, the LTIP links reward to:
- achieving superior shareholder returns relative to other major Australian companies; and
- achieving long-term earnings per share targets.

Earnings Per Share (EPS) Performance Hurdle

The performance hurdle for one half of the 2007/08 and one half of the 2008/09 LTIP award is an EPS target, expressed as a compound annual growth rate (CAGR). The vesting scale is outlined below:

	EPS CAGR		
EPS Performance vs Target	**2007/08 Award**	**2008/09 Award**	**Satisfaction of the Performance Hurdle**
EPS threshold	Below 9.5%	Below 6.0%	Nil
EPS result between threshold and target	9.5% to 12.4%	6.0% to 12.4%	Linear scale: 50% to 99%
EPS result at or above stretch target	12.5% or above	12.5% or above	100%

The EPS performance hurdle for the 2009/10 Rights award will be disclosed in the 2010 Qantas Annual Report.

The setting by the Qantas Board of the above EPS targets does not represent an earnings forecast nor is it a disclosure of targets under Qantas' long-term budget.

Remuneration Report (Audited) continued

Relative Total Shareholder Return (TSR) Performance Hurdle
The TSR performance of Qantas is compared to the TSR performance of the comparator group, using the following vesting scale:

Qantas TSR Performance Compared to the Relevant Peer Group	Satisfaction of the Performance Hurdle
0 to 49th percentile	Nil
50th to 74th percentile	Linear scale: 50% to 99%
75th to 100th percentile	100%

A progressive vesting scale prevents payment for below median performance and does not deliver full reward until the 75th percentile performance is achieved.

The S&P/ASX100 peer group represents companies with ordinary shares included in the S&P/ASX100 Index on the date the performance period commences for each grant. The Airlines peer group comprised a basket of global listed airlines: Air France-KLM, Air New Zealand, AMR Corporation (American Airlines), British Airways, Cathay Pacific, Delta Airlines (for the 2004/05 and 2005/06 awards), Japan Airlines, Lufthansa, Ryanair, Singapore Airlines, Southwest Airlines and Virgin Blue.

The 2008/09 award is subject to a single test (with no retesting) at the conclusion of the third year.

For the 2004/05, 2005/06, 2006/07 and 2007/08 Rights awards, a quarterly or six-monthly test occurs during the period between three and five years from the date of the award.

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

The grant date and number of Rights awarded to Key Management Personnel is outlined on page 80 and pages 134 and 135.

OTHER BENEFITS

Non-cash Benefits
Non-cash benefits, as disclosed in the remuneration tables, include salary sacrifice components such as motor vehicles, memberships of appropriate professional associations and travel entitlements.

Superannuation
Superannuation includes statutory, salary sacrifice or defined benefit superannuation contributions made on behalf of Executives.

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 a small number of Senior Executives and their specified direct family members or parties are entitled to a number of trips for personal purposes at no cost to the individual. Eligibility for new participants is generally restricted to members of the Qantas Executive Committee.

Post-employment Travel
Post-employment travel concessions are also available to all permanent Qantas employees who qualify through retirement or redundancy.

Post employment, Directors and a small number of Senior Executives and their specified direct family members or parties are entitled to a number of free trips for personal purposes. An estimated present value of these entitlements is accrued over the service period of the individual.

Termination Payments
Qantas will honour the contractual and statutory entitlements of its Executives on termination. Additional payments to terminating Executives may be made to a reasonable level where legal or other considerations make it appropriate to do so. Any termination payment will be subject to the relevant law concerning caps on termination payments to Executives.

Statutory Annual Leave
Executives are assumed to take the annual leave benefit as it accrues. Any leave not taken will be paid out on termination and disclosed as statutory annual leave.

Other Long-term Benefits
Other long-term benefits include the accrual of long service leave for Executives and other benefits which are long-term in nature.

DISCONTINUED PLANS

PERFORMANCE CASH PLAN – DISCONTINUED AT 30 JUNE 2009
The PCP was the annual cash incentive paid to Executives when the Qantas Group's earnings exceeded the target set by the Board. The PCP has been discontinued with the introduction of the STIP for 2009/10.

For 2008/09, the financial target was profit before tax (PBT) adjusted for restructuring charges, the impact of approved accounting policy changes and adjustments for volatility from the mark-to-market of open hedge instruments under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement.

A single group PBT target applied to all Executives. This was selected as PBT is a key budgetary and financial performance measure used both at Qantas Group and business segment level. The target has been set annually as part of the budgeting process and approved by the Board. At the conclusion of each year, the PBT result was provided to the Board, with the Board approving the size of the payment pool based on these results.

The PBT target was not achieved in 2008/09 and no Executive in the Qantas Group received a cash bonus under the PCP.

Remuneration Report (Audited) continued

In years where a cash bonus was paid, payments for each Executive were calculated as follows:

FAR multiplied by	The individual Executive's FAR.
'at target' Opportunity multiplied by	An individual's target reward under the PCP, expressed as a percentage of FAR and varies according to the Executive's level of responsibility.
Company Factor multiplied by	The Board assessed the audited Qantas Group PBT result against the target and determines the company factor (expressed as a percentage). A company factor of 100 per cent results when the target PBT is achieved. A company factor of 50 per cent result when a threshold PBT result (being 75 per cent of target) is achieved.
Individual Performance Factor (IPF)	At the end of the year, each Executives performance against KPIs is assessed and each Executive is assigned an IPF. Across all participants, IPF's average to 1.0.

PERFORMANCE SHARE PLAN – DISCONTINUED AT 30 JUNE 2009

The PSP was the medium-term deferred share incentive plan, which operated as follows:

- at the start of Year 1, the Qantas Board set performance targets for each Balanced Scorecard measure (refer below);
- at the conclusion of Year 1, the Board assessed performance against each target and awarded deferred shares to Executives if targets were achieved;
- any deferred shares awarded are subject to a vesting period which expires at the end of Year 2 in relation to one half of the shares and the end of Year 3 in relation to the other half of the shares;
- any dividends paid on the deferred shares during the vesting period are distributed to the relevant Executive; and
- generally, any unvested deferred shares would be forfeited if the relevant Executive ceases employment with the Qantas Group.

The grant date and number of deferred shares awarded to Key Management Personnel are outlined on pages 132 and 133.

PSP Balanced Scorecard

Category	Performance Measure	Weighting	2008/09 Performance
Customer Service	Qantas performance in Skytrax World Airline Awards. Skytrax is a global, independent passenger survey of airline standards. In the 2009 survey, Qantas ranked sixth overall out of the 203 airlines rated by Skytrax.	25%	Achieved
Operational Punctuality	Punctuality is measured against a Qantas Group on-time arrivals target (incorporating Qantas International, Qantas Domestic, QantasLink and Jetstar punctuality performance).	25%	Partial achievement
People/Safety	The objective of the People/Safety target is to reduce Lost Time Injury and Serious Injury rates of our employees. The 2008/09 targets were a Lost Time Injury Frequency Rate of 4.0 (a 22% improvement on 2007/08) and a Serious Injury Frequency Rate of 10.6 (a 17% improvement on 2007/08).	25%	Partial achievement
Financial	Financial performance is a unit cost reduction target. Unit cost performance is calculated as Net Expenditure divided by Group Available Seat Kilometres (ASKs) – the measure focuses on improving underlying operating activities and efficiencies.	25%	Missed
	Balanced Scorecard Company Factor		60%

Awards under the PSP have been calculated using the same methods outlined for the PCP. The value of an individual Executive's award under the PSP is calculated as follows:

- FAR multiplied by 'at target' PSP opportunity multiplied by Balanced Scorecard Company Factor multiplied by IPF.

END OF SERVICE PAYMENTS

The approach adopted since 2006 has been to have ongoing contracts of employment for all Executives with no end of contract payments.
No Director or Disclosed Executive has an entitlement to an end of service payment.

Until 2004, senior Executives were appointed on fixed-term contracts of up to five years. In some cases, the contracts of these Executives provided for a service payment, after completion of the fixed-term contract. Where the service period has been completed and a new ongoing contract signed, the Executive may request settlement of the service payment.

Remuneration Report (Audited) continued

REMUNERATION OF DIRECTORS AND DISCLOSED EXECUTIVES FOR THE YEAR ENDED 30 JUNE 2009

Set out in the following tables are the remuneration for the Key Management Personnel and Highest Remunerated Executives during the year ended 30 June 2009. Further details on other transactions with Key Management Personnel are set out in Note 31 to the Financial Statements.

Directors' and Officers' liability insurance has not been included in the remuneration since it is not possible to determine an appropriate allocation basis.

		Short-Term Employee Benefits				Post-Employment Benefits							
DIRECTORS **$**	Year	Cash FAR	Cash Incentives	Non-Cash Benefits	Total	Superannuation	Travel	Total	Other Long-Term Benefits	Share-based Payment [1]	Statutory Annual Leave	Termination Benefits	Total
DIRECTORS – CONTINUING													
Leigh Clifford [2]	**2009**	**444,000**	**–**	**47,507**	**491,507**	**100,000**	**21,000**	**121,000**	**–**	**–**	**–**	**–**	**612,507**
Chairman	2008	288,256	–	6,191	294,447	100,000	17,500	117,500	–	–	–	–	411,947
Peter Cosgrove [3, 4]	**2009**	**167,135**	**–**	**37,042**	**204,177**	**13,745**	**9,975**	**23,720**	**–**	**–**	**–**	**–**	**227,897**
Non-Executive Director	2008	172,991	–	57,272	230,263	13,129	8,245	21,374	–	–	–	–	251,637
Patricia Cross	**2009**	**160,091**	**–**	**65,955**	**226,046**	**30,309**	**9,975**	**40,284**	**–**	**–**	**–**	**–**	**266,330**
Non-Executive Director	2008	176,072	–	61,042	237,114	13,129	8,245	21,374	–	–	–	–	258,488
Richard Goodmanson	**2009**	**213,101**	**–**	**800**	**213,901**	**–**	**9,975**	**9,975**	**–**	**–**	**–**	**–**	**223,876**
Non-Executive Director	2008	4,317	–	–	4,317	–	8,245	8,245	–	–	–	–	12,562
Garry Hounsell [5]	**2009**	**258,255**	**–**	**34,854**	**293,109**	**13,745**	**9,975**	**23,720**	**–**	**–**	**–**	**–**	**316,829**
Non-Executive Director	2008	214,471	–	60,213	274,684	13,129	8,245	21,374	–	–	–	–	296,058
Paul Rayner	**2009**	**159,869**	**–**	**46,515**	**206,384**	**13,172**	**9,975**	**23,147**	**–**	**–**	**–**	**–**	**229,531**
Non-Executive Director *(16 Jul 08 to 30 Jun 09)*	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
John Schubert	**2009**	**196,069**	**–**	**15,133**	**211,202**	**13,745**	**9,975**	**23,720**	**–**	**–**	**–**	**–**	**234,922**
Non-Executive Director	2008	187,271	–	6,412	193,683	13,129	8,245	21,374	–	–	–	–	215,057
James Strong	**2009**	**176,655**	**–**	**17,156**	**193,811**	**13,745**	**9,975**	**23,720**	**–**	**–**	**–**	**–**	**217,531**
Non-Executive Director	2008	187,271	–	33,580	220,851	13,129	8,245	21,374	–	–	–	–	242,225
Barbara Ward [6]	**2009**	**182,481**	**–**	**16,059**	**198,540**	**13,745**	**9,975**	**23,720**	**–**	**–**	**–**	**–**	**222,260**
Non-Executive Director	2008	15,905	–	–	15,905	881	8,245	9,126	–	–	–	–	25,031
Alan Joyce [7]	**2009**	**1,715,049**	**–**	**110,404**	**1,825,453**	**36,250**	**21,000**	**57,250**	**528,767**	**1,252,893**	**–**	**–**	**3,664,363**
Chief Executive Officer	2008	1,092,614	1,207,000	95,800	2,395,414	13,129	17,500	30,629	352,247	2,320,911	–	–	5,099,201
Colin Storrie	**2009**	**742,398**	**–**	**110,175**	**852,573**	**34,877**	**21,000**	**55,877**	**125,242**	**575,494**	**–**	**–**	**1,609,186**
Chief Financial Officer *(30 Sep 08 to 30 Jun 09)*	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total – Directors continuing at 30 June	**2009**	**4,415,103**	**–**	**501,600**	**4,916,703**	**283,333**	**142,800**	**426,133**	**654,009**	**1,828,387**	**–**	**–**	**7,825,232**
	2008	2,339,168	1,207,000	320,510	3,866,678	179,655	92,715	272,370	352,247	2,320,911	–	–	6,812,206
DIRECTORS – NOT CONTINUING													
Geoff Dixon [8]	**2009**	**1,864,304**	**–**	**196,816**	**2,061,120**	**6,872**	**43,000**	**49,872**	**3,037,280**	**3,172,182**	**1,726,372**	**657,500**	**10,704,326**
Chief Executive Officer *(1 Jul 08 to 31 Mar 09)*	2008	2,308,955	3,010,286	218,412	5,537,653	77,775	36,000	113,775	132,915	6,387,263	–	–	12,171,606
Peter Gregg	**2009**	**696,219**	**–**	**69,832**	**766,051**	**18,000**	**43,000**	**61,000**	**19,158**	**1,668,625**	**604,582**	**1,763,499**	**4,882,915**
Chief Financial Officer & EGM Strategy *(1 Jul 08 to 31 Dec 08)*	2008	1,329,534	1,485,714	242,180	3,057,428	36,000	36,000	72,000	71,188	2,979,758	–	–	6,180,374
Mike Codd	**2009**	**–**	**–**	**24,468**	**24,468**	**63,072**	**9,975**	**73,047**	**–**	**–**	**–**	**–**	**97,515**
Non-Executive Director *(1 Jul 08 to 15 Oct 08)*	2008	173,200	–	3,328	176,528	54,400	8,245	62,645	–	–	–	–	239,173
Total – Directors not continuing at 30 June	**2009**	**2,560,523**	**–**	**291,116**	**2,851,639**	**87,944**	**95,975**	**183,919**	**3,056,438**	**4,840,807**	**2,330,954**	**2,420,999**	**15,684,756**
	2008	3,811,689	4,496,000	463,920	8,771,609	168,175	80,245	248,420	204,103	9,367,021	–	–	18,591,153
Total – Directors at 30 June	**2009**	**6,975,626**	**–**	**792,716**	**7,768,342**	**371,277**	**238,775**	**610,052**	**3,710,447**	**6,669,194**	**2,330,954**	**2,420,999**	**23,509,988**
	2008	6,150,857	5,703,000	784,430	12,638,287	347,830	172,960	520,790	556,350	11,687,932	–	–	25,403,359

1. A breakdown of Share-based Payment is provided on page 76.
2. Mr Clifford's 2008 remuneration reflects his appointment as a Non-Executive Director on 9 August 2007 and as Chairman on 14 November 2007.
3. The Employee Share Ownership Plan allows Non-Executive Directors to purchase shares at no discount to market price on a salary sacrifice basis, and operates under the DSP Terms & Conditions. General Cosgrove participated in this plan from July 2007 to June 2009. The value of shares are included above as a non-cash benefit.
4. General Cosgrove received payments for services rendered as a Director of Qantas Superannuation Limited.
5. Mr Hounsell received a payment for services rendered as Chairman of the Qantas Frequent Flyer Due Diligence Committee.
6. Ms Ward received payments for services as a Director on a number of Qantas subsidiary leasing companies, for the period 1 July 2007 to 26 February 2009.
7. Mr Joyce commenced as a Qantas Director on 28 July 2008. Remuneration prior to 28 July 2008 were earned as Key Management Personnel.
8. A superannuation contribution was made on Mr Dixon's behalf in August 2006 under his employment agreement. As a result of retrospective changes to superannuation law, effective in February 2007, Mr Dixon was significantly disadvantaged, and the net benefit of this contribution was materially reduced. A payment of $3 million (from which tax has been deducted) was made to Mr Dixon in 2008/09 in partial compensation for the effect of this.

Remuneration Report (Audited) continued

KEY MANAGEMENT AND HIGHEST REMUNERATED EXECUTIVES $	Year	Short-Term Employee Benefits Cash FAR	Cash Incentives	Non-Cash Benefits	Total	Post-Employment Benefits Superannuation	Travel	Total	Other Long-Term Benefits	Share-based Payment[1]	Statutory Annual Leave	Termination Benefits	Total
EXECUTIVES – CONTINUING													
Bruce Buchanan	**2009**	**589,691**	**–**	**16,017**	**605,708**	**10,309**	**21,000**	**31,309**	**65,835**	**70,529**	**–**	**–**	**773,381**
CEO Jetstar	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(1 Oct 08 to 30 Jun 09)													
Rob Gurney[2]	**2009**	**74,596**	**–**	**21,356**	**95,952**	**9,492**	**21,000**	**30,492**	**2,085**	**21,511**	**–**	**–**	**150,040**
Group Executive	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Qantas Airlines Commercial													
(5 May 09 to 30 Jun 09)													
Simon Hickey	**2009**	**506,209**	**–**	**75,746**	**581,955**	**37,500**	**21,000**	**58,500**	**30,000**	**448,544**	**–**	**–**	**1,118,999**
CEO Qantas Loyalty	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(1 Oct 08 to 30 Jun 09)													
Lyell Strambi	**2009**	**469,712**	**–**	**96,486**	**566,198**	**8,018**	**21,000**	**29,018**	**12,226**	**24,481**	**–**	**–**	**631,923**
Group Executive,	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Qantas Airlines Operations													
(1 Dec 08 to 30 Jun 09)													
Total – Executives continuing at 30 June	**2009**	**1,640,208**	**–**	**209,605**	**1,849,813**	**65,319**	**84,000**	**149,319**	**110,146**	**565,065**	**–**	**–**	**2,674,343**
	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EXECUTIVES – NOT CONTINUING													
John Borghetti[2]	**2009**	**946,836**	**–**	**218,404**	**1,165,240**	**198,812**	**21,000**	**219,812**	**151,362**	**1,416,985**	**346,061**	**1,635,747**	**4,935,207**
Group Executive	2008	1,146,085	1,336,000	206,793	2,688,878	182,599	17,500	200,099	83,841	2,803,852	–	–	5,776,670
Qantas Airlines													
(1 Jul 08 to 5 May 09)													
Kevin Brown	**2009**	**482,716**	**–**	**185,821**	**668,537**	**24,000**	**21,000**	**45,000**	**9,361**	**1,175,222**	**55,692**	**1,424,122**	**3,377,934**
Group Executive People	2008	722,821	674,000	213,566	1,610,387	41,200	17,500	58,700	95,945	2,093,239	–	–	3,858,271
(1 Jul 08 to 28 Feb 09)													
David Cox[3]	**2009**	**642,173**	**–**	**77,853**	**720,026**	**42,135**	**21,000**	**63,135**	**17,875**	**1,229,828**	**129,635**	**715,000**	**2,875,499**
Executive Manager	2008	641,716	451,000	139,599	1,232,315	42,520	17,500	60,020	36,588	2,047,199	–	–	3,376,122
Qantas Engineering													
Curtis Davies[2, 3]	**2009**	**522,779**	**–**	**91,244**	**614,023**	**62,958**	**21,000**	**83,958**	**13,912**	**834,400**	**40,667**	**600,000**	**2,186,960**
Executive Manager Services	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grant Fenn[4]	**2009**	**745,505**	**–**	**174,830**	**920,335**	**40,008**	**21,000**	**61,008**	**21,625**	**490,480**	**63,611**	**108,125**	**1,665,184**
Group Executive	2008	740,690	642,000	210,615	1,593,305	40,008	17,500	57,508	108,360	2,093,239	–	–	3,852,412
Strategy & Investments													
Total – Executives not continuing at 30 June	**2009**	**3,340,009**	**–**	**748,152**	**4,088,161**	**367,913**	**105,000**	**472,913**	**214,135**	**5,146,915**	**635,666**	**4,482,994**	**15,040,784**
	2008	3,251,312	3,103,000	770,573	7,124,885	306,327	70,000	376,327	324,734	9,037,529	–	–	16,863,475
Total – Key Management and Highest Remunerated Executives at 30 June	**2009**	**4,980,217**	**–**	**957,757**	**5,937,974**	**433,232**	**189,000**	**622,232**	**324,281**	**5,711,980**	**635,666**	**4,482,994**	**17,715,127**
	2008	3,251,312	3,103,000	770,573	7,124,885	306,327	70,000	376,327	324,734	9,037,529	–	–	16,863,475

1. A breakdown of Share-based Payment is provided on page 76.
2. Superannuation benefits are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 Employee Benefits.
3. Mr Cox and Mr Davies terminated employment on 3 July 2009.
4. Mr Fenn will terminate employment on 1 October 2009.

Remuneration Report (Audited) continued

EQUITY SETTLED SHARE-BASED PAYMENT

DIRECTORS $		Performance Share Plan	Long Term Incentive Plan	Retention Plan[1]	Total	Supplemental Market Value at 30 June[2]
DIRECTORS – CONTINUING						
Alan Joyce	**2009**	**284,372**	**71,779**	**896,742**	**1,252,893**	**657,767**
	2008	138,572	146,209	2,036,130	2,320,911	1,632,195
Colin Storrie	**2009**	**137,176**	**33,078**	**405,240**	**575,494**	**299,691**
	2008	n/a	n/a	n/a	n/a	n/a
Total – Directors continuing at 30 June	**2009**	**421,548**	**104,857**	**1,301,982**	**1,828,387**	**957,458**
	2008	138,572	146,209	2,036,130	2,320,911	1,632,195
DIRECTORS – NOT CONTINUING						
Geoff Dixon[3]	**2009**	**1,357,121**	**319,544**	**1,495,517**	**3,172,182**	**1,548,553**
	2008	1,275,836	656,044	4,455,383	6,387,263	3,855,843
Peter Gregg[3]	**2009**	**453,524**	**(297,931)**	**1,513,032**	**1,668,625**	**554,552**
	2008	465,704	281,576	2,232,478	2,979,758	1,990,902
Total – Directors not continuing at 30 June	**2009**	**1,810,645**	**21,613**	**3,008,549**	**4,840,807**	**2,103,105**
	2008	1,741,540	937,620	6,687,861	9,367,021	5,846,745
Total – Directors at 30 June	**2009**	**2,232,193**	**126,470**	**4,310,531**	**6,669,194**	**3,060,563**
	2008	1,880,112	1,083,829	8,723,991	11,687,932	7,478,940

KEY MANAGEMENT AND HIGHEST REMUNERATED EXECUTIVES $		Performance Share Plan	Long Term Incentive Plan	Retention Plan[1]	Total	Supplemental Market Value at 30 June[2]
EXECUTIVES – CONTINUING						
Bruce Buchanan	**2009**	**63,504**	**7,025**	**–**	**70,529**	**66,258**
	2008	n/a	n/a	n/a	n/a	n/a
Rob Gurney	**2009**	**18,060**	**3,451**	**–**	**21,511**	**13,497**
	2008	n/a	n/a	n/a	n/a	n/a
Simon Hickey	**2009**	**122,936**	**32,018**	**293,590**	**448,544**	**250,746**
	2008	n/a	n/a	n/a	n/a	n/a
Lyell Strambi[4]	**2009**	**20,731**	**3,750**	**–**	**24,481**	**31,159**
	2008	n/a	n/a	n/a	n/a	n/a
Total – Executives continuing at 30 June	**2009**	**225,231**	**46,244**	**293,590**	**565,065**	**361,660**
	2008	n/a	n/a	n/a	n/a	n/a
EXECUTIVES – NOT CONTINUING						
John Borghetti[3]	**2009**	**453,524**	**(254,454)**	**1,217,915**	**1,416,985**	**569,542**
	2008	465,704	236,571	2,101,577	2,803,852	1,999,512
Kevin Brown[3]	**2009**	**244,408**	**(137,953)**	**1,068,767**	**1,175,222**	**512,479**
	2008	123,218	134,233	1,835,788	2,093,239	1,493,533
David Cox[3]	**2009**	**166,967**	**(5,906)**	**1,068,767**	**1,229,828**	**600,480**
	2008	101,584	109,827	1,835,788	2,047,199	1,454,143
Curtis Davies[3]	**2009**	**147,179**	**(13,438)**	**700,659**	**834,400**	**328,194**
	2008	n/a	n/a	n/a	n/a	n/a
Grant Fenn[3]	**2009**	**130,492**	**(6,503)**	**366,491**	**490,480**	**267,723**
	2008	123,218	134,233	1,835,788	2,093,239	1,493,533
Total – Executives not continuing at 30 June	**2009**	**1,142,570**	**(418,254)**	**4,422,599**	**5,146,915**	**2,278,418**
	2008	813,724	614,864	7,608,941	9,037,529	6,440,721
Total – Key Management and Highest Remunerated Executives at 30 June	**2009**	**1,367,801**	**(372,010)**	**4,716,189**	**5,711,980**	**2,640,078**
	2008	813,724	614,864	7,608,941	9,037,529	6,440,721

1. The Retention Plan involved awards of deferred shares to individuals whose roles and contribution were identified as critical to the continued success of the Qantas Group. Awards under the Retention Plan involved awards of deferred shares with a service period of up to three years. Satisfactory performance, which involves achievement of personal KPIs was a further requirement under this plan. The grant dates and number of shares awarded to KMPs are outlined on pages 133 and 134. No awards were made under the Retention Plan in 2008/09.
2. Under Accounting Standards, the value of a share-based payment is determined at grant date and recognised over the vesting period. No allowance is made when recognising the value of these awards for any movement in the share price after grant date before vesting conditions are met and the Executive becomes entitled to the shares. For example, the volume weighted share price used to determine the accounting value of grants issued under the Retention Plan to Executive Directors in 2008 was $5.82 (and to other Executives in 2008 was $5.45). The supplemental market value at year end of share-based payments is based on the closing share price at 30 June 2009 of $2.01 (2008: $3.04) as a substitute for the volume weighted share price determined at grant date.
3. For Mr Dixon, Mr Gregg, Mr Borghetti, Mr Brown, Mr Cox, Mr Davies and Mr Fenn, share-based payment remuneration includes the value of accelerated vesting of awards under the Performance Share Plan and Retention Plan and the forfeiture of Rights.
4. A sign-on award of 75,000 shares was made to Mr Strambi. The award operates in a similar manner to the PSP awards. Awards are subject to a ten-year holding lock, however Mr Strambi can call for the shares from 1 January 2011.

Remuneration Report (Audited) continued

CHANGES TO QANTAS MANAGEMENT TEAM

2008/09 was a year of generational change in the Qantas management team, with the new leadership team comprising a mix of internal promotions and external hires. Mr Dixon stepped down as Chief Executive Officer on 28 November 2008 and retired from Qantas on 31 March 2009.

Mr Dixon worked nine months of the 12 months notice provided for under his employment agreement. On termination the remaining three months of FAR was paid in lieu of notice.

Unvested Performance Rights awards (under the 2006 and 2007 Performance Rights Plans) were treated in accordance with his employment agreement. This involved the lapsing of 150,000 Rights on termination and 450,000 Rights remaining on foot, with performance hurdles tested at the conclusion of the relevant three year performance periods. The holding locks on all deferred shares were lifted on termination, in accordance with the retirement provisions of the DSP.

Mr Gregg, Mr Borghetti and Mr Brown all terminated employment with Qantas during 2008/09 and Mr Cox terminated on 3 July 2009. Termination payments made to each Executive are disclosed in the remuneration tables on pages 74 and 75. The treatment of these items is as follows:

- each Executive was paid in accordance with the termination provisions of their employment agreement (and as detailed under the Key Contract Terms disclosures in the 2008 Qantas Annual Report);
- holding locks on all deferred shares were lifted on termination, in accordance with the Special Circumstances provisions of the DSP; and
- unvested Performance Rights were lapsed on termination.

Mr Fenn has resigned from Qantas and will terminate on 1 October 2009. On termination, all unvested awards under the Performance Rights Plan, Performance Share Plan and Retention Plan will lapse, other than 77,500 shares under the Retention Plan which are scheduled to vest during the notice period.

2008/09 REMUNERATION COMPONENTS AS A PROPORTION OF REPORTED TOTAL REMUNERATION

	Performance Related Remuneration				FAR & Other	Total
	Cash-based		Equity-based			
	PCP	PSP	LTIP	RP		
Alan Joyce	0%	8%	2%	24%	66%	100%
Colin Storrie	0%	9%	2%	25%	64%	100%
Geoff Dixon	0%	13%	3%	14%	70%	100%
Peter Gregg	0%	9%	(6%)	31%	66%	100%
Bruce Buchanan	0%	8%	1%	n/a	91%	100%
Rob Gurney	0%	12%	2%	n/a	86%	100%
Simon Hickey	0%	11%	3%	26%	60%	100%
Lyell Strambi	0%	3%	1%	n/a	96%	100%
John Borghetti	0%	9%	(5%)	25%	71%	100%
Kevin Brown	0%	7%	(4%)	32%	65%	100%
David Cox	0%	6%	0%	37%	57%	100%
Curtis Davies	0%	7%	(1%)	32%	62%	100%
Grant Fenn	0%	8%	0%	22%	70%	100%

The total percentages are derived from the remuneration tables on pages 74 to 76. As the remuneration table is prepared on an accrual basis and the equity benefit is valued at grant date in accordance with Accounting Standards, the 2008/09 reward mix does not equal the target annual reward mix of each of the Executives.

Remuneration Report (Audited) continued

PERFORMANCE REMUNERATION AFFECTING FUTURE PERIODS

The fair value of share-based payments granted is amortised over the vesting period (in accordance with AASB 2 Share-based Payment) and therefore remuneration in respect of these awards may be reported in future years.

The following table summarises the maximum value of these awards in future years. The minimum value of these awards is nil, should performance conditions not be satisfied.

Executives	2010	2011
Alan Joyce	989,310	314,572
Colin Storrie	502,041	107,360
Bruce Buchanan	199,682	90,236
Rob Gurney	163,380	62,428
Simon Hickey	397,591	91,682
Lyell Strambi	190,341	114,638

Information on vesting and forfeiture of performance related remuneration during the year is provided on pages 80 and 81.

SUMMARY OF PERFORMANCE CONDITIONS

Link between Remuneration Policy and Qantas' Performance

Relationship between Fixed Annual Remuneration and Qantas' Performance

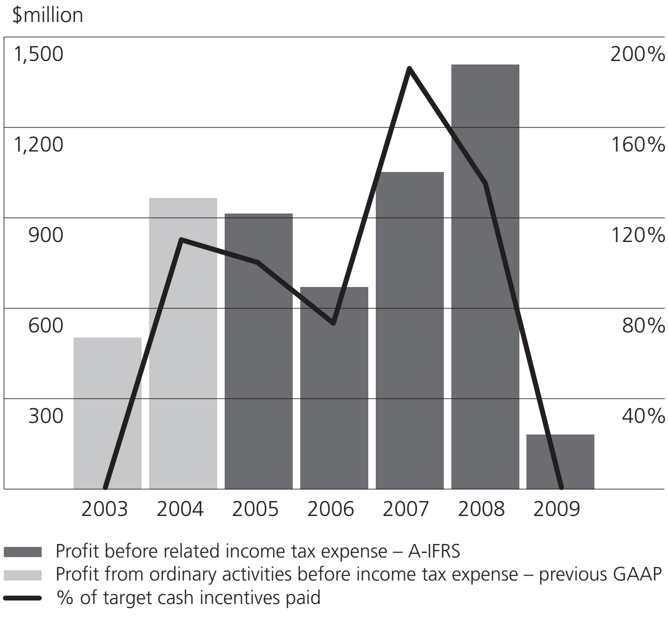
An individual's FAR is not related to Qantas' performance in a specific year. FAR is set with reference to the scope of the role and the performance of the individual in the role.

Relationship between Cash Incentives and Qantas' Performance

In line with Qantas' achievement against its financial targets in the past seven years, cash incentives were:

- not paid for 2002/03;
- paid at 110 per cent of target for 2003/04;
- paid at 100 per cent of target for 2004/05;
- paid at 73 per cent of target for 2005/06;
- paid at 186 per cent of target for 2006/07;
- paid at 135 per cent of target for 2007/08; and
- not paid for 2008/09.

The graph below shows Qantas' full year profit before related income tax expense and the percentage of target cash incentives that were paid to Executives over the past seven financial years.



Relationship between Employee Equity and Qantas' Performance

From 2004/05 to 2006/07, the link between reward under the LTIP and Qantas' performance has been established in terms of TSR performance against the S&P/ASX100 Index and a basket of international airlines. For 2007/08 and 2008/09 vesting under the long-term equity program will depend on Qantas' performance on TSR against the S&P/ASX100 Index and extent of achievement of an EPS growth target.

To achieve full vesting under the LTIP, Qantas must achieve a three year TSR performance that exceeds 75 per cent of companies in the S&P/ASX100 Index as well as achieving a challenging three year EPS target.

Allocations under the 2008/09 PSP have been dependent on the corporate performance of Qantas against a Balanced Scorecard.

One hundred per cent of the target level of deferred shares were awarded to Executives in 2003/04 and 2004/05, 95 per cent in 2005/06, 80 per cent in 2006/07 and 91 per cent in 2007/08. On 18 August 2009 the Board approved an award of 60 per cent of the target level of deferred shares, based on performance against the Balanced Scorecard.

The TSR performance of Qantas for the three years ended 30 June 2009, calculated in accordance with the 2006 Performance Rights Plan rules, was (17) per cent, which ranked at the 60th percentile among companies that comprise the S&P/ASX100 Index for this period.

Remuneration Report (Audited) continued

SUMMARY OF KEY CONTRACT TERMS

Non-Executive Directors

In addition to FAR and the associated superannuation contributions, all Non-Executive Directors and eligible beneficiaries receive the following travel entitlements. The Chairman is entitled to four international trips and 12 domestic trips per calendar year and all other Non-Executive Directors are entitled to two international trips and six domestic trips each calendar year. These flights are not cumulative and will lapse if they are not used during the calendar year in which the entitlement relates. Post employment, the Chairman is entitled to two international trips and six domestic trips for each year of service and all other Non-Executive Directors are entitled to one international trip and three domestic trips for each year of service.

Executive Directors

The key contract and other terms of the Executive Directors, including 2009/10 STIP and LTIP participation, are set out below:

Contract Details	Alan Joyce	Colin Storrie
Contract Length	Ongoing	Ongoing
Fixed Annual Remuneration	$2,000,000 FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.	$1,100,000
Termination of Employment	Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if the Executive is or has been engaged in serious misconduct, becomes bankrupt or makes an arrangement or composition with creditors or wilfully and persistently breaches their employment contract.	
Notice by Qantas	12 months written notice.	
Notice by Executive	12 months written notice.	
Travel Entitlements	An annual benefit of four international and 12 domestic trips for Alan Joyce; two international and six domestic trips for Colin Storrie is available to the Executive and eligible beneficiaries during employment, at no cost to the individual. Post employment, the benefit is two international and six domestic trips, based on the period of service in a senior Executive role.	
STIP[1]	Target reward for 2009/10 is 120 per cent of FAR.	Target reward for 2009/10 is 95 per cent of FAR.
LTIP	A pool of 750,000 Performance Rights, at an average of 250,000 per annum, approved by shareholders at the 2008 AGM.	A pool of 270,000 Performance Rights, at an average of 90,000 per annum, approved by shareholders at the 2008 AGM.

Key Management Personnel

Contract Details	Bruce Buchanan	Rob Gurney	Simon Hickey	Lyell Strambi
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	$800,000 FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.	$700,000	$750,000	$850,000
Termination of Employment	Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if, in the opinion of the CEO, the Executive is or has been engaged in serious misconduct, becomes bankrupt or makes an arrangement or composition with creditors or wilfully and persistently breaches their employment contract.			
Notice by Qantas	6 months	12 months	6 months	12 months
Notice by Executive	3 months	6 months	3 months	6 months
Travel Entitlements	An annual benefit of two international and six domestic trips is available to the Executive and eligible beneficiaries during employment, at no cost to the individual. Post employment, the benefit is two international and six domestic trips, based on the period of service in a senior Executive role.			
STIP[1]	Target reward for 2009/10 is 80 per cent of FAR.			
LTIP	Target reward for 2009/10 is 25 per cent of FAR.			

1. The STIP is being introduced for the 2009/10 year and replaces both the PCP and PSP for 2009/10.
Target reward under the PCP (discontinued at 30 June 2009) was 75 per cent of FAR for Mr Joyce, 65 per cent of FAR for Mr Storrie and 55 per cent of FAR for other KMPs.
Target reward under the PSP (discontinued at 30 June 2009) was:
– for Mr Joyce, a pool of 750,000 Shares, at an average of 250,000 per annum
– for Mr Storrie, a pool of 270,000 Shares, at an average of 90,000 per annum
– for other KMPs, 25 per cent of FAR.

Remuneration Report (Audited) continued

Equity awards are delivered under the Terms & Conditions and various rules of the DSP. The DSP Terms & Conditions were initially approved by shareholders at the 2002 AGM. At the 2006 AGM, shareholders again approved the DSP as the vehicle for the provision of equity benefits by Qantas. There have been no modifications to the DSP Terms & Conditions during the year.

RIGHTS PROVIDED AS REMUNERATION

Details of Rights awarded, vested and exercised during the year for each KMP are set out below. The number of Rights vested represents the number of Rights which have met the performance hurdle during the year. The number of Rights exercised represents the number of vested Rights called for by the KMP during the year. The Rights were awarded on 4 May 2009 with a nil exercise price. All Rights are redeemable on a one-for-one basis for Qantas shares, subject to the achievement of the performance hurdle. The weighted average fair value of Rights granted during the year was $1.64.

2009

Number of Rights	Awarded	Vested	Exercised
Alan Joyce	250,000	42,600	36,250
Colin Storrie	90,000	14,484	–
Bruce Buchanan	70,500	–	–
Rob Gurney	50,000	11,076	9,425
Simon Hickey	70,500	12,780	10,875
Lyell Strambi	75,000	–	–
Geoff Dixon	–	–	–
Peter Gregg	–	76,680	76,680
John Borghetti	–	63,900	63,900
Kevin Brown	–	42,600	42,600
David Cox	–	34,080	34,080
Grant Fenn	85,500	42,600	42,600

The above table does not include Rights under the 2006/07 award which may vest subject to testing which commenced from 30 June 2009.

VESTING AND FORFEITURE OF PERFORMANCE RELATED REMUNERATION

Details of performance related remuneration, including share-based payments, for KMPs which have vested or forfeited during the year are set out below.

Performance Cash Plan

No KMP received a cash bonus under the PCP in relation to the 2008/09 year.

Share-based payments (equity settled)

The following tables outline the percentage of equity which vested or forfeited during the year. The year scheduled to vest is the earliest time that the KMP may call for the equity to vest. However, in some circumstances Qantas may approve for the vesting of equity to be accelerated. For further details refer to pages 69 to 73.

Performance Share Plan

Grant Date	4 Mar 09		20 Aug 08				15 Aug 07[1]			
Year Scheduled to Vest	2011 Vested	2011 Forfeited	2010 Vested	2010 Forfeited	2011 Vested	2011 Forfeited	2009 Vested	2009 Forfeited	2010 Vested	2010 Forfeited
Alan Joyce	n/a	n/a	–	–	–	–	100%	0%	–	–
Colin Storrie	n/a	n/a	–	–	–	–	100%	0%	–	–
Bruce Buchanan	n/a	n/a	–	–	–	–	100%	0%	–	–
Rob Gurney	n/a	n/a	–	–	–	–	100%	0%	–	–
Simon Hickey	n/a	n/a	–	–	–	–	100%	0%	–	–
Lyell Strambi	–	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Geoff Dixon	n/a	n/a	100%	0%	100%	0%	100%	0%	n/a	n/a
Peter Gregg	n/a	n/a	100%	0%	100%	0%	100%	0%	n/a	n/a
John Borghetti	n/a	n/a	100%	0%	100%	0%	100%	0%	100%	0%
Kevin Brown	n/a	n/a	100%	0%	100%	0%	100%	0%	100%	0%
David Cox	n/a	n/a	100%	0%	100%	0%	100%	0%	100%	0%
Grant Fenn	n/a	n/a	100%	0%	0%	100%	100%	0%	100%	0%

1. The grant date for the award to Mr Buchanan and Mr Gurney was 20 August 2007.

Remuneration Report (Audited) continued

Retention Plan

Grant Date	15 Aug 07[1]				16 Aug 06[2]	
Year Scheduled to Vest	**2009 Vested**	**2009 Forfeited**	**2010 Vested**	**2010 Forfeited**	**2010 Vested**	**2010 Forfeited**
Alan Joyce	100%	0%	–	–	–	–
Colin Storrie	100%	0%	–	–	–	–
Bruce Buchanan	n/a	n/a	n/a	n/a	n/a	n/a
Rob Gurney	n/a	n/a	n/a	n/a	n/a	n/a
Simon Hickey	100%	0%	–	–	–	–
Lyell Strambi	n/a	n/a	n/a	n/a	n/a	n/a
Geoff Dixon	100%	0%	100%	0%	n/a	n/a
Peter Gregg	100%	0%	100%	0%	100%	0%
John Borghetti	100%	0%	100%	0%	100%	0%
Kevin Brown	100%	0%	100%	0%	100%	0%
David Cox	100%	0%	100%	0%	100%	0%
Grant Fenn	100%	0%	17%	83%	83%	17%

1. The grant date for the award to Mr Dixon and Mr Gregg was 14 November 2007.
2. The grant date for the award to Mr Gregg was 19 October 2006 (scheduled to vest 2009).

Long Term Incentive Plan

Grant Date	4 May 09		12 Dec 07[1]		22 Aug 06[2]	
Year Scheduled to Vest	**2011 Vested**	**2011 Forfeited**	**2010 Vested**	**2010 Forfeited**	**2009 Vested[3]**	**2009 Forfeited**
Alan Joyce	–	–	–	–	–	–
Colin Storrie	–	–	–	–	–	–
Bruce Buchanan	–	–	–	–	–	–
Rob Gurney	–	–	–	–	–	–
Simon Hickey	–	–	–	–	–	–
Lyell Strambi	–	–	n/a	n/a	n/a	n/a
Geoff Dixon	n/a	n/a	0%	42%	0%	8%
Peter Gregg	n/a	n/a	0%	100%	0%	100%
John Borghetti	n/a	n/a	0%	100%	0%	100%
Kevin Brown	n/a	n/a	0%	100%	0%	100%
David Cox	0%	100%	0%	100%	–	–
Grant Fenn	0%	100%	0%	100%	–	–

1. The grant date for the award to Mr Buchanan and Mr Gurney was 31 March 2008.
2. The grant date for the award to Mr Dixon and Mr Gregg was 19 October 2006. The grant date for the award to Mr Storrie, Mr Gurney and Mr Hickey was 4 October 2006.
3. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing. Based on the performance hurdle tested as at 30 June 2009, 82.7% of the Rights will vest in August 2009.

QANTAS CODE OF CONDUCT & ETHICS – EMPLOYEE SHARE TRADING POLICY, MARGIN LOANS AND HEDGING

The DSP Terms & Conditions (which govern awards under the PSP, LTIP and RP) specifically prevent the granting of any security interest over, disposing of, or otherwise dealing with any unvested, unconverted or deferred equity entitlements. Once equity entitlements vest and convert to unrestricted shareholdings in the name of each participant under the relevant equity plan, participants are free to deal with their shareholdings subject to the Qantas Code of Conduct & Ethics and Employee Share Trading Policy.

In April 2008, the Board amended the Qantas Code of Conduct & Ethics to prohibit certain Nominated Qantas Employees from entering into any hedging or margin lending arrangement or otherwise granting a charge over the securities of any Qantas Group Listed Entity, where control of any sale process relating to those securities may be lost.

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 being environmentally responsible with high standards of environmental performance and the Board places particular focus on the environmental aspects of its operations through the Safety, Environment & Security Committee, which is responsible for monitoring compliance with these regulations and reporting to the Board.

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

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

INDEMNITIES AND INSURANCE

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

The Directors listed on pages 50 and 51, the Company Secretary and Assistant Company Secretary listed on page 65 and certain individuals who formerly held any one of these positions, have the benefit of the indemnity in the Qantas Constitution. Members of the Qantas Executive Team listed on page 5 and certain former members of the Executive 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 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 2008/09 or to the date of this Report.

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

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

NON-AUDIT SERVICES

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

The Directors are satisfied that:

a. the non-audit services provided during the 2008/09 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001; and

b. any non-audit services provided during the 2008/09 financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act 2001 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.

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

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

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 2009, 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

Martin Sheppard
Partner

Sydney, 31 August 2009

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 and 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

31 August 2009

Alan Joyce
Chief Executive Officer

Income Statements

for the year ended 30 June 2009

		Qantas Group		Qantas	
		2009	2008	**2009**	2008
SALES AND OTHER INCOME	**Notes**	**$M**	$M	**$M**	$M
Net passenger revenue		**11,604**	12,709	**9,127**	10,381
Net freight revenue		**764**	959	**384**	700
Tours and travel revenue		**223**	124	**7**	5
Contract work revenue		**426**	454	**280**	310
Other		**1,535**	1,381	**1,976**	2,102
Sales and other income	3	**14,552**	15,627	**11,774**	13,498
EXPENDITURE					
Manpower and staff related		**3,684**	3,533	**2,842**	2,779
Aircraft operating variable		**2,834**	2,608	**2,268**	2,260
Fuel		**3,602**	3,701	**2,836**	3,087
Selling and marketing		**632**	755	**532**	683
Property		**402**	346	**324**	287
Computer and communication		**406**	382	**333**	309
Capacity hire		**274**	276	**167**	183
Other		**765**	768	**419**	552
Depreciation and amortisation		**1,390**	1,469	**1,248**	1,310
Non-cancellable operating lease rentals	3	**450**	400	**396**	366
Ineffective and non-designated derivatives	25	**(105)**	55	**(105)**	55
Share of net loss/(profit) of associates and jointly controlled entities	3,14	**15**	(28)	**–**	–
Expenditure		**14,349**	14,265	**11,260**	11,871
Profit before related income tax expense and net finance (costs)/income		**203**	1,362	**514**	1,627
Finance income	5	**207**	285	**185**	255
Finance costs	5	**(229)**	(239)	**(240)**	(268)
Net finance (costs)/income	3,5	**(22)**	46	**(55)**	(13)
Profit before related income tax expense		**181**	1,408	**459**	1,614
Income tax expense/(benefit)	6	**58**	438	**(25)**	306
Profit for the year		**123**	970	**484**	1,308
Attributable to:					
Members of Qantas		**117**	969	**484**	1,308
Minority interest		**6**	1	**–**	–
Profit for the year		**123**	970	**484**	1,308
Earnings per share attributable to members of Qantas:					
Basic earnings per share (cents)	8	**5.6**	49.0		
Diluted earnings per share (cents)	8	**5.6**	49.0		

Balance Sheets

as at 30 June 2009

		Qantas Group		Qantas	
		2009	2008	**2009**	2008
CURRENT ASSETS	Notes	**$M**	$M	**$M**	$M
Cash and cash equivalents	10	**3,617**	2,599	**3,404**	2,461
Receivables	11	**1,054**	1,435	**2,296**	2,705
Other financial assets		**561**	1,076	**561**	1,078
Inventories	12	**250**	216	**199**	163
Current tax receivable		**128**	–	**137**	–
Assets classified as held for sale	13	**26**	41	**23**	28
Other		**330**	249	**295**	228
Total current assets		**5,966**	5,616	**6,915**	6,663
NON-CURRENT ASSETS					
Receivables	11	**522**	532	**2,258**	785
Other financial assets		**344**	347	**344**	347
Investments accounted for using the equity method	14	**387**	404	**–**	–
Other investments	15	**3**	3	**766**	553
Property, plant and equipment	16	**12,155**	12,341	**10,763**	10,834
Intangible assets	17	**664**	448	**317**	299
Other		**8**	9	**6**	8
Total non-current assets		**14,083**	14,084	**14,454**	12,826
Total assets	3	**20,049**	19,700	**21,369**	19,489
CURRENT LIABILITIES					
Payables	19	**1,833**	2,174	**2,156**	2,599
Revenue received in advance	20	**3,109**	3,267	**2,688**	2,895
Interest-bearing liabilities	21	**608**	587	**726**	664
Other financial liabilities		**641**	960	**641**	960
Provisions	22	**507**	484	**436**	417
Current tax liabilities		**–**	113	**–**	111
Deferred lease benefits/income		**16**	19	**11**	15
Total current liabilities		**6,714**	7,604	**6,658**	7,661
NON-CURRENT LIABILITIES					
Revenue received in advance	20	**1,232**	1,083	**1,232**	1,083
Interest-bearing liabilities	21	**4,895**	3,573	**6,626**	3,964
Other financial liabilities		**268**	475	**268**	475
Provisions	22	**533**	423	**458**	377
Deferred tax liabilities	18	**607**	757	**606**	767
Deferred lease benefits/income		**35**	50	**34**	45
Total non-current liabilities		**7,570**	6,361	**9,224**	6,711
Total liabilities	3	**14,284**	13,965	**15,882**	14,372
Net assets		**5,765**	5,735	**5,487**	5,117
EQUITY					
Issued capital	23	**4,729**	3,976	**4,729**	3,976
Treasury shares		**(58)**	(61)	**(58)**	(61)
Reserves	23	**7**	450	**44**	474
Retained earnings		**1,043**	1,366	**772**	728
Equity attributable to members of Qantas		**5,721**	5,731	**5,487**	5,117
Minority interest		**44**	4	**–**	–
Total equity		**5,765**	5,735	**5,487**	5,117

Statements of Changes in Equity

for the year ended 30 June 2009

QANTAS GROUP $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Minority Interest	Total Equity
Balance as at 1 July 2007	4,481	(33)	27	120	(2)	1,042	5	5,640
Profit for the year	–	–	–	–	–	969	1	970
Share-based payments	–	–	62	–	–	–	–	62
Transfer of hedge reserve to the Income Statement[1]	–	–	–	(209)	–	–	–	(209)
Recognition of effective cash flow hedges on capitalised assets	–	–	–	72	–	–	–	72
Effective portion of changes in fair value of cash flow hedges	–	–	–	438	–	–	–	438
Foreign currency translation of controlled entities	–	–	–	–	(14)	–	–	(14)
Foreign currency translation of associates	–	–	–	–	(8)	–	–	(8)
Total recognised income and expense	–	–	62	301	(22)	969	1	1,311
Shares bought back	(505)	–	–	–	–	–	–	(505)
Own shares acquired	–	(69)	–	–	–	–	–	(69)
Shares vested to employees	–	41	(36)	–	–	(5)	–	–
Acquisition of minority interest in controlled entity	–	–	–	–	–	–	(1)	(1)
Dividends declared	–	–	–	–	–	(640)	(1)	(641)
Balance as at 30 June 2008	3,976	(61)	53	421	(24)	1,366	4	5,735
Profit for the year	**–**	**–**	**–**	**–**	**–**	**117**	**6**	**123**
Share-based payments	**–**	**–**	**59**	**–**	**–**	**–**	**–**	**59**
Transfer of hedge reserve to the Income Statement[1]	**–**	**–**	**–**	**(81)**	**–**	**–**	**–**	**(81)**
Recognition of effective cash flow hedges on capitalised assets	**–**	**–**	**–**	**(61)**	**–**	**–**	**–**	**(61)**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**(300)**	**–**	**–**	**–**	**(300)**
Foreign currency translation of controlled entities	**–**	**–**	**–**	**–**	**8**	**–**	**–**	**8**
Share of movement in associates hedge reserve	**–**	**–**	**–**	**(8)**	**–**	**–**	**–**	**(8)**
Total recognised income and expense	**–**	**–**	**59**	**(450)**	**8**	**117**	**6**	**(260)**
Shares issued	**517**	**–**	**–**	**–**	**–**	**–**	**–**	**517**
Own shares acquired	**–**	**(58)**	**–**	**–**	**–**	**–**	**–**	**(58)**
Shares vested to employees	**–**	**61**	**(60)**	**–**	**–**	**(1)**	**–**	**–**
Minority interest in controlled entities acquired	**–**	**–**	**–**	**–**	**–**	**–**	**39**	**39**
Dividends declared	**236**	**–**	**–**	**–**	**–**	**(439)**	**(5)**	**(208)**
Balance as at 30 June 2009	**4,729**	**(58)**	**52**	**(29)**	**(16)**	**1,043**	**44**	**5,765**

1. Amounts transferred from the hedge reserve of Qantas and its controlled entities to the Income Statements totalled $81 million (2008: $209 million). These amounts were allocated to revenue of $301 million; (2008: ($125) million) and fuel expenditure of: ($220) million; (2008: $334 million) in the Income Statements.

Statements of Changes in Equity

for the year ended 30 June 2009

QANTAS $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Retained Earnings	Total Equity
Balance as at 1 July 2007	4,481	(33)	27	122	65	4,662
Profit for the year	–	–	–	–	1,308	1,308
Share-based payments	–	–	62	–	–	62
Transfer of hedge reserve to the Income Statement[1]	–	–	–	(209)	–	(209)
Recognition of effective cash flow hedges on capitalised assets	–	–	–	71	–	71
Effective portion of changes in fair value of cash flow hedges	–	–	–	437	–	437
Total recognised income and expense	–	–	62	299	1,308	1,669
Shares bought back	(505)	–	–	–	–	(505)
Own shares acquired	–	(69)	–	–	–	(69)
Shares vested to employees	–	41	(36)	–	(5)	–
Dividends declared	–	–	–	–	(640)	(640)
Balance as at 30 June 2008	3,976	(61)	53	421	728	5,117
Profit for the year	**–**	**–**	**–**	**–**	**484**	**484**
Share-based payments	**–**	**–**	**59**	**–**	**–**	**59**
Transfer of hedge reserve to the Income Statement[1]	**–**	**–**	**–**	**(68)**	**–**	**(68)**
Recognition of effective cash flow hedges on capitalised assets	**–**	**–**	**–**	**(61)**	**–**	**(61)**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**(300)**	**–**	**(300)**
Total recognised income and expense	**–**	**–**	**59**	**(429)**	**484**	**114**
Shares issued	**517**	**–**	**–**	**–**	**–**	**517**
Own shares acquired	**–**	**(58)**	**–**	**–**	**–**	**(58)**
Shares vested to employees	**–**	**61**	**(60)**	**–**	**(1)**	**–**
Dividends declared	**236**	**–**	**–**	**–**	**(439)**	**(203)**
Balance as at 30 June 2009	**4,729**	**(58)**	**52**	**(8)**	**772**	**5,487**

1. Amounts transferred from the hedge reserve to the Income Statements totalled $68 million (2008: $209 million).
These amounts were allocated to revenue of $288 million (2008: ($125) million and fuel expenditure of ($220) million (2008: $334 million) in the Income Statements.

Cash Flow Statements

for the year ended 30 June 2009

		Qantas Group		Qantas	
		2009	2008	**2009**	2008
CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**$M**	$M	**$M**	$M
Cash receipts in the course of operations		**15,462**	16,685	**12,530**	13,552
Cash payments in the course of operations		**(13,891)**	(14,135)	**(11,011)**	(11,333)
Interest received		**191**	265	**170**	235
Interest paid		**(381)**	(419)	**(378)**	(349)
Dividends received		**22**	22	**20**	22
Income taxes paid		**(274)**	(290)	**(190)**	(153)
Net cash from operating activities	26	**1,129**	2,128	**1,141**	1,974
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment and intangible assets		**(1,530)**	(1,424)	**(1,434)**	(1,325)
Proceeds from disposal of property, plant and equipment		**52**	44	**26**	20
Proceeds from sale and leaseback of non-current assets		**323**	–	**323**	–
Proceeds from disposal of controlled entity		**5**	–	**–**	–
Proceeds from disposal of investment		**–**	106	**–**	–
Payments for investments		**(23)**	(35)	**–**	–
Proceeds/(payments) for controlled entities acquired, net of cash acquired	27	**10**	(13)	**(23)**	(28)
Net cash used in investing activities		**(1,163)**	(1,322)	**(1,108)**	(1,333)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**514**	–	**514**	–
Payments under share buy-back		**–**	(505)	**–**	(505)
Payments for treasury shares		**(58)**	(69)	**(58)**	(69)
Proceeds from borrowings		**1,468**	–	**1,198**	–
Repayments of borrowings		**(653)**	(785)	**(518)**	(825)
(Payments)/proceeds from swaps		**(24)**	342	**(24)**	342
Net receipts from aircraft security deposits		**23**	85	**21**	85
Dividends paid[1]		**(218)**	(638)	**(203)**	(637)
Net cash from/(used in) financing activities		**1,052**	(1,570)	**930**	(1,609)
Net increase/(decrease) in cash and cash equivalents held		**1,018**	(764)	**963**	(968)
Cash and cash equivalents held at the beginning of the year		**2,599**	3,363	**2,441**	3,409
Cash and cash equivalents at the end of the year	10	**3,617**	2,599	**3,404**	2,441

1. During the year, 83 million (2008: nil) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year totalled $236 million (2008: nil).

Notes to the Financial Statements

for the year ended 30 June 2009

1. Statement of Significant Accounting Policies

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

The consolidated Financial Report of Qantas for the year ended 30 June 2009 comprises Qantas and its controlled entities (together referred to as the Qantas Group) and the Qantas Group's interest in associates and jointly controlled entities.

The Financial Report of Qantas for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 31 August 2009.

(A) STATEMENT OF COMPLIANCE

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

(B) BASIS OF PREPARATION

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

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

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

The following standards, amendments to standards and interpretations have been identified as those which may impact Qantas in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Qantas Group's operations:
  - contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss;
  - transaction costs, other than share and debt issue costs, will be expensed as incurred;
  - any pre-existing interest in the acquiree will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised AASB 3, which becomes mandatory for the Qantas Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods.
- Amended AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The Qantas Group has not yet determined the effect of the amendments to AASB 127, which becomes mandatory for the Qantas Group's 30 June 2010 financial statements.
- AASB 8 Operating Segments introduces the 'management approach' to segment reporting. AASB 8, which becomes mandatory for the Qantas Group's 30 June 2010 financial statements, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Qantas Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently, the Qantas Group presents segment information in respect of its business and geographical segments. Under the management approach, it is anticipated that the segments disclosed will match the business segments in the current disclosures.
- Revised AASB 101 Presentation of Financial Statements (2007) and consequential amendments in AASB 2009-6 Amendments to Australian Accounting Standards, introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Qantas Group's 30 June 2010 financial statements, is expected to have an impact on the presentation of the Qantas Group's financial statements with respect to non-owner changes in equity.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 Share-based Payment will become mandatory for the Qantas Group's 30 June 2010 financial statements, with retrospective applications. The Qantas Group has not yet determined the potential impact of the amendment.
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project, AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Qantas Group's 30 June 2010 financial statements, except for AASB 2009-5 which becomes mandatory for the Qantas Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement of dividends received as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Qantas Group's 30 June 2010 financial statements. The Qantas Group has not yet determined the potential effect of the amendments.
- AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedge Items clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Qantas Group's 30 June 2010 financial statements, with retrospective application. The Qantas Group has not yet determined the potential effect of the amendments.

Notes to the Financial Statements
for the year ended 30 June 2009

1. Statement of Significant Accounting Policies continued

(B) BASIS OF PREPARATION continued

• AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments requires enhanced disclosures about fair value measurements and liquidity risk. The amendments become mandatory for the Qantas Group's 30 June 2010 financial statements. The Qantas Group has not yet determined the potential impact of the amendment.

(C) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of a Financial Report conforming with AASBs requires management to make judgements, estimates and assumptions that affect the application of 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 of 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.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASBs that have a significant effect on the Financial Report and estimates with a significant risk of material adjustment in the next year are highlighted in the specific accounting policies detailed below.

Change in accounting estimates – Qantas Frequent Flyer

(i) Fair value of points

On 1 July 2008 Qantas Frequent Flyer launched an enhanced program. This program offers additional redemption options including non-flight awards and non-restricted seating (Any Seat). These changes have enhanced the reliability of management's estimate of the fair value of the award for which points are expected to be redeemed. From 1 January 2009 the fair value of the award component of revenue has changed and consequently a portion of revenue associated with the sale of points to third parties is recognised immediately. The change in estimate has increased revenue of the Qantas Group by $193 million (Qantas: $193 million).

(ii) Breakage

The determination of the breakage expectation includes a variety of assumptions including future redemption patterns, member behaviour and program design. Actuarial assessments are performed by management to assist in determining the breakage expectation.

Changes in breakage expectations are accounted for prospectively. Effective 1 January 2009, Management's estimate of breakage was revised downwards. The net effect of the change in the current financial year was a decrease in revenue and profit of the Qantas Group of $29 million (Qantas: $36 million).

Change in accounting estimate – Software

Effective 1 July 2008, the estimated useful lives of core system software were revised from five years to 10 years. The net effect of the changes in the current financial year was a decrease in amortisation expense of the Qantas Group of $17 million (Qantas: $17 million).

Assuming the assets are held until the end of their revised useful lives, amortisation of the Qantas Group in future years in relation to these assets will decrease by between $10 million and $26 million each year from 2010 to 2013 and increase by between $15 million to $20 million each year from 2014 to 2018.

(D) PRINCIPLES OF CONSOLIDATION

Controlled Entities

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

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

Investments in controlled entities are carried at their cost of acquisition, less any charge for impairment, in the Financial Statements of Qantas.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated Financial Statements.

Minority interests in the results of controlled entities are shown as a separate item in the Qantas Group Financial Statements.

Associates

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

In the consolidated Financial Statements, investments in associates are accounted for using equity accounting principles and are carried at the lower of the equity accounted amount and the recoverable amount.

The consolidated Financial Statements include the Qantas Group's share of the post-acquisition profits or losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

The Qantas Group's share of post-acquisition movements in reserves is recognised in reserves in the consolidated Financial Statements. The cumulative post-acquisition movements are adjusted against the carrying value of the investment. Dividends declared by associates are recognised in Qantas' Income Statement, while in the consolidated Financial Statements they reduce the carrying amount of the investment.

When the Qantas Group's share of losses exceeds its interest in an associate, 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.

In the Financial Statements of Qantas, investments in associates are carried at cost less any charge for impairment.

Jointly Controlled Entities

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

In the consolidated Financial Statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles and are carried at the lower of the equity accounted amount and the recoverable amount.

The share of the jointly controlled entity's net profit or loss is recognised in the consolidated Income Statement from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in equity. Dividends and distributions declared by jointly controlled entities are recognised in Qantas' Income Statement, while in the consolidated Financial Statements they reduce the carrying amount of the investment.

When the Qantas Group's share of losses exceeds the carrying value of its investment in a 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 a jointly controlled entity.

In the Financial Statements of Qantas, investments in jointly controlled entities are carried at cost less any charge for impairment.

1. Statement of Significant Accounting Policies continued

(E) FOREIGN CURRENCY TRANSACTIONS

Transactions

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

Translation of Foreign Operations

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

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve.

(F) DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments are recognised at fair value both initially and on an ongoing basis. Transaction costs attributable to the derivative are recognised in the 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 Income Statement category as the underlying hedged item. Changes in underlying market conditions or hedging strategies could result in recognition in the Income Statement of changes in fair value of derivative financial instruments designated as hedges.

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

Fair Value Hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the 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 equity in the hedge reserve. Amounts accumulated in the hedge reserve are recognised in the 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, amounts accumulated in the hedge reserve are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or Qantas revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity 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 equity with respect to the hedging instrument is recognised immediately in the Income Statement.

Ineffective and Non-designated Derivatives

From time to time, certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument, or part of a derivative instrument, that does not qualify for hedge accounting are recognised immediately in the 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. The fair value of derivative financial instruments includes the present value of estimated future cash flows.

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 controlled entities or 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.

1. Statement of Significant Accounting Policies continued

(G) REVENUE RECOGNITION

Passenger, Freight and Tours and Travel Revenue

Passenger and freight revenue is included in the Income Statement at the fair value of the consideration received net of sales discount, passenger and freight interline/IATA commission and GST. Tours and travel revenue is included in the Income Statement as the net amount of commission retained by Qantas. Passenger recoveries (including fuel surcharge on passenger tickets) are disclosed as part of net passenger revenue. Freight fuel surcharge is disclosed as part of net freight revenue. Other sales commissions paid by Qantas are included in expenditure.

Passenger, freight and tours and travel sales are credited to revenue received in advance and subsequently transferred to revenue when passengers or freight are uplifted or when tours and travel air tickets and land content are utilised. Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket. Changes in these estimation methods could have a material impact on the financial statements of Qantas.

Frequent Flyer Revenue

Redemption Revenue

Redemption 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 flight redemptions.

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

Marketing Revenue

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

Marketing revenue is measured as the difference between the cash received on issuance of a point and the fair value attributed to the award component (which is deferred and recognised on point redemption as described above).

Membership Fee Revenue

Membership fee revenue results from an initial joining fee charged to members. This fee is refundable for a two week period after membership is granted. Revenue is recognised on expiry of the refundable period.

Contract Work Revenue

Revenue from the rendering of services associated with contracts is included in contract work revenue.

Where services performed are in accordance with contractually agreed terms over a short period and are task specific, revenue is recognised when the service has 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 and otherwise on completion of the contract.

Other Income

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

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

Asset Disposals

The gain or loss on the disposal of assets is 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 on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Aircraft Financing Fees

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

Dividend Revenue

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

(H) GOODS AND SERVICES TAX

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

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

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

(I) MAINTENANCE AND OVERHAUL COSTS

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

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

1. Statement of Significant Accounting Policies continued

(J) INCOME TAX

Income tax on the Income Statement for the years presented comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method, providing for 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 to the extent that they will probably not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at balance date.

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

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

(K) TAX CONSOLIDATION

Qantas is the head entity in the tax consolidated group comprising Qantas and all of its Australian wholly-owned entities and partnerships. The implementation date of the tax consolidation system for the tax consolidated group was 1 July 2003.

The current and deferred tax amounts for the tax consolidated group are allocated among the entities in the group using a group allocation method. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Balance Sheet of Qantas and their tax values applying under tax consolidation.

Any current tax liabilities/assets and deferred tax assets arising from unused tax losses assumed by the head entity from the controlled entities in the tax consolidated group are recognised as amounts payable/(receivable) to/(from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below).

Qantas recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from controlled entities within the tax consolidated group are recognised by the head entity only.

The members of the tax consolidated group have entered into a tax funding arrangement, which sets out the funding obligations of members of the tax consolidated group with respect to tax amounts.

The tax funding arrangements require payments to/(from) the head entity equal to the current tax liability/asset assumed by the head entity and any tax loss deferred tax asset assumed by the head entity. The members of the tax consolidated group have also entered into a valid tax sharing agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated group. In the opinion of the Directors, the tax sharing agreement limits, subject to any ASIC Class Order, the joint and several income tax related liability of the wholly-owned entities of the tax consolidated group in the case of default by Qantas.

(L) RECEIVABLES

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

(M) CONTRACT WORK IN PROGRESS

Contract work in progress is stated at cost plus profit recognised to date, in accordance with accounting policy 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 Balance Sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the Balance Sheet.

(N) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of engineering expendables, consumable stores and work in progress is the weighted average cost.

(O) IMPAIRMENT

Non-financial Assets

The carrying amounts of 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 conditions exists, the assets' recoverable amount is estimated. For goodwill and intangible assets with indefinite lives, the recoverable amount is established each year. The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. Assets which primarily generate cash flows as a group, such as aircraft, are assessed on a cash generating unit (CGU) basis inclusive of related infrastructure and intangible assets and compared to net cash flows for the CGU. Estimated net cash flows used in determining recoverable amounts have been discounted to their net present value, using a rate as described in Note 17.

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

Financial Assets

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

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

1. Statement of Significant Accounting Policies continued

(P) PROPERTY, PLANT AND EQUIPMENT

Owned Assets

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

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

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

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

Depreciation and Amortisation

Depreciation and amortisation are provided on a straight-line basis on all items of property, plant and equipment except for freehold and leasehold land which are not depreciated or amortised. The depreciation and amortisation 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 or amortised 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 amortised 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 amortised 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 and amortisation periods and estimated residual value percentages are:

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

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

Leased and Hire Purchase Assets

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

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

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments and guaranteed residual value are recorded at the inception of the lease. Any gains and losses arising under sale and leaseback arrangements are deferred and amortised over the lease term where the sale is not at fair value. Capitalised leased assets are amortised 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 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 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 Income Statement on a straight-line basis over the period of the lease.

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

Manufacturers' Credits

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

Capital Projects

Capital projects are disclosed in 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 purchase 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 Income Statement.

1. Statement of Significant Accounting Policies continued

(Q) INTANGIBLE ASSETS continued

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

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

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

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

(R) PAYABLES
Liabilities for trade creditors and other amounts payable are carried at cost.

(S) EMPLOYEE BENEFITS

Wages, Salaries, Annual Leave and Sick Leave
Liabilities for employee benefits for wages, salaries, annual leave (including leave loading) and sick leave vesting to employees expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to balance date. The calculation of this liability is based on remuneration wage and salary rates that the Qantas Group expects to pay as at balance date including related on-costs, such as workers' compensation insurance, superannuation and payroll tax.

Employee Share Plans
The fair value of equity-based entitlements granted to employees after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity. The fair value is estimated at grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument. The amount recognised as an expense is adjusted to reflect the actual number of entitlements that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Long Service Leave
The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to balance date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on staff turnover history and is discounted using the rates attaching to Australian Government bonds at balance date which most closely match the terms to maturity of the related liabilities. The unwinding of the discount is treated as a finance charge.

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

Defined Benefit Superannuation Plans
Qantas' 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 Qantas' net obligation calculations. Obligations of accumulation members are accrued for as per the above accounting policy. The calculation estimates the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

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

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

All actuarial gains and losses as at 1 July 2004, the date of transition to IFRS, were recognised. With respect to actuarial gains and losses that arise subsequent to 1 July 2004, in calculating Qantas' 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 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 Qantas' defined benefit obligation and are discussed in Note 30.

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

1. Statement of Significant Accounting Policies continued

(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 payable 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.

Insurance

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

(U) EARNINGS PER SHARE

Basic earnings per share is determined by dividing the Qantas Group's net profit attributable to members of Qantas by the weighted average number of shares on issue during the current year (refer Note 8).

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 (refer Note 8).

(V) CASH AND CASH EQUIVALENTS

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

(W) NET FINANCE COSTS

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

(X) INTEREST-BEARING LIABILITIES

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

(Y) ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets 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 is brought up-to-date in accordance with applicable Accounting Standards. Then, on initial classification as held for sale, assets are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the Income Statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

(Z) SHARE CAPITAL

Ordinary Shares

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

Repurchase of Share Capital

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

In Qantas' Financial Report, the transactions of the Qantas sponsored employee share plan trust are treated as being executed directly by Qantas (as the trust acts as Qantas' agent). Accordingly, repurchased shares held by the trust are recognised as treasury shares and deducted from equity.

(AA) COMPARATIVES

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

2. Change in Accounting Policy

On 1 July 2008, the Qantas Group revised its accounting policy in relation to accounting for Tours and travel revenue and cost of goods sold to be reported on a net basis rather than a gross basis. The change was adopted for the following reasons:

(i) following the merger of Qantas Holidays with the Jetset Travelworld Group, the Qantas Group has aligned accounting policies of the merged entity. The Jetset Travelworld Group report revenues predominantly on a net basis; and

(ii) the change in accounting policy is a more relevant presentation of revenue for the Group's holidays businesses following the merger with the Jetset Travelworld Group.

The impact of this change in accounting policy on the comparative income statement for the year ended 30 June 2008 is as follows:

	Qantas Group			Qantas		
2008 **$M**	Before Restatement[1]	Effect of Change in Accounting Policy	After Restatement	Before Restatement	Effect of Change in Accounting Policy	After Restatement
Sales and Other Income						
Tours and travel	745	(621)	124	5	–	5
Expenditure						
Tours and travel	608	(608)	–	–	–	–
Selling and marketing	763	(8)	755	683	–	683
Other	773	(5)	768	552	–	552
Profit before related income tax expense	**1,408**	**–**	**1,408**	**1,614**	**–**	**1,614**

1. These items are presented after restatement of comparatives as described in Note 1 (AA).

There is no impact on profit or shareholders' equity as a result of this change in accounting policy.

3. Segment Reporting

(A) BUSINESS SEGMENTS

The Qantas Group comprises the following main business segments:

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

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

The primary reporting measure for the Group's business segments is Segment underlying EBITDAR, which is defined as Profit before related income tax expense, depreciation, amortisation, non-cancellable operating lease rentals and finance costs and before non-recurring items.

Non-recurring items are those items which are considered necessary for separate disclosure in the Group and segment results on the basis of their non-recurring nature and materiality to the segment results.

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

3. Segment Reporting continued

ANALYSIS BY BUSINESS SEGMENT 2009 $M	Qantas	Jetstar	Qantas Freight	Qantas Frequent Flyer	Jetset Travelworld Group	Corporate/Unallocated	Eliminations	Consolidated
Sales and other income								
External segment revenue	10,784	1,646	1,077	1,103	117	(23)	(152)	14,552
Intersegment revenue	926	205	3	30	28	16	(1,208)	–
Total segment revenue	11,710	1,851	1,080	1,133	145	(7)	(1,360)	14,552
Share of net (loss)/profit of associates and jointly controlled entities	(13)	(15)	13	–	–	–	–	(15)
Segment underlying EBITDAR[1]	**1,363**	**373**	**25**	**226**	**22**	**(137)**	**33**	**1,905**
Non-cancellable operating lease rentals	(253)	(251)	(6)	–	–	–	60	(450)
Depreciation and amortisation[2]	(1,106)	(15)	(12)	–	(6)	(52)	(60)	(1,251)
Segment underlying EBIT	**4**	**107**	**7**	**226**	**16**	**(189)**	**33**	**204**
– ineffective and non-designated hedging	–	–	–	–	–	105	–	105
Non-recurring items:								
– gain on sale of Qantas Holidays	86	–	–	–	–	–	–	86
– revenue from direct earn conversion[1]	–	–	–	84	–	–	–	84
– accelerated depreciation and impairment (losses)/gains								
Property, plant and equipment[2]	(139)	–	–	–	–	–	–	(139)
Investments	(15)	19	–	–	–	–	–	4
Goodwill and other intangible assets	–	–	(22)	–	–	–	–	(22)
Provisions	(13)	–	–	–	–	–	–	(13)
– redundancies and restructuring	–	–	–	–	–	(106)	–	(106)
(LOSS)/PROFIT BEFORE RELATED INCOME TAX EXPENSE AND NET FINANCE COSTS	**(77)**	**126**	**(15)**	**310**	**16**	**(190)**	**33**	**203**
Net finance costs								(22)
Profit before related income tax expense								**181**
Income tax expense								(58)
Profit for the year								**123**
Assets								
Segment assets	12,205	757	382	2,616	364	7,494	(4,156)	19,662
Investments accounted for using the equity method	58	39	290	–	–	–	–	387
Total assets	**12,263**	**796**	**672**	**2,616**	**364**	**7,494**	**(4,156)**	**20,049**
Liabilities								
Total liabilities	**6,650**	**656**	**651**	**2,137**	**168**	**8,518**	**(4,496)**	**14,284**
Payments for property, plant and equipment and intangible assets	802	24	12	–	–	692	–	1,530

1. Of the net change in accounting estimates of $164 million in relation to frequent flyer accounting as described in Note 1, Segment underlying EBITDAR includes $80 million (Qantas Frequent Flyer $63 million and Eliminations $17 million) representing the six month impact of the change in accounting estimate.
2. The combination of these lines is reported as Depreciation and amortisation in the Income Statement.

3. Segment Reporting continued

ANALYSIS BY BUSINESS SEGMENT 2008 $M	Qantas	Jetstar	Qantas Freight	Qantas Frequent Flyer	Qantas Holidays	Corporate/Unallocated	Eliminations	Consolidated
Sales and other income								
External segment revenue	11,877	1,341	1,140	849	100	392	(72)	15,627
Intersegment revenue	1,094	223	1	–	(1)	–	(1,317)	–
Total segment revenue	12,971	1,564	1,141	849	99	392	(1,389)	15,627
Share of net profit/(loss) of associates and jointly controlled entities	12	(3)	22	–	–	(3)	–	28
Segment underlying EBITDAR	**2,834**	**317**	**96**	**128**	**20**	**(331)**	**13**	**3,077**
Non-cancellable operating lease rentals	(257)	(210)	(6)	–	–	–	73	(400)
Depreciation and amortisation[1]	(1,219)	(5)	(11)	–	(1)	(50)	(73)	(1,359)
Segment underlying EBIT	**1,358**	**102**	**79**	**128**	**19**	**(381)**	**13**	**1,318**
–ineffective and non-designated hedging	–	–	–	–	–	(55)	–	(55)
Non-recurring items:								
– liquidated damages	–	–	–	–	–	291	–	291
– accelerated depreciation and impairment losses								
Property, plant and equipment[1]	(110)	–	–	–	–	–	–	(110)
Other assets	(18)	–	–	–	–	–	–	(18)
– provisions for freight cartel investigations	–	–	–	–	–	(64)	–	(64)
PROFIT/(LOSS) BEFORE RELATED INCOME TAX EXPENSE AND NET FINANCE INCOME	**1,230**	**102**	**79**	**128**	**19**	**(209)**	**13**	**1,362**
Net finance income								46
Profit before related income tax expense								**1,408**
Income tax expense								(438)
Profit for the year								**970**
Assets								
Segment assets	12,326	648	423	2,381	240	7,593	(4,315)	19,296
Investments accounted for using the equity method	80	30	292	–	–	2	–	404
Total assets	**12,406**	**678**	**715**	**2,381**	**240**	**7,595**	**(4,315)**	**19,700**
Liabilities								
Total liabilities	**6,445**	**536**	**671**	**1,999**	**220**	**8,421**	**(4,327)**	**13,965**
Payments for property, plant and equipment and intangible assets	459	40	17	4	2	902	–	1,424

1. The combination of these lines is reported as Depreciation and amortisation in the Income Statements.

3. Segment Reporting continued

(B) GEOGRAPHIC SEGMENTS

Passenger, freight and other services revenue from domestic services within Australia is attributed to the Australian geographic region. Passenger, freight and other services revenue from inbound and outbound services between Australia and overseas is allocated proportionately to the area in which the sale was made. Other income is not allocated to a geographic region as it is impractical to do so.

	Qantas Group	
Analysis of total revenue by geographic region	**2009 $M**	2008 $M
Sales and other income		
Passenger, freight and other services revenue		
Australia	**9,760**	10,562
United Kingdom and Europe	**1,102**	1,152
Japan	**384**	490
South East Asia/North East Asia	**668**	616
The Americas and the Pacific	**948**	1,029
New Zealand	**329**	375
Other regions	**358**	318
	13,549	14,542
Other income		
Tours and travel	**223**	124
Contract work	**426**	454
Other unallocated	**354**	507
Sales and other income	**14,552**	15,627
Finance income	**207**	285
Total income	**14,759**	15,912

For the year ended 30 June 2009, the principal assets of the Qantas Group comprised the aircraft fleet, all except seven of which were registered and domiciled in Australia. These assets are used flexibly across the Qantas Group's worldwide route network. Accordingly, there is no suitable basis for allocating such assets and the related liabilities between geographic areas.

4. Profit before Related Income Tax Expense and Net Finance (Costs)/Income

	Qantas Group		Qantas	
(A) Significant items included in profit before related income tax expense and net finance (costs)/income	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Gain on sale of Qantas Holidays[1]	**86**	–	**–**	–
Change in frequent flyer estimates[2]	**164**	–	**157**	–
Accelerated depreciation and impairment losses:				
– property, plant and equipment[3]	**(139)**	(110)	**(135)**	(110)
– investments[4]	**4**	–	**(15)**	–
– controlled entity impairment reversal	**–**	–	**181**	–
– goodwill and other intangible assets[4]	**(22)**	–	**–**	–
– provisions	**(13)**	–	**(13)**	–
– other assets	**–**	(18)	**–**	(9)
Redundancies and restructuring[5]	**(106)**	–	**(104)**	–
Liquidated damages[6]	**–**	291	**–**	291
Provisions for freight cartel investigations[7]	–	(64)	–	(64)

1. In July 2008, the Qantas Group sold Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Ltd in exchange for a 58 per cent ownership interest in the combined group. A gain of $86 million, after transaction costs, was recognised on disposal of Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Ltd. Refer to Note 27 for further details.
2. During the year ended 30 June 2009, the Qantas Group changed its estimate of the fair value of a frequent flyer point and breakage which resulted in $164 million (Qantas: $157 million) of additional revenue of which $84 million relates to a non-recurring benefit arising from the direct earn conversion implemented during the year. Refer to Note 1 for further details.
3. In April 2009, the Qantas Group announced its intentions to reduce capacity and ground or retire certain aircraft. In addition to these plans to ground certain aircraft the Qantas Group has disposed of a number of other aircraft during the year.
4. During the year ended 30 June 2009, the Qantas Group recorded impairment losses on certain investments of $15 million (Qantas: $15 million) and goodwill and other intangible assets of $22 million following a review of the carrying value of these assets. In addition, immediately prior to the acquisition of Orangestar Investment Holdings Pte Limited ("Orangestar"), the Qantas Group reversed $19 million of prior year impairment losses recorded against the carrying value of the investment in Orangestar. Refer to Note 27 for further details.
5. During the year ended 30 June 2009, as part of the plans to reduce capacity, the Qantas Group announced plans to restructure the business. These plans resulted in restructuring expenses of $106 million (Qantas: $104 million).
6. During the year ended 30 June 2008, liquidated damages of $291 million were recognised for contracted amounts expected to be receivable due to delays in the delivery of new aircraft.
7. During the year ended 30 June 2008, provisions of $64 million were recognised for estimated liabilities associated with freight cartel investigations. Refer to Note 29 for further details.

(B) Other items included in profit before related income tax expense and net finance (costs)/income requiring disclosure				
Dividend revenue				
– controlled entities	**–**	–	**429**	602
– associates and jointly controlled entities	**–**	–	**20**	22
Share-based payments[1]	**(59)**	(62)	**(59)**	(62)
Net gain on disposal of property, plant and equipment	**17**	15	**6**	4
Government grants	**10**	7	**1**	4
Net foreign currency gains/(losses)	**542**	(168)	**444**	(133)
Restructuring (excluding significant items)	**(49)**	(90)	**(49)**	(90)
Cancellable operating lease rentals	**(224)**	(175)	**(167)**	(140)

1. Refer to Note 24 for further details.

5. Net Finance (Costs)/Income

	Qantas Group		Qantas	
	2009	2008	**2009**	2008
Finance income	**$M**	$M	**$M**	$M
Related parties				
– associates and jointly controlled entities	**10**	10	**–**	8
Unwinding of discount on receivables	**33**	23	**33**	23
Other parties				
– interest income on financial assets measured at amortised cost	**164**	252	**152**	224
Total finance income	**207**	285	**185**	255
Finance costs				
Related parties				
– controlled entities	**–**	–	**62**	99
Other parties				
– finance leases	**25**	31	**25**	31
– interest expense on financial liabilities measured at amortised cost	**287**	293	**236**	223
Fair value hedges				
– fair value adjustments on hedged items	**379**	36	**379**	36
– fair value adjustments on derivatives designated in a fair value hedge	**(403)**	(39)	**(403)**	(39)
Less: capitalised interest[1]	**(83)**	(101)	**(83)**	(101)
Total finance costs on financial liabilities	**205**	220	**216**	249
Unwinding of discount on provisions	**24**	19	**24**	19
Total finance costs	**229**	239	**240**	268
Net finance (costs)/income	**(22)**	46	**(55)**	(13)

1. The borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's debt facilities being 8.1 per cent (2008: 7.9 per cent).

6. Income Tax

	Qantas Group		Qantas	
	2009	2008	**2009**	2008
RECOGNISED IN THE INCOME STATEMENT	**$M**	$M	**$M**	$M
Current income tax expense				
Current year	**49**	271	**(40)**	142
Adjustments for prior years	**8**	(3)	**9**	(3)
	57	268	**(31)**	139
Deferred income tax expense				
Origination and reversal of temporary differences	**15**	189	**27**	192
Adjustments for prior years	**(15)**	(21)	**(22)**	(27)
Benefit of tax losses recognised	**1**	2	**1**	2
	1	170	**6**	167
Total income tax expense/(benefit) in the Income Statement	**58**	438	**(25)**	306

RECONCILIATION BETWEEN INCOME TAX EXPENSE AND PROFIT BEFORE RELATED INCOME TAX EXPENSE				
Profit before related income tax expense	**181**	1,408	**459**	1,614
Income tax using the domestic corporate tax rate of 30 per cent	**54**	422	**138**	484
Add/(less) adjustments for (non-assessable income)/non-deductible expenditure:				
– non-assessable gain on sale of Qantas Holidays Group	**(26)**	–	**–**	–
– non-taxable Australian and foreign dividends	**–**	–	**(134)**	(187)
– share of net loss/(profit) of associates and jointly controlled entities	**5**	(8)	**–**	–
– utilisation of previously unrecognised losses	**(11)**	(5)	**–**	–
– writedown of investments and goodwill	**6**	3	**(44)**	4
– provisions for freight cartel investigations	**3**	19	**3**	19
Other items	**19**	10	**3**	(11)
Under/(over) provision in prior years	**8**	(3)	**9**	(3)
Income tax expense/(benefit)	**58**	438	**(25)**	306

INCOME TAX EXPENSE/(BENEFIT) RECOGNISED DIRECTLY IN EQUITY				
Other net financial assets/liabilities and interest-bearing liabilities	**(189)**	129	**(189)**	129

7. Auditors' Remuneration

	Qantas Group		Qantas	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Audit services				
Auditors of Qantas – KPMG Australia				
– audit and review of Financial Reports – Qantas	**2,756**	2,772	**2,372**	2,074
– audit and review of Financial Reports – Jetset Travelworld Group	**594**	–	**–**	–
– other regulatory audit services	**153**	49	**85**	34
Overseas KPMG firms				
– audit and review of Financial Reports	**332**	227	**–**	–
	3,835	3,048	**2,457**	2,108
Other services				
Auditors of Qantas – KPMG Australia				
– other assurance services	**855**	1,171	**810**	1,152
– due diligence services	**4,086**	78	**4,086**	50
– taxation services	**326**	296	**281**	298
Overseas KPMG firms				
– due diligence services	**1,363**	–	**1,363**	–
– taxation services	**257**	94	**42**	30
	6,887	1,639	**6,582**	1,530
	10,722	4,687	**9,039**	3,638

8. Earnings per Share

	Qantas Group	
	2009 Cents	2008 Cents
Earnings per share attributable to members of Qantas (as previously reported)		
Basic earnings per share		50.2
Diluted earnings per share		50.2
Effect of bonus issue[1]		(1.2)
Basic earnings per share	**5.6**	49.0
Diluted earnings per share	**5.6**	49.0
	$M	$M
Profit attributable to members of Qantas	**117**	969
Weighted average number of shares	**Number M**	Number M
Issued shares as at 1 July	**1,894**	1,985
Effect of shares bought back between 6 September 2007 and 23 April 2008	**–**	(56)
Effect of shares issued 1 October 2008	**41**	–
Effect of shares issued 11 February 2009	**104**	–
Effect of shares issued 17 March 2009	**5**	–
Effect of shares issued 8 April 2009	**7**	–
Weighted average number of shares	**2,051**	1,929
Effect of bonus issue[1]	**29**	47
Weighted average number of shares (basic and diluted) as at 30 June	**2,080**	1,976

1. In accordance with AASB133 Earnings per Share, a bonus issue of shares occurs when shares are offered to existing shareholders at a discount to the market price. This gives rise to a retrospective restatement of the weighted average number of shares.

9. Dividends

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

Type	Cents per Share	Total Amount $M	Date of Payment	Franked Tax Rate for Franking Credit %	Percentage Franked %
2009					
2009 interim	**6.0**	**117**	**8 April 2009**	**30**	**100**
2008 final	**17.0**	**322**	**1 October 2008**	**30**	**100**
Total amount	**23.0**	**439**			
2008					
2008 interim	18.0	342	2 April 2008	30	100
2007 final	15.0	298	26 September 2007	30	100
Total amount	33.0	640			

No final dividend will be paid in relation to the year ended 30 June 2009.

As at 30 June 2009, Qantas does not have any franking credits available for distribution (2008: $162 million available) due to the impact of expected tax refunds. Qantas must obtain $17 million of franking credits via future tax payments and/or franked dividends before further franking credits obtained are available for distribution.

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

QANTAS GROUP
In addition to dividends of $439 million (2008: $640 million) declared to Qantas shareholders, $5 million (2008: $1 million) of dividends were declared to minority interest shareholders.

10. Cash and Cash Equivalents

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Cash balances	**336**	172	**129**	3
Cash at call	**279**	5	**273**	36
Short-term money market securities and term deposits	**3,002**	2,422	**3,002**	2,422
	3,617	2,599	**3,404**	2,461

Short-term money market securities of $197 million (2008: $164 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 Qantas.

The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statements as follows:

Balances as above	**3,617**	2,599	**3,404**	2,461
Bank overdrafts (Note 21)	**–**	–	**–**	(20)
Balances per Cash Flow Statements	**3,617**	2,599	**3,404**	2,441

11. Receivables

	Qantas Group		Qantas	
CURRENT	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Trade debtors				
Controlled entities	**–**	–	**–**	32
Associates and jointly controlled entities	**41**	7	**37**	6
Other parties	**810**	1,082	**534**	806
Less: impairment losses	**27**	4	**23**	3
	824	1,085	**548**	841
Other loans				
Controlled entities				
- interest-bearing	**–**	–	**–**	37
- non-interest-bearing	**–**	–	**1,584**	1,561
Aircraft security deposits	**24**	23	**20**	13
Sundry debtors	**206**	327	**144**	253
	1,054	1,435	**2,296**	2,705
NON-CURRENT				
Other loans				
Controlled entities				
- interest-bearing	**–**	–	**1,880**	396
Associates and jointly controlled entities				
- interest-bearing	**128**	128	**–**	–
Other parties				
- interest-bearing	**–**	15	**–**	–
Aircraft security deposits	**18**	14	**2**	14
Sundry debtors	**376**	375	**376**	375
	522	532	**2,258**	785
The ageing of trade debtors, net of provision for impairment losses, at 30 June was:				
Not past due	**677**	995	**484**	774
Past due 1 – 30 days	**60**	37	**18**	27
Past due 31 – 120 days	**36**	34	**17**	22
Past due 121 days or more	**51**	19	**29**	18
	824	1,085	**548**	841

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

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

Balance as at 1 July	**4**	6	**3**	5
Impairment loss recognised	**24**	2	**21**	2
Bad debts written off	**(1)**	(4)	**(1)**	(4)
Balance as at 30 June	**27**	4	**23**	3

Current and non-current aircraft security deposits have been pledged as security to providers of aircraft finance.

Sundry debtors of the Qantas Group and Qantas also includes the present value of liquidated damages of $442 million (2008: $496 million) resulting from the delay in delivery of aircraft.

12. Inventories

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Engineering expendables	**195**	150	**159**	116
Consumable stores	**46**	54	**37**	44
Work in progress	**9**	12	**3**	3
	250	216	**199**	163

13. Assets Classified as Held for Sale

Property, plant and equipment	**26**	41	**23**	28

14. Investments Accounted for Using the Equity Method

	Qantas Group	
Share of net (loss)/profit of associates and jointly controlled entities included in the Income Statement:	**2009 $M**	2008 $M
Associates	**(25)**	4
Jointly controlled entities	**10**	24
	(15)	28

Investments accounted for using the equity method included in the Balance Sheet:		
Associates	**76**	109
Jointly controlled entities		
Star Track Express Holdings Pty Limited	**270**	271
Other	**41**	24
	387	404

(A) INVESTMENTS IN ASSOCIATES

Details of interests in associates are as follows:

				Qantas Group Ownership Interest	
	Principal Activity	**Country of Incorporation**	**Balance Date**	**2009 %**	2008 %
Air Pacific Limited	Air transport	Fiji	31 Mar	**46**	46
Fiji Resorts Limited	Resort accommodation	Fiji	31 Dec	**21**	21
Hallmark Aviation Services L.P.	Passenger handling services	United States of America	31 Dec	**49**	49
HT & T Travel Philippines, Inc.	Tours and travel	Philippines	30 Jun	**28**	28
Holiday Tours and Travel (Thailand) Ltd	Tours and travel	Thailand	31 Dec	**37**	37
Holiday Tours & Travel Vietnam Co. Ltd	Tours and travel	Vietnam	30 Jun	**37**	37
Jetstar Pacific Airlines Aviation Joint Stock Company[1]	Air transport	Vietnam	31 Dec	**27**	18
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
Travel Software Solutions Pty Limited[2]	Reservations systems	Australia	30 Jun	**–**	50

1. The Qantas Group acquired a further nine per cent interest on 20 March 2009.
2. The Qantas Group acquired an additional 17 per cent of Travel Software Solutions Pty Limited on 8 October 2008. As a result of the transaction, the Qantas Group gained control of this entity and ceased to equity account for this entity from this date.

14. Investments Accounted for Using the Equity Method continued

	Qantas Group	
RESULTS OF ASSOCIATES	**2009 $M**	2008 $M
Revenues	**289**	194
Expenses	**316**	185
(Loss)/profit before related income tax expense	**(27)**	9
Income tax benefit/(expense)	**2**	(5)
Share of net (loss)/profit of associates	**(25)**	4

MOVEMENTS IN CARRYING AMOUNT OF INVESTMENTS IN ASSOCIATES	2009 $M	2008 $M
Carrying amount of investments in associates as at 1 July	**109**	78
Investments in associates acquired	**23**	35
Share of net (loss)/profit of associates	**(25)**	4
Dividends received from associates	**(5)**	–
Share of foreign currency translation reserve movements	**–**	(8)
Share of hedge reserve movements	**(8)**	–
Impairment of investment	**(15)**	–
Reclassification to controlled entity	**(3)**	–
Carrying amount of investments in associates as at 30 June	**76**	109

SUMMARY FINANCIAL POSITION OF ASSOCIATES	2009 $M	2008 $M
The Qantas Group's share of aggregate assets and liabilities of associates is as follows:		
Current assets	**74**	111
Non-current assets	**78**	95
Total assets	**152**	206
Current liabilities	**97**	99
Non-current liabilities	**24**	31
Total liabilities	**121**	130
Net assets	**31**	76
Adjustment arising from equity accounting		
– goodwill	**45**	33
Net assets – equity accounting adjusted	**76**	109

COMMITMENTS	2009 $M	2008 $M
Share of associates' capital expenditure commitments contracted for	**995**	934
Share of associates' non-capital expenditure commitments contracted for	**46**	36
Share of associates' commitments	**1,041**	970

CONTINGENT LIABILITIES	2009 $M	2008 $M
Share of associates' contingent liabilities	**5**	5

(B) INTERESTS 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	**2009 %**	2008 %
Australian air Express Pty Limited	Air cargo	Australia	30 Jun	**50**	50
Harvey Holidays Pty Ltd	Tours and travel	Australia	30 Jun	**50**	50
LTQ Engineering Pty Limited[1]	Maintenance services	Australia	30 Jun	**50**	–
Orangestar Investment Holdings Pte. Ltd.[2]	Air transport	Singapore	31 Mar	**–**	45
Star Track Express Holdings Pty Limited	Express road freight	Australia	30 Jun	**50**	50

1. The Qantas Group disposed of 50 per cent of its interest in this entity on 1 July 2008. Jet Turbine Services Pty Limited changed its name to LTQ Engineering Pty Limited on 19 December 2008.
2. The Qantas Group acquired an additional four per cent of this company on 8 April 2009. As a result of the transaction, the Qantas Group gained accounting control (as defined by AASB 127 Consolidated and Separate Financial Statements) of this entity and ceased to equity account for this entity from this date.

14. Investments Accounted for Using the Equity Method continued

	Qantas Group	
RESULTS OF JOINTLY CONTROLLED ENTITIES	**2009 $M**	2008 $M
Revenues	**659**	656
Expenses	**649**	624
Profit before related income tax expense	**10**	32
Income tax expense	**–**	(8)
Share of net profit of jointly controlled entities	**10**	24
MOVEMENTS IN CARRYING AMOUNT OF INVESTMENTS IN JOINTLY CONTROLLED ENTITIES		
Carrying amount of investments in jointly controlled entities as at 1 July	**295**	295
Reclassification from controlled entity	**21**	–
Share of net profit of jointly controlled entities	**10**	24
Dividends received from jointly controlled entities	**(15)**	(22)
Reversal of impairment losses	**19**	–
Reclassification to controlled entity	**(19)**	(2)
Carrying amount of investments in jointly controlled entities as at 30 June	**311**	295
SUMMARY FINANCIAL POSITION OF JOINTLY CONTROLLED ENTITIES		
The Qantas Group's share of aggregate assets and liabilities of jointly controlled entities is as follows:		
Current assets	**88**	93
Non-current assets	**441**	436
Total assets	**529**	529
Current liabilities	**67**	79
Non-current liabilities	**151**	149
Total liabilities	**218**	228
Net assets	**311**	301
Adjustment arising from equity accounting		
- goodwill	**–**	1
- superannuation	**–**	(7)
Net assets – equity accounting adjusted	**311**	295
COMMITMENTS		
Share of jointly controlled entities' capital expenditure commitments contracted for	**12**	10
Share of jointly controlled entities' non-capital expenditure commitments contracted for	**357**	377
Share of jointly controlled entities' commitments	**369**	387
CONTINGENT LIABILITIES		
Share of jointly controlled entities' contingent liabilities	**33**	33

15. Other Investments

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Controlled entities	**–**	–	**475**	267
Associates and jointly controlled entities at cost	**–**	–	**288**	283
Other corporations	**3**	3	**3**	3
	3	3	**766**	553

16. Property, Plant and Equipment

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Freehold land – owned				
At cost	**66**	72	**47**	47
Buildings – owned				
At cost	**283**	281	**223**	223
Less: accumulated depreciation	**118**	100	**84**	74
	165	181	**139**	149
Buildings – leased				
At cost	**51**	59	**3**	–
Less: accumulated amortisation	**43**	47	**3**	–
	8	12	**–**	–
Total buildings				
At cost	**334**	340	**226**	223
Less: accumulated depreciation and amortisation	**161**	147	**87**	74
Total buildings at net book value	**173**	193	**139**	149
Leasehold improvements				
At cost	**1,479**	1,361	**905**	810
Less: accumulated amortisation	**900**	820	**488**	432
Total leasehold improvements at net book value	**579**	541	**417**	378
Plant and equipment – owned				
At cost	**1,264**	1,230	**788**	796
Less: accumulated depreciation	**721**	679	**495**	466
Total plant and equipment at net book value	**543**	551	**293**	330
Aircraft and engines – owned				
At cost	**11,297**	11,086	**7,878**	7,833
Less: accumulated depreciation	**4,974**	4,796	**4,225**	3,876
	6,323	6,290	**3,653**	3,957
Aircraft and engines – hire purchased				
At cost	**3,192**	2,575	**5,758**	5,086
Less: accumulated amortisation	**1,055**	721	**1,538**	1,418
	2,137	1,854	**4,220**	3,668
Aircraft and engines – leased				
At cost	**622**	616	**604**	604
Less: accumulated amortisation	**512**	479	**507**	477
	110	137	**97**	127
Aircraft and engines – maintenance				
At cost	**1,087**	891	**964**	804
Less: accumulated depreciation	**720**	564	**645**	506
	367	327	**319**	298
Total aircraft and engines				
At cost	**16,198**	15,168	**15,204**	14,327
Less: accumulated depreciation and amortisation	**7,261**	6,560	**6,915**	6,277
Total aircraft and engines at net book value	**8,937**	8,608	**8,289**	8,050

16. Property, Plant and Equipment continued

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Aircraft spare parts – owned				
At cost	**899**	766	**717**	584
Less: accumulated depreciation	**417**	347	**370**	306
	482	419	**347**	278
Aircraft spare parts – leased				
At cost	**24**	23	**24**	23
Less: accumulated amortisation	**13**	11	**13**	11
	11	12	**11**	12
Total aircraft spare parts				
At cost	**923**	789	**741**	607
Less: accumulated depreciation and amortisation	**430**	358	**383**	317
Total aircraft spare parts at net book value	**493**	431	**358**	290
Aircraft deposits				
At cost	**1,364**	1,945	**1,220**	1,590
Total property, plant and equipment				
At cost	**21,628**	20,905	**19,131**	18,400
Less: accumulated depreciation and amortisation	**9,473**	8,564	**8,368**	7,566
Total property, plant and equipment at net book value	**12,155**	12,341	**10,763**	10,834

16. Property, Plant and Equipment continued

QANTAS GROUP 2009 $M	Opening Net Book Value	Additions	Disposals	Disposal of Controlled Entities	Transfers	Transferred to Assets Classified as Held for Sale	Depreciation and Amortisation	Other[1]	Closing Net Book Value
Reconciliations									
Freehold land – owned	72	–	–	(6)	–	–	–	–	66
Buildings – owned	181	–	–	(3)	–	–	(12)	(1)	165
Buildings – leased	12	–	–	–	–	–	(4)	–	8
Total buildings	193	–	–	(3)	–	–	(16)	(1)	173
Leasehold improvements	541	118	–	–	(6)	–	(77)	3	579
Plant and equipment	551	111	(23)	(21)	(2)	–	(98)	25	543
Aircraft and engines – owned	6,290	329	(180)	–	600	(26)	(720)	30	6,323
Aircraft and engines – hire purchased	1,854	–	(1)	–	436	–	(152)	–	2,137
Aircraft and engines – leased	137	–	–	–	–	–	(30)	3	110
Aircraft and engines – maintenance	327	114	(24)	–	113	–	(175)	12	367
Total aircraft and engines	8,608	443	(205)	–	1,149	(26)	(1,077)	45	8,937
Aircraft spare parts – owned	419	156	(3)	–	(17)	–	(59)	(14)	482
Aircraft spare parts – leased	12	–	–	–	–	–	(1)	–	11
Total aircraft spare parts	431	156	(3)	–	(17)	–	(60)	(14)	493
Aircraft deposits	1,945	618	(127)	–	(1,124)	–	–	52	1,364
Total property, plant and equipment	12,341	1,446	(358)	(30)	–	(26)	(1,328)	110	12,155

1. Other includes transfers to inventories and capitalised interest.

2008	Opening Net Book Value	Additions	Disposals	Disposal of Controlled Entities	Transfers	Transferred to Assets Classified as Held for Sale	Depreciation and Amortisation	Other[1]	Closing Net Book Value
Reconciliations									
Freehold land – owned	72	–	(2)	–	–	–	–	2	72
Buildings – owned	195	–	(1)	–	1	–	(14)	–	181
Buildings – leased	13	–	–	–	–	–	(1)	–	12
Total buildings	208	–	(1)	–	1	–	(15)	–	193
Leasehold improvements	564	25	(5)	–	18	–	(65)	4	541
Plant and equipment	512	166	(10)	–	(10)	–	(98)	(9)	551
Aircraft and engines – owned	6,377	304	(9)	–	75	(25)	(648)	216	6,290
Aircraft and engines – hire purchased	1,994	–	–	–	93	–	(222)	(11)	1,854
Aircraft and engines – leased	400	52	–	–	(42)	–	(110)	(163)	137
Aircraft and engines – maintenance	370	2	(1)	–	156	(13)	(213)	26	327
Total aircraft and engines	9,141	358	(10)	–	282	(38)	(1,193)	68	8,608
Aircraft spare parts – owned	388	88	(1)	–	9	(3)	(55)	(7)	419
Aircraft spare parts – leased	14	–	–	–	–	–	(2)	–	12
Total aircraft spare parts	402	88	(1)	–	9	(3)	(57)	(7)	431
Aircraft deposits	1,409	753	–	–	(291)	–	–	74	1,945
Total property, plant and equipment	12,308	1,390	(29)	–	9	(41)	(1,428)	132	12,341

1. Other includes transfers to inventories and capitalised interest.

16. Property, Plant and Equipment continued

QANTAS 2009 $M	Opening Net Book Value	Additions	Disposals	Transfers	Transferred to Assets Classified as Held for Sale	Depreciation and Amortisation	Other[1]	Closing Net Book Value
Reconciliations								
Freehold land – owned	47	–	–	–	–	–	–	47
Buildings – owned	149	–	–	–	–	(10)	–	139
Buildings – leased	–	–	–	–	–	–	–	–
Total buildings	149	–	–	–	–	(10)	–	139
Leasehold improvements	378	113	–	(21)	–	(54)	1	417
Plant and equipment	330	68	(13)	(33)	–	(68)	9	293
Aircraft and engines – owned	3,957	319	(177)	123	(23)	(575)	29	3,653
Aircraft and engines – hire purchased	3,668	–	(1)	802	–	(249)	–	4,220
Aircraft and engines – leased	127	–	–	–	–	(30)	–	97
Aircraft and engines – maintenance	298	102	(23)	80	–	(150)	12	319
Total aircraft and engines	8,050	421	(201)	1,005	(23)	(1,004)	41	8,289
Aircraft spare parts – owned	278	140	(2)	–	–	(57)	(12)	347
Aircraft spare parts – leased	12	–	–	–	–	(1)	–	11
Total aircraft spare parts	290	140	(2)	–	–	(58)	(12)	358
Aircraft deposits	1,590	618	(127)	(913)	–	–	52	1,220
Total property, plant and equipment	10,834	1,360	(343)	38	(23)	(1,194)	91	10,763

1. Other includes transfers to inventories and capitalised interest.

2008								
Reconciliations								
Freehold land – owned	47	–	–	–	–	–	–	47
Buildings – owned	169	–	(8)	–	–	(12)	–	149
Buildings – leased	8	–	(8)	–	–	–	–	–
Total buildings	177	–	(16)	–	–	(12)	–	149
Leasehold improvements	404	24	(29)	19	–	(44)	4	378
Plant and equipment	432	133	(148)	(10)	–	(78)	1	330
Aircraft and engines – owned	4,004	296	(6)	90	(12)	(622)	207	3,957
Aircraft and engines – hire purchased	3,799	–	–	93	–	(223)	(1)	3,668
Aircraft and engines – leased	390	–	–	3	–	(101)	(165)	127
Aircraft and engines – maintenance	363	–	–	91	(12)	(144)	–	298
Total aircraft and engines	8,556	296	(6)	277	(24)	(1,090)	41	8,050
Aircraft spare parts – owned	285	40	(1)	9	(4)	(44)	(7)	278
Aircraft spare parts – leased	14	–	–	–	–	(2)	–	12
Total aircraft spare parts	299	40	(1)	9	(4)	(46)	(7)	290
Aircraft deposits	1,055	800	–	(339)	–	–	74	1,590
Total property, plant and equipment	10,970	1,293	(200)	(44)	(28)	(1,270)	113	10,834

1. Other includes transfers to inventories and capitalised interest.

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 was $5,572 million as at 30 June 2009 (2008: $5,534 million).

17. Intangible Assets

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Goodwill				
At cost	**259**	147	**–**	–
Less: accumulated impairment	**22**	–	**–**	–
Total goodwill at net book value	**237**	147	**–**	–
Airport landing slots				
At cost	**35**	35	**35**	35
Software				
At cost	**606**	511	**566**	493
Less: accumulated amortisation	**306**	245	**284**	229
Total software at net book value	**300**	266	**282**	264
Brand names and trademarks				
At cost	**31**	–	**–**	–
Customer contracts/relationships				
At cost	**66**	–	**–**	–
Less: accumulated amortisation	**5**	–	**–**	–
Total customer contracts/relationships at net book value	**61**	–	**–**	–
Total intangible assets	**664**	448	**317**	299

QANTAS GROUP 2009 $M	Opening Net Book Value	Additions	Aquisitions of Controlled Entities	Amortisation	Other	Closing Net Book Value
Goodwill	**147**	**–**	**112**	**–**	**(22)**	**237**
Airport landing slots	**35**	**–**	**–**	**–**	**–**	**35**
Software	**266**	**84**	**1**	**(57)**	**6**	**300**
Brand names and trademarks	**–**	**–**	**31**	**–**	**–**	**31**
Customer contracts/relationships	**–**	**–**	**66**	**(5)**	**–**	**61**
Total intangible assets	**448**	**84**	**210**	**(62)**	**(16)**	**664**
2008						
Goodwill	133	–	14	–	–	147
Airport landing slots	35	–	–	–	–	35
Software	198	102	–	(41)	7	266
Total intangible assets	366	102	14	(41)	7	448

QANTAS 2009 $M	Opening Net Book Value	Additions	Aquisitions of Controlled Entities	Amortisation	Other	Closing Net Book Value
Airport landing slots	**35**	**–**	**–**	**–**	**–**	**35**
Software	**264**	**74**	**–**	**(54)**	**(2)**	**282**
Total intangible assets	**299**	**74**	**–**	**(54)**	**(2)**	**317**
2008						
Airport landing slots	35	–	–	–	–	35
Software	198	101	–	(40)	5	264
Total intangible assets	233	101	–	(40)	5	299

17. Intangible Assets continued

Impairment tests for Cash Generating Units (CGUs) containing goodwill and other intangible assets with indefinite useful lives
The following CGUs have significant carrying amounts of goodwill and other intangible assets with indefinite useful lives:

	Qantas Group		Qantas	
	2009	2008	**2009**	2008
Goodwill	**$M**	$M	**$M**	$M
Qantas[1]	**39**	56	**–**	–
Jetstar	**132**	91	**–**	–
Jetset Travelworld Group	**66**	–	**–**	–
	237	147	**–**	–
Airport landing slots				
Qantas	**35**	35	**35**	35
Brand names and trademarks				
Jetstar	**24**	–	**–**	–
Jetset Travelworld Group	**7**	–	**–**	–
	31	–	**–**	–

1. The Qantas CGU includes Qantas, Qantas Freight, Qantas Frequent Flyer and Q Catering. As all of these businesses are largely dependent on the Qantas Fleet to generate their revenue, the Qantas Fleet assets are tested at the Qantas CGU level including the cash flows and assets of these segments. Q Catering was previously a separate CGU, but has been included in the Qantas CGU in the current year.

For the purpose of impairment testing, goodwill is allocated to the Qantas Group's operating segments which represent the lowest level within the Group. The recoverable amounts of CGUs were based on their value in use calculations. Those calculations were determined by discounting the future cash flows generated from the continuing use of the units and were based on the following assumptions:

Assumption	How determined
Cash flows	Cash flows were projected based on the three-year plan approved by management and endorsed by the Board. Cash flows after the third year or terminal year were extrapolated using a constant growth rate of 2.5 per cent per annum, which does not exceed the long-term average growth rate for the industry.
Discount rate	A pre-tax discount rate of 11.23 per cent per annum for Qantas and Jetstar and 13.05 per cent per annum for Jetset Travelworld Group has been used in discounting the projected cash flows of these CGUs, reflecting a market estimate of the weighted average cost of capital of the Qantas Group (2008: 11.1 per cent per annum for all CGUs).
Market share	Qantas Group's domestic market share is expected to remain between 65 and 66 per cent (2008: 65 and 68 per cent) and international market share between 26 and 28 per cent (2008: 30 and 35 per cent). These ranges were estimated having regard to Qantas committed fleet plans and those of its existing competitors.
Fuel	The fuel into-plane price is assumed to be between US$82 and US$99 per barrel (2008: US$162) and was set with regard to the spot West Texas Intermediate crude oil price adjusted for historical average refining margins.
Currency	The US$:A$ exchange rate is assumed to be 75.8 cents (2008: 93.6 cents), reflecting a 12 month average spot price.
Fleet age	The average fleet age is forecast to remain between 8.5 and 8.9 years and is estimated having regard to the existing contractually committed long-term fleet plan for the Qantas Group.

18. Deferred Tax Assets and Liabilities

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		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Tax losses – New Zealand operations	**16**	15	**10**	8

At 30 June 2009, there is no recognised or unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Qantas Group's controlled entities or associates and jointly controlled entities (2008: nil).

Movement in temporary differences during the year

QANTAS GROUP 2009 $M	Opening Balance	Recognised in the Income Statement	Recognised in Equity	Acquisitions of Controlled Entities	Closing Balance
Inventories	**(52)**	**17**	**–**	**–**	**(35)**
Property, plant and equipment	**(1,384)**	**60**	**–**	**–**	**(1,324)**
Intangible assets	**(3)**	**(16)**	**–**	**(23)**	**(42)**
Payables	**99**	**(17)**	**–**	**–**	**82**
Revenue received in advance	**642**	**34**	**–**	**–**	**676**
Interest-bearing liabilities	**(145)**	**(83)**	**–**	**–**	**(228)**
Other financial assets/liabilities	**(11)**	**(119)**	**189**	**–**	**59**
Provisions	**229**	**36**	**–**	**–**	**265**
Other items	**(135)**	**73**	**–**	**–**	**(62)**
Tax value of loss carry-forwards recognised	**3**	**(1)**	**–**	**–**	**2**
	(757)	**(16)**	**189**	**(23)**	**(607)**
2008					
Inventories	(50)	(2)	–	–	(52)
Property, plant and equipment	(1,341)	(43)	–	–	(1,384)
Intangible assets	(5)	2	–	–	(3)
Payables	106	(7)	–	–	99
Revenue received in advance	643	(1)	–	–	642
Interest-bearing liabilities	(42)	(109)	6	–	(145)
Other financial assets/liabilities	89	35	(135)	–	(11)
Provisions	238	(9)	–	–	229
Other items	(80)	(55)	–	–	(135)
Tax value of loss carry-forwards recognised	5	(2)	–	–	3
	(437)	(191)	(129)	–	(757)

18. Deferred Tax Assets and Liabilities continued

Movement in temporary differences during the year

QANTAS 2009 $M	Opening Balance	Recognised in the Income Statement	Recognised in Equity	Acquisitions of Controlled Entities	Closing Balance
Inventories	**(53)**	**18**	**–**	**–**	**(35)**
Property, plant and equipment	**(1,255)**	**76**	**–**	**–**	**(1,179)**
Intangible assets	**(3)**	**(19)**	**–**	**–**	**(22)**
Payables	**80**	**(12)**	**–**	**–**	**68**
Revenue received in advance	**640**	**34**	**–**	**–**	**674**
Interest-bearing liabilities	**(194)**	**(33)**	**–**	**–**	**(227)**
Other financial assets/liabilities	**(11)**	**(120)**	**189**	**–**	**58**
Provisions	**196**	**22**	**–**	**–**	**218**
Other items	**(170)**	**7**	**–**	**–**	**(163)**
Tax value of loss carry-forwards recognised	**3**	**(1)**	**–**	**–**	**2**
	(767)	**(28)**	**189**	**–**	**(606)**
2008					
Inventories	(50)	(3)	–	–	(53)
Property, plant and equipment	(1,230)	(25)	–	–	(1,255)
Intangible assets	(5)	2	–	–	(3)
Payables	100	(20)	–	–	80
Revenue received in advance	641	(1)	–	–	640
Interest-bearing liabilities	(130)	(70)	6	–	(194)
Other financial assets/liabilities	89	35	(135)	–	(11)
Provisions	209	(13)	–	–	196
Other items	(73)	(97)	–	–	(170)
Tax value of loss carry-forwards recognised	5	(2)	–	–	3
	(444)	(194)	(129)	–	(767)

19. Payables

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Trade creditors				
Controlled entities	**–**	–	**–**	214
Associates and jointly controlled entities	**38**	–	**37**	–
Other parties	**559**	670	**429**	524
	597	670	**466**	738
Other loans				
Controlled entities – non-interest-bearing	**–**	–	**763**	675
Other creditors and accruals				
Other parties	**1,236**	1,504	**927**	1,186
	1,833	2,174	**2,156**	2,599

20. Revenue Received in Advance

	Qantas Group		Qantas	
	2009	2008	**2009**	2008
CURRENT	**$M**	$M	**$M**	$M
Unavailed passenger revenue	**2,227**	2,371	**1,810**	2,007
Unredeemed frequent flyer revenue	**882**	896	**878**	888
	3,109	3,267	**2,688**	2,895
NON-CURRENT				
Unredeemed frequent flyer revenue	**1,232**	1,083	**1,232**	1,083

21. Interest-bearing Liabilities

	Qantas Group 2009 $M	Qantas Group 2008 $M	Qantas 2009 $M	Qantas 2008 $M
CURRENT				
Bank overdraft				
Unsecured	**–**	–	**–**	20
Bank loans				
Secured	**372**	211	**224**	91
Other loans – unsecured				
Related parties				
– associates and jointly controlled entities	**–**	3	**–**	3
Other parties	**72**	306	**72**	306
Lease and hire purchase liabilities (refer Note 28)				
– controlled entities	**–**	–	**266**	177
– other parties	**164**	67	**164**	67
	608	587	**726**	664
NON-CURRENT				
Bank loans				
– secured	**2,562**	1,481	**1,608**	670
– unsecured	**629**	629	**629**	629
Other loans – unsecured				
Other parties	**1,235**	924	**1,235**	924
Lease and hire purchase liabilities (refer Note 28)				
– controlled entities	**–**	–	**2,685**	1,202
– other parties	**469**	539	**469**	539
	4,895	3,573	**6,626**	3,964

Certain current and non-current loans relate to specific financings of aircraft and engines and are secured by the aircraft to which they relate (refer Note 16). The bank overdraft in Qantas forms part of a set-off arrangement with other subsidiaries within the Qantas Group. Consequently, this bank overdraft is set off against cash and cash equivalents in the Qantas Group financial statements.

22. Provisions

	Qantas Group		Qantas	
	2009	2008	**2009**	2008
CURRENT	**$M**	$M	**$M**	$M
Dividends	**5**	5	**5**	5
Employee benefits				
- annual leave	**338**	347	**280**	290
- long service leave	**40**	35	**29**	28
- restructuring	**40**	23	**39**	23
Onerous contracts	**4**	5	**3**	4
Insurance, legal and other	**80**	69	**80**	67
	507	484	**436**	417

NON-CURRENT				
Employee benefits				
- long service leave	**323**	282	**294**	255
Onerous contracts	**9**	2	**7**	–
Make good on leased assets	**96**	42	**57**	30
Insurance, legal and other	**105**	97	**100**	92
	533	423	**458**	377

RECONCILIATIONS

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

Dividends

Balance as at 1 July	**5**	2	**5**	2
Acquisitions of controlled entities	**10**	–	–	–
Provisions made	**444**	641	**439**	640
Payments made	**(218)**	(638)	**(203)**	(637)
Dividends settled in shares under the DRP	**(236)**	–	**(236)**	–
Balance as at 30 June	**5**	5	**5**	5

Onerous contracts

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

Balance as at 1 July	**7**	25	**4**	22
Provisions made	**13**	2	**13**	2
Payments made	**(7)**	(20)	**(7)**	(20)
Balance as at 30 June	**13**	7	**10**	4
Included in the Financial Statements as follows:				
Current	**4**	5	**3**	4
Non-current	**9**	2	**7**	–
	13	7	**10**	4

22. Provisions continued

	Qantas Group		Qantas	
Insurance, legal and other	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Qantas self-insures for risks associated with workers' compensation. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the present value of the cost that the entity expects to incur in settling the claims. Legal provisions include estimates of the likely penalties to be incurred in relation to investigations into alleged price fixing.				
Balance as at 1 July	**166**	178	**159**	172
Provisions made	**51**	91	**51**	91
Payments made	**(32)**	(103)	**(30)**	(104)
Balance as at 30 June	**185**	166	**180**	159
Included in the Financial Statements as follows:				
Current	**80**	69	**80**	67
Non-current	**105**	97	**100**	92
	185	166	**180**	159
Make good on leased assets				
The Qantas Group has leases that require the asset to be returned to the lessor in certain condition. A provision has been raised for the present value of the future expected cost at lease expiry.				
Balance as at 1 July	**42**	34	**30**	27
Acquisitions of controlled entities	**14**	–	**–**	–
Provisions made	**40**	8	**27**	3
Balance as at 30 June	**96**	42	**57**	30

23. Capital and Reserves

	Qantas Group		Qantas	
ISSUED CAPITAL	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Issued and paid up capital: 2,265,123,620 (2008: 1,894,444,009) ordinary shares, fully paid as at 30 June	**4,729**	3,976	**4,729**	3,976

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

Date	Details	Number of Shares M	$M
1 July 2007	Balance	1,985	4,481
6 September 2007 to 23 April 2008	On-market share buy-back	(91)	(505)
30 June 2008	Balance	1,894	3,976
1 October 2008	Dividend reinvestment plan	**55**	**192**
11 February 2009	Institutional share placement	**270**	**491**
17 March 2009	Share purchase plan	**18**	**26**
8 April 2009	Dividend reinvestment plan	**28**	**44**
30 June 2009	**Balance**	**2,265**	**4,729**

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. At 30 June 2009, 14,677,697 (2008: 14,108,555) shares were held in trust and classified as treasury shares.

	Qantas Group		Qantas	
RESERVES	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Employee compensation reserve	**52**	53	**52**	53
Hedge reserve	**(29)**	421	**(8)**	421
Foreign currency translation reserve	**(16)**	(24)	**–**	–
	7	450	**44**	474

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 in the employee. No gain or loss is recognised in the Qantas Group 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 hedged forecast transactions that are still expected to occur.

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 and foreign jointly controlled entities where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that form part of the Qantas Group's net investment in a foreign controlled entity.

24. Share-based Payments

The DSP Terms & Conditions were approved by shareholders at the 2002 AGM. The DSP governs the provision of equity benefits to Executives within the Qantas Group. There have been no modifications to the DSP Terms & Conditions during the year.

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

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

The total equity settled share-based payment expense for the year was $59 million (2008: $62 million).

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

	Number of Rights	
Performance Rights Reconciliation	**2009**	2008
Rights outstanding as at 1 July	**6,121,033**	5,038,800
Rights granted	**3,117,000**	2,545,000
Rights lapsed	**(1,301,362)**	(288,276)
Rights vested	**(1,020,579)**	(1,174,491)
Rights outstanding as at 30 June	**6,916,092**	6,121,033
Rights exercisable as at 30 June	**1,311,949**	1,041,633

No Rights expired during the year. Based on the performance hurdle tested as at 30 June 2009, 242,400 Rights will expire from the 2004/05 award.

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

During the year, 1,020,579 Rights were exercised (2008: 1,174,491). Based on the performance hurdle tested as at 30 June 2009, 1,140,681 Rights for the 2006/07 award will vest after 12 August 2009. A further 135,124 Rights may vest from the 2005/06 award over the next year, subject to achievement of the performance hurdle. At 30 June 2009, 27,535 Rights are available to be exercised at the request of the Executive under the 2004/05 award and a further 143,733 Rights under the 2005/06 awards. For more information on the operation of the LTIP, see pages 71 and 72.

Fair Value Calculation
The estimated value of Rights granted with the TSR performance hurdle component was determined at grant date using a Monte-Carlo model.
A Black Scholes model was used to value the Rights with the EPS performance hurdle. The weighted average fair value of Rights granted during the year was $1.64 (2008: $3.34).

Inputs into the Models	**2009**	2008
Weighted average share value	**$2.13**	$4.58
Expected volatility	**50%**	25 – 30%
Dividend yield	**3.5%**	6.2%
Risk-free interest rate	**3.6%**	6.2%

The expected volatility for the 2008/09 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.

24. Share-based Payments continued

Performance Share Plan (PSP)
The following awards were made under the PSP during the year:

Shares Granted	2009 Number of Shares	2009 Weighted Average Fair Value $	2008 Number of Shares	2008 Weighted Average Fair Value $
Performance shares granted – 6 April 2009	**147,977**	**1.82**	–	–
Performance shares granted – 4 March 2009	**75,000**	**1.52**	–	–
Performance shares granted – 1 October 2008	**2,826**	**3.22**	–	–
Performance shares granted – 17 September 2008	**3,566**	**3.49**	–	–
Performance shares granted – 20 August 2008	**7,661,838**	**3.45**	–	–
Performance shares granted – 20 August 2007	**–**	**–**	1,498,448	5.29
Performance shares granted – 15 August 2007	**–**	**–**	564,000	5.45

Shares are valued based on the volume weighted average price of Qantas shares as traded on the ASX for the seven calendar days up to and including the date of allocation. Expected dividends are not specifically taken into account when calculating the fair value but are implicit in the weighted average price of Qantas shares. Shares are purchased on-market or issued and are held subject to a holding lock. For further detail on the operation of the PSP, see page 73.

Retention Plan (RP)
There were no awards made under the RP during the year. In 2007/08, 1,400,000 Rights were granted on 14 November 2007 (fair value: $5.82) and 3,000,000 Rights were granted on 15 August 2007 (fair value: $5.45).

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

Qantas Profitshare Scheme (QPS)
The following awards were made to eligible employees under the QPS during the year:

Shares Granted	2009 Number of Shares	2009 Weighted Average Fair Value $	2008 Number of Shares	2008 Weighted Average Fair Value $
QPS shares granted – 20 August 2008	**8,041,136**	**3.45**	–	–
QPS shares granted – 20 August 2007	**–**	**–**	5,370,435	5.29

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

25. Derivatives and Hedging Instruments

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

(A) OTHER FINANCIAL ASSETS AND LIABILITIES

	Qantas Group		Qantas	
DERIVATIVES	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Designated as cash flow hedges	**(43)**	236	**(30)**	238
Designated as fair value hedges	**(101)**	(500)	**(101)**	(500)
De-designated derivatives	**(134)**	(143)	**(147)**	(143)
Not qualifying for hedge accounting	**194**	246	**194**	246
Total derivative liabilities	**(84)**	(161)	**(84)**	(159)
Other financial assets	**80**	149	**80**	149
Net financial liabilities	**(4)**	(12)	**(4)**	(10)

Other financial assets are measured at amortised cost. These amounts are shown net of impairment losses of $181 million (2008: $122 million).

(B) HEDGE RESERVE

At 30 June 2009, the Qantas Group and Qantas held various types of derivative financial instruments that were designated as cash flow hedges of future forecast transactions. These were hedging of:

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

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

	Qantas Group				Qantas			
CONTRACTS TO HEDGE 2009 $M	Less than 1 Year	1 to 5 Years	More than 5 Years	Total	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Future foreign currency receipts and payments	**117**	**111**	**37**	**265**	**136**	**111**	**37**	**284**
Future aviation fuel payments	**(286)**	**12**	**–**	**(274)**	**(275)**	**12**	**–**	**(263)**
Future interest payments	**(5)**	**(28)**	**(1)**	**(34)**	**(5)**	**(28)**	**(1)**	**(34)**
Future capital expenditure payments	**(8)**	**10**	**–**	**2**	**(8)**	**10**	**–**	**2**
	(182)	**105**	**36**	**(41)**	**(152)**	**105**	**36**	**(11)**
Related deferred tax benefit				**12**				**3**
Total net loss included within hedge reserve				**(29)**				**(8)**
2008								
Future foreign currency receipts and payments	(18)	296	13	291	(17)	296	13	292
Future aviation fuel payments	653	108	–	761	653	108	–	761
Future interest payments	21	39	2	62	21	39	2	62
Future capital expenditure payments	(390)	(123)	–	(513)	(390)	(123)	–	(513)
	266	320	15	601	267	320	15	602
Related deferred tax expense				(180)				(181)
Total net gain included within hedge reserve				421				421

25. Derivatives and Hedging Instruments continued

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

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

	Qantas Group		Qantas	
INEFFECTIVE AND NON-DESIGNATED DERIVATIVES	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Ineffective portion from cash flow hedges	**72**	(61)	**72**	(61)
Component of derivatives not hedge accounted (including time value of options)	**33**	6	**33**	6
Ineffective and non-designated derivatives	**105**	(55)	**105**	(55)

26. Notes to the Cash Flow Statements

RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES				
Profit for the year attributable to members of Qantas	**117**	969	**484**	1,308
Add: depreciation and amortisation	**1,390**	1,469	**1,248**	1,310
Less: net (gain)/loss on disposal of property, plant and equipment	**(17)**	(15)	**(6)**	(4)
Less: capitalised interest	**(83)**	(101)	**(83)**	(101)
(Less)/add: writedown of investments	**(4)**	–	**15**	17
Add: writedown of other assets	**–**	19	**–**	–
Less: reversal of writedowns in controlled entities	**–**	–	**(181)**	–
Add/(less): share of net loss/(profit) of associates and jointly controlled entities	**15**	(28)	**–**	–
Add: dividends received from associates and jointly controlled entities	**20**	22	**–**	–
Add: writedown of goodwill and other intangibles	**22**	–	**–**	–
Less: net gain on sale of Qantas Holidays	**(86)**	–	**–**	–
Add: share-based payments	**59**	62	**59**	62
Less: interest payments on liabilities held at fair value	**(120)**	–	**(120)**	–
Add: realised hedging gains on operating cashflows	**110**	–	**110**	–
Less: transfer from hedge reserve to Income Statements	**–**	(209)	**–**	(209)
Less: changes in fair value of financial instruments	**(86)**	71	**(77)**	83
Add/(less): other items	**11**	(36)	**4**	(2)
Movements in operating assets and liabilities:				
– Decrease/(increase) in receivables	**338**	(410)	**378**	(232)
– Decrease/(increase) in receivables from controlled entities	**–**	–	**129**	(338)
– Increase in inventories	**(44)**	(39)	**(36)**	(43)
– Increase in other assets	**(55)**	(144)	**(66)**	(133)
– (Decrease)/increase in payables	**(401)**	169	**(531)**	25
– Increase/(decrease) in revenue received in advance	**44**	251	**(57)**	152
– Increase/(decrease) in provisions	**133**	(41)	**99**	(48)
– Decrease in current tax liabilities	**(113)**	(41)	**(110)**	(41)
– Decrease in deferred lease benefits/income	**(18)**	(29)	**(14)**	(26)
– (Decrease)/increase in deferred tax liabilities	**(103)**	189	**(104)**	194
Net cash from operating activities	**1,129**	2,128	**1,141**	1,974

26. Notes to the Cash Flow Statements continued

FINANCING FACILITIES

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

	Qantas Group		Qantas	
FINANCING FACILITIES	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Committed bank overdraft				
Facility available	**7**	7	**7**	7
Amount of facility used	**–**	–	**–**	–
Amount of facility unused	**7**	7	**7**	7
Committed syndicated standby facility[1]				
Facility available	**500**	500	**500**	500
Amount of facility used	**–**	–	**–**	–
Amount of facility unused	**500**	500	**500**	500
Committed secured funding and sale and operating lease				
Facility available	**1,100**	–	**1,100**	–
Amount of facility used	**–**	–	**–**	–
Amount of facility unused	**1,100**	–	**1,100**	–
Commercial paper and medium-term notes				
Facility available[2]	**1,000**	1,000	**1,000**	1,000
Amount of facility used	**–**	–	**–**	–
Amount of facility unused	**1,000**	1,000	**1,000**	1,000

1. The syndicated standby facility has $300 million maturing on 8 August 2010 and $200 million maturing on 8 August 2011.
2. Subject to Dealer Panel participation.

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

27. Acquisitions and Disposals of Controlled Entities

(A) ACQUISITION – JETSET TRAVELWORLD GROUP

On 25 July 2008, the Qantas Group completed the acquisition of a 58 per cent controlling interest in Jetset Travelworld Limited in exchange for the disposal of Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Limited. On completion of the transaction, the Qantas Group recognised a net gain on disposal of 42 per cent of Qantas Holidays Limited and Qantas Business Travel Pty Limited of $86 million before tax.

The newly acquired Jetset Travelworld Group businesses contributed approximately $31 million in sales and other income and approximately $9 million in profit after tax. If the transaction had occurred on 1 July 2008, the contribution of these businesses to the consolidated financial performance would not have been materially different.

(B) ACQUISITION – JETSTAR ASIA (ORANGESTAR INVESTMENT HOLDINGS PTE LIMITED AND ITS CONTROLLED ENTITIES)

On 8 April 2009, the Qantas Group increased its ownership in Orangestar Investment Holdings Pte Limited and its controlled entities (the Jetstar Asia Group) to 49 per cent from 45 per cent. The transaction was completed via a newly incorporated entity, Newstar Investment Holding Pte. Ltd. (Newstar), in which the Qantas Group owns 49 per cent. Through funding provided by the Qantas Group, Newstar acquired 100 per cent of the Jetstar Asia Group. The substance of this transaction is such that the Qantas Group can control (as defined by AASB 127 Consolidated and Separate Financial Statements) 100 per cent of the economic interest in the Jetstar Asia Group. Consequently, Jetstar Asia Group is consolidated in the Qantas Group Financial Statements. Prior to the completion of the transaction, the Qantas Group reviewed the carrying value of its equity investment in the Jetstar Asia Group, resulting in the reversal of approximately $19 million (before tax) of prior period impairment losses.

Newstar and the Jetstar Asia Group contributed approximately $48 million in sales and other income and approximately $18 million of profit after tax, including an after-tax gain of $13 million on reversal of previous impairment losses. If the transaction had occurred on 1 July 2008, the Jetstar Asia Group would have contributed $223 million in revenues and a loss of $8 million before tax.

(C) ACQUISITION – DPEX TRANSPORT GROUP

During the year ended 30 June 2008, Qantas acquired the remaining 33 per cent of DPEX Transport Group Pte Ltd and its controlled entities for $13 million. Other than goodwill of approximately $13 million, there were no other material effects of this transaction on the Qantas Group's financial position.

27. Acquisitions and Disposals of Controlled Entities continued

(D) ACQUISITIONS – FINANCIAL SUMMARY

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

	Jetset Travelworld Group			Jetstar Asia Group			Qantas Group
2009 $M	**Carrying values**	**Fair value adjust**	**Fair value**	**Carrying values**	**Fair value adjust**	**Fair value**	**Fair value**
Consideration paid, including transaction costs	–	–	7	–	–	61	68
Less: cash acquired	(29)	–	(29)	(49)	–	(49)	(78)
Payments for controlled entities, net of cash acquired			**(22)**			**12**	**(10)**
Net assets acquired							
Receivables	21	–	21	16	–	16	37
Investments accounted for using the equity method	–	–	–	(19)	–	(19)	(19)
Goodwill	–	66	66	–	46	46	112
Intangible assets	–	74	74	–	24	24	98
Other current and non-current assets	3	–	3	17	–	17	20
Payables	(27)	–	(27)	(32)	–	(32)	(59)
Provisions	(11)	–	(11)	(14)	–	(14)	(25)
Revenue received in advance	–	–	–	(26)	–	(26)	(26)
Deferred tax liabilities	(1)	(22)	(23)	–	–	–	(23)
Minority interest	–	(39)	(39)	–	–	–	(39)
Net assets acquired	(15)	79	64	(58)	70	12	76
Gain on disposal of 42 per cent of Qantas Holidays			(86)			–	(86)
			(22)			**12**	**(10)**

(E) DISPOSAL – LTQ ENGINEERING PTY LIMITED

On 1 July 2008, the Qantas Group disposed of 50 per cent of its interest in LTQ Engineering Pty Limited (formerly Jet Turbine Services Pty Limited) which ceased to be a controlled entity on that date and became a jointly controlled entity. There were no material effects of this transaction on the Qantas Group's financial position.

28. Commitments

(A) FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Included in the Financial Statements as finance lease and hire purchase liabilities are the present values of future rentals of the following:				
Aircraft and engines	**633**	606	**3,584**	1,985
Payable				
Not later than one year	**171**	84	**545**	337
Later than one year but not later than five years	**346**	272	**2,031**	1,346
Later than five years	**180**	354	**1,818**	693
	697	710	**4,394**	2,376
Less: future lease and hire purchase finance charges	**64**	104	**810**	391
	633	606	**3,584**	1,985
Finance lease and hire purchase liabilities provided for in the Financial Statements				
Current liability (refer Note 21)				
– controlled entities	**–**	–	**266**	177
– other parties	**164**	67	**164**	67
Non-current liability (refer Note 21)				
– controlled entities	**–**	–	**2,685**	1,202
– other parties	**469**	539	**469**	539
	633	606	**3,584**	1,985

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

28. Commitments continued

(B) OPERATING LEASE AND RENTAL COMMITMENTS

	Qantas Group		Qantas	
AS LESSEE	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Future net operating lease and rental commitments not provided for in the Financial Statements	**4,675**	4,417	**2,348**	1,803
Payable				
Not later than one year	**798**	697	**416**	379
Later than one year but not later than five years	**2,700**	2,388	**1,212**	929
Later than five years	**1,186**	1,333	**729**	496
	4,684	4,418	**2,357**	1,804
Less: provision for potential under recovery of rentals on unused premises available for sub-lease (included in onerous contract provision)	**9**	1	**9**	1
	4,675	4,417	**2,348**	1,803
Operating lease commitments represent:				
Cancellable operating leases	**1,011**	1,056	**996**	1,029
Non-cancellable operating leases:				
Aircraft	**3,664**	3,361	**1,352**	774
	4,675	4,417	**2,348**	1,803
Non-cancellable operating lease commitments, excluding unguaranteed residual payments, not provided for in the Financial Statements				
Not later than one year	**622**	488	**246**	183
Later than one year but not later than five years	**2,260**	1,966	**779**	520
Later than five years	**782**	907	**327**	71
	3,664	3,361	**1,352**	774

The Qantas Group leases aircraft, buildings and plant and equipment under operating leases with expiry dates between one and 35 years. The Qantas Group has the right to negotiate extensions on most leases.

AS LESSOR

Receivable				
Not later than one year	**11**	12	**6**	6
Later than one year but not later than five years	**47**	47	**25**	25
Later than five years	**56**	67	**30**	36
	114	126	**61**	67

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

(C) CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments contracted but not provided for in the Financial Statements				
Aircraft	**16,591**	16,496	**16,591**	16,496
Building works	**103**	143	**103**	143
Other	**96**	175	**92**	169
	16,790	16,814	**16,786**	16,808
Payable				
Not later than one year	**1,560**	2,492	**1,556**	2,486
Later than one year but not later than five years	**10,135**	9,070	**10,135**	9,070
Later than five years	**5,095**	5,252	**5,095**	5,252
	16,790	16,814	**16,786**	16,808

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

29. Contingent Liabilities

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

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Performance guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties by controlled entities	**6**	31	**6**	31
General guarantees in the normal course of business	**161**	150	**161**	150
Contingent liabilities relating to current and threatened litigation	**3**	3	**3**	3
	170	184	**170**	184

AIRCRAFT FINANCING

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

Qantas and certain controlled entities have entered into asset value underwriting arrangements with lenders under certain aircraft secured financings. These arrangements protect the value of the aircraft security to the lenders to a pre-determined level. This is reflected by the balance of aircraft security deposits held with certain financial institutions.

The Qantas Group has provided standard tax indemnities to the equity investors in certain leveraged leases. The indemnities effectively guarantee the after-tax rate of return of the investors and the Qantas Group may be subject to additional financing costs on future lease payments if certain assumptions made at the time of entering the transactions, including assumptions as to the rate of income tax, subsequently become invalid.

FREIGHT INVESTIGATIONS AND CLASS ACTIONS

Qantas continues to co-operate with regulators in their investigations into alleged price fixing in the air cargo market. These investigations revealed that the practice adopted by Qantas Freight and the cargo industry generally to fix and impose fuel surcharges was likely to have breached relevant competition laws. During the year ended 30 June 2009, the Federal Court of Australia ordered Qantas to pay a penalty of $20 million. This amount has been jointly recommended to the Court by Qantas and the Australian Competition and Consumer Commission and resolves Qantas' liability in Australia in relation to the regulatory investigation. On 7 July 2009, Qantas pled guilty to one count of price fixing in Canada and agreed to pay a fine of Canadian $155,000. This resolves Qantas' regulatory liability in Canada.

Qantas has provided $30 million as at 30 June 2009 (2008: $40 million). This provision reflects management's best estimate of potential settlements and costs arising from outstanding regulatory investigations in Europe, New Zealand and other jurisdictions. However, future developments in these investigations may alter management's current view. Qantas expects the outcome of these outstanding regulatory investigations will be known over the next two years.

In addition to investigations by regulators for breaches of relevant competition laws, class actions have commenced against Qantas (and other airlines) in Australia and the United States. Qantas has been threatened with third party class actions in other jurisdictions. Qantas has a number of defences to these class actions and Qantas' ultimate liability under these actions is not expected to be known for a number of years.

TRAVEL AGENT LITIGATION

A class action claim was made during a prior year by a number of travel agents against Qantas and other airlines as a result of travel agents not being paid commission on fuel surcharges. Qantas was successful in the initial action heard in Federal Court. The matter is currently on appeal to the Federal Court.

30. Superannuation

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

The Qantas Group makes contributions to defined benefit superannuation plans that provide defined benefit amounts for employees upon retirement. Under the plans, employees are entitled to retirement benefits determined, at least in part, by reference to a formula based on years of membership and salary levels. The total plan assets include financial instruments issued by Qantas with a fair value of $6 million (2008: $18 million). Plan assets also include an investment in a trust which owns a 50 per cent interest in property occupied by the Qantas Group. The value of this investment is $28 million (2008: $17 million).

	Qantas Group		Qantas	
	2009	2008	**2009**	2008
CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION	**$M**	$M	**$M**	$M
Opening defined benefit obligation	**1,846**	1,691	**1,846**	1,691
Current service cost	**149**	142	**149**	142
Interest cost	**105**	99	**105**	99
Actuarial losses	**176**	180	**176**	180
Exchange differences on foreign plans	**8**	(17)	**8**	(17)
Benefits paid	**(186)**	(249)	**(186)**	(249)
Closing defined benefit obligation	**2,098**	1,846	**2,098**	1,846
CHANGES IN THE FAIR VALUE OF PLAN ASSETS				
Opening fair value of plan assets	**2,142**	2,353	**2,142**	2,353
Expected return	**170**	178	**170**	178
Actuarial losses	**(343)**	(271)	**(343)**	(271)
Exchange differences on foreign plans	**6**	(15)	**6**	(15)
Contributions by employer	**130**	120	**130**	120
Contributions by plan participants	**25**	26	**25**	26
Benefits paid	**(186)**	(249)	**(186)**	(249)
Closing fair value of plan assets	**1,944**	2,142	**1,944**	2,142
EXPENSE RECOGNISED IN THE INCOME STATEMENT				
Service cost	**135**	131	**135**	131
Interest cost	**105**	99	**105**	99
Contributions by plan participants	**(25)**	(26)	**(25)**	(26)
Expected return on plan assets	**(170)**	(178)	**(170)**	(178)
Actuarial gains	**–**	(33)	**–**	(33)
Increase in allowance for contributions tax on net liability	**7**	5	**7**	5
Expenses	**7**	6	**7**	6
Total included in manpower and staff related expenditure	**59**	4	**59**	4
ACTUAL RETURN ON PLAN ASSET				
Actual loss on plan assets	**173**	93	**173**	93
MAJOR CATEGORIES OF PLAN ASSETS AS A PERCENTAGE OF TOTAL PLAN ASSETS	**%**	%	**%**	%
Equity instruments (Australian and overseas)	**55**	55	**55**	55
Fixed interest and cash (Australian and overseas)	**14**	14	**14**	14
Property (direct and listed)	**10**	10	**10**	10
Australian indexed bond	**6**	6	**6**	6
Alternative asset	**15**	15	**15**	15
RECONCILIATION TO THE BALANCE SHEET	**$M**	$M	**$M**	$M
Fair value of plan assets	**1,944**	2,142	**1,944**	2,142
Present value of defined benefit obligation	**2,098**	1,846	**2,098**	1,846
(Deficit)/surplus	**(154)**	296	**(154)**	296
Less: unrecognised actuarial (losses)/gains	**(380)**	141	**(380)**	141
Recognised prepayments in the balance sheet	**226**	155	**226**	155

30. Superannuation continued

HISTORICAL AMOUNTS $M	Qantas Group 2009	2008	2007	2006	2005	Qantas 2009	2008	2007	2006	2005
Fair value of plan assets	**1,944**	2,142	2,353	2,411	2,078	**1,944**	2,142	2,353	2,411	2,078
Present value of defined benefit obligation	**2,098**	1,846	1,691	2,042	2,043	**2,098**	1,846	1,691	2,042	2,043
(Deficit)/surplus	**(154)**	296	662	369	35	**(154)**	296	662	369	35
Experience adjustments on plan assets	**(343)**	(271)	27	180	180	**(343)**	(271)	27	180	180
Experience adjustments on plan liabilities	**(37)**	(138)	112	4	(64)	**(37)**	(138)	112	4	(64)

PRINCIPAL ACTUARIAL ASSUMPTIONS AT BALANCE DATE (EXPRESSED AS WEIGHTED AVERAGES PER ANNUM)	Qantas Group 2009 %	2008 %	Qantas 2009 %	2008 %
Discount rate	**5.7**	6.4	**5.7**	6.4
Expected return on plan assets	**7.6**	8.2	**7.6**	8.2
Future salary increases	**3.0**	3.3	**3.0**	3.3

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 $121 million will be paid by Qantas for employees accruing defined benefits in the year ended 30 June 2010 (2009: $118 million). Given the adverse performance of the financial markets, Qantas and the Trustee of the Australian Plan (QSP) agreed to an additional contribution of up to $66 million over 3 years. This is subject to review of the financial position of QSP on a regular basis. For QSP, the last financial monitoring program review was made in April 2009.

DEFINED CONTRIBUTION FUND

The Qantas Group results include $131 million (2008: $115 million) of expenses in relation to defined contribution funds. The Qantas results include $79 million (2008: $77 million) of expenses in relation to defined contribution funds.

31. Related Parties

(A) KEY MANAGEMENT PERSONNEL

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

DIRECTORS

Leigh Clifford, AO, Chairman
Alan Joyce, Chief Executive Officer (appointed as an Executive Director effective 28 July 2008)
Colin Storrie, Chief Financial Officer (appointed as an Executive Director effective 30 September 2008)
Geoff Dixon, Chief Executive Officer (ceased as KMP effective 31 March 2009)
Peter Gregg, Chief Financial Officer and Executive General Manager Strategy (ceased as KMP effective 31 December 2008)
Mike Codd, AC, Non-Executive Director (resigned 15 October 2008)
Peter Cosgrove, AC, MC, Non-Executive Director
Patricia Cross, Non-Executive Director
Richard Goodmanson, Non-Executive Director
Garry Hounsell, Non-Executive Director
Paul Rayner, Non-Executive Director (appointed 16 July 2008)
John Schubert, Non-Executive Director
James Strong, AO, Non-Executive Director
Barbara Ward, Non-Executive Director

KEY MANAGEMENT EXECUTIVES

John Borghetti, Group Executive Qantas Airlines (resigned 5 May 2009)
Kevin Brown, Group Executive People (resigned 28 February 2009)
Bruce Buchanan, Chief Executive Officer Jetstar (appointed as KMP effective 1 October 2008)
David Cox, Executive Manager Qantas Engineering (ceased as KMP effective 30 June 2009)
Grant Fenn, Group Executive Strategy & Investments (ceased as KMP effective 30 June 2009)
Rob Gurney, Group Executive Qantas Airlines Commercial (appointed as KMP effective 5 May 2009)
Simon Hickey, Chief Executive Officer Qantas Loyalty (appointed as KMP effective 1 October 2008)
Lyell Strambi, Group Executive Qantas Airlines Operations (appointed as KMP effective 1 December 2008)

Mr Dixon resigned as an Executive Director of Qantas effective 28 November 2008, but continued in a key management role until 31 March 2009 to ensure a smooth transition for the incoming Chief Executive Officer . Mr Gregg resigned as an Executive Director of Qantas effective 30 September 2008, but continued in a key management role until 31 December 2008 to assist with the transition to the incoming Chief Financial Officer.

31. Related Parties continued

KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Qantas Group		Qantas	
	2009	2008	**2009**	2008
	$	$	**$**	$
Short-term employee benefits	**13,092,293**	20,142,723	**12,100,999**	17,747,309
Post-employment benefits	**1,148,326**	939,544	**1,108,331**	908,915
Other long-term benefits	**4,020,816**	881,084	**3,947,276**	528,837
Statuatory annual leave[1]	**2,925,953**	–	**2,925,953**	–
Termination benefits	**6,303,993**	–	**6,303,993**	–
Share-based payments	**11,546,774**	20,725,461	**11,072,659**	18,404,550
	39,038,155	42,688,812	**37,459,211**	37,589,611

1. Statuatory annual leave reflects annual leave not taken and paid out on termination.

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

EQUITY INSTRUMENTS

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

PERFORMANCE SHARE PLAN (PSP) KEY MANAGEMENT PERSONNEL	Grant Date	Fair Value as at Grant Date	Balance as at 30 June	Number Granted	Number Vested and Transferred	Balance as at 30 June	Not Available to Call	Available to Call
Alan Joyce	20 Aug 08	$3.45	–	100,000	–	100,000	100,000[1]	–
	15 Aug 07	$5.45	23,500	–	–	23,500	11,750[2]	11,750
	22 Aug 06	$3.30	34,000	–	–	34,000	–	34,000
	17 Aug 05	$3.29	35,000	–	–	35,000	–	35,000
	18 May 05	$3.18	25,000	–	–	25,000	–	25,000
	18 Aug 04	$3.32	30,000	–	–	30,000	–	30,000
	2009 Total		**147,500**	**100,000**	**–**	**247,500**	**111,750**	**135,750**
	2008 Total		124,000	23,500	–	147,500	40,500	107,000
Colin Storrie	20 Aug 08	$3.45	–	52,000	–	52,000	52,000[1]	–
	15 Aug 07	$5.45	18,500	–	–	18,500	9,250[2]	9,250
	22 Aug 06	$3.30	14,268	–	–	14,268	–	14,268
	2009 Total		**32,768**	**52,000**	**–**	**84,768**	**61,250**	**23,518**
Geoff Dixon	20 Aug 08	$3.45	–	287,000	(287,000)	–	–	–
	15 Aug 07	$5.45	258,000	–	(258,000)	–	–	–
	22 Aug 06	$3.30	142,500	–	(142,500)	–	–	–
	17 Aug 05	$3.29	150,000	–	(150,000)	–	–	–
	21 Oct 04	$3.34	150,000	–	(150,000)	–	–	–
	2009 Total		**700,500**	**287,000**	**(987,500)**	**–**	**–**	**–**
	2008 Total		442,500	258,000	–	700,500	129,000	571,500
Peter Gregg	20 Aug 08	$3.45	–	96,000	(96,000)	–	–	–
	15 Aug 07	$5.45	86,000	–	(86,000)	–	–	–
	22 Aug 06	$3.30	85,500	–	(85,500)	–	–	–
	17 Aug 05	$3.29	90,000	–	(90,000)	–	–	–
	21 Oct 04	$3.34	45,000	–	(45,000)	–	–	–
	2009 Total		**306,500**	**96,000**	**(402,500)**	**–**	**–**	**–**
	2008 Total		220,500	86,000	–	306,500	43,000	263,500
John Borghetti	20 Aug 08	$3.45	–	96,000	(96,000)	–	–	–
	15 Aug 07	$5.45	86,000	–	(86,000)	–	–	–
	22 Aug 06	$3.30	85,500	–	(85,500)	–	–	–
	17 Aug 05	$3.29	30,000	–	(30,000)	–	–	–
	2009 Total		**201,500**	**96,000**	**(297,500)**	**–**	**–**	**–**
	2008 Total		115,500	86,000	–	201,500	128,750	72,750
Kevin Brown	20 Aug 08	$3.45	–	63,000	(63,000)	–	–	–
	15 Aug 07	$5.45	19,000	–	(19,000)	–	–	–
	22 Aug 06	$3.30	19,000	–	(19,000)	–	–	–
	17 Aug 05	$3.29	17,500	–	(17,500)	–	–	–
	2009 Total		**55,500**	**63,000**	**(118,500)**	**–**	**–**	**–**
	2008 Total		55,500	19,000	(19,000)	55,500	38,000	17,500
Bruce Buchanan	20 Aug 08	$3.45	–	25,066	–	25,066	25,066[1]	–
	20 Aug 07	$5.29	6,654	–	–	6,654	3,327[2]	3,327
	2009 Total		**6,654**	**25,066**	**–**	**31,720**	**28,393**	**3,327**

31. Related Parties continued

PERFORMANCE SHARE PLAN (PSP) KEY MANAGEMENT PERSONNEL	Grant Date	Fair Value as at Grant Date	Balance as at 30 June	Number Granted	Number Vested and Transferred	Balance as at 30 June	Not Available to Call	Available to Call
David Cox	20 Aug 08	$3.45	–	42,000	–	42,000	42,000[3]	–
	15 Aug 07	$5.45	15,500	–	–	15,500	7,750[2]	7,750
	22 Aug 06	$3.30	32,000	–	–	32,000	–	32,000
	17 Aug 05	$3.29	30,000	–	–	30,000	–	30,000
	18 Aug 04	$3.32	30,000	–	–	30,000	–	30,000
		2009 Total	**107,500**	**42,000**	**–**	**149,500**	**49,750**	**99,750**
		2008 Total	92,000	15,500	–	107,500	31,500	76,000
Grant Fenn	20 Aug 08	$3.45	–	60,000	–	60,000	60,000[1]	–
	15 Aug 07	$5.45	19,000	–	–	19,000	9,500[2]	9,500
	22 Aug 06	$3.30	38,000	–	–	38,000	–	38,000
	17 Aug 05	$3.29	17,500	–	–	17,500	–	17,500
		2009 Total	**74,500**	**60,000**	**–**	**134,500**	**69,500**	**65,000**
		2008 Total	55,500	19,000	–	74,500	38,000	36,500
Rob Gurney	20 Aug 08	$3.45	–	31,326	–	31,326	31,326[1]	–
	20 Aug 07	$5.29	9,716	–	–	9,716	4,858[2]	4,858
	22 Aug 06	$3.30	17,067	–	(17,067)	–	–	–
	17 Aug 05	$3.29	7,332	–	(7,332)	–	–	–
		2009 Total	**34,115**	**31,326**	**(24,399)**	**41,042**	**36,184**	**4,858**
Simon Hickey	20 Aug 08	$3.45	–	49,000	–	49,000	49,000[1]	–
	15 Aug 07	$5.45	11,500	–	–	11,500	5,750[2]	5,750
	22 Aug 06	$3.30	15,140	–	–	15,140	–	15,140
	17 Aug 05	$3.29	14,573	–	–	14,573	–	14,573
		2009 Total	**41,213**	**49,000**	**–**	**90,213**	**54,750**	**35,463**
Lyell Strambi	4 Mar 09	$1.52	–	75,000	–	75,000	75,000	–
		2009 Total	**–**	**75,000**	**–**	**75,000**	**75,000**	**–**

1. Up to one-half of these deferred shares may be called for from 1 July 2009.
2. These deferred shares may be called for from 1 July 2009.
3. These deferred shares may be called for on termination.

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

RETENTION PLAN (RP) KEY MANAGEMENT PERSONNEL	Grant Date	Fair Value as at Grant Date	Balance as at 30 June	Number Granted	Number Vested and Transferred	Balance as at 30 June	Not Available to Call	Available to Call
Alan Joyce	15 Aug 07	$5.45	400,000	–	–	400,000	130,000	270,000
	16 Aug 06	$3.09	350,000	–	–	350,000	350,000[1]	–
		2009 Total	**750,000**	**–**	**–**	**750,000**	**480,000**	**270,000**
		2008 Total	350,000	400,000	–	750,000	750,000	–
Colin Storrie	15 Aug 07	$5.45	350,000	–	–	350,000	115,000	235,000
	16 Aug 06	$3.09	200,000	–	–	200,000	200,000[2]	–
		2009 Total	**550,000**	**–**	**–**	**550,000**	**315,000**	**235,000**
Geoff Dixon	14 Nov 07	$5.82	1,000,000	–	(1,000,000)	–	–	–
		2009 Total	**1,000,000**	**–**	**(1,000,000)**	**–**	**–**	**–**
		2008 Total	–	1,000,000	–	1,000,000	750,000	250,000
Peter Gregg	14 Nov 07	$5.82	400,000	–	(400,000)	–	–	–
	19 Oct 06	$4.05	400,000	–	(400,000)	–	–	–
		2009 Total	**800,000**	**–**	**(800,000)**	**–**	**–**	**–**
		2008 Total	400,000	400,000	–	800,000	800,000	–
John Borghetti	15 Aug 07	$5.45	400,000	–	(400,000)	–	–	–
	16 Aug 06	$3.09	400,000	–	(400,000)	–	–	–
		2009 Total	**800,000**	**–**	**(800,000)**	**–**	**–**	**–**
		2008 Total	400,000	400,000	–	800,000	800,000	–
Kevin Brown	15 Aug 07	$5.45	350,000	–	(350,000)	–	–	–
	16 Aug 06	$3.09	350,000	–	(350,000)	–	–	–
		2009 Total	**700,000**	**–**	**(700,000)**	**–**	**–**	**–**
		2008 Total	350,000	350,000	–	700,000	700,000	–

Notes to the Financial Statements

for the year ended 30 June 2009

31. Related Parties continued

RETENTION PLAN (RP) KEY MANAGEMENT PERSONNEL	Grant Date	Fair Value as at Grant Date	Balance as at 30 June	Number Granted	Number Vested and Transferred	Balance as at 30 June	Not Available to Call	Available to Call
David Cox	15 Aug 07	$5.45	350,000	–	–	350,000	115,000	235,000
	16 Aug 06	$3.09	350,000	–	–	350,000	350,000[1]	–
		2009 Total	**700,000**	**–**	**–**	**700,000**	**465,000**	**235,000**
		2008 Total	350,000	350,000	–	700,000	700,000	–
Grant Fenn	15 Aug 07	$5.45	350,000	–	–	350,000	115,000	235,000
	16 Aug 06	$3.09	350,000	–	–	350,000	350,000[1]	–
		2009 Total	**700,000**	**–**	**–**	**700,000**	**465,000**	**235,000**
		2008 Total	350,000	350,000	–	700,000	700,000	–
Simon Hickey	15 Aug 07	$5.45	200,000	–	–	200,000	65,000	135,000
	16 Aug 06	$3.09	200,000	–	–	200,000	200,000[2]	–
		2009 Total	**400,000**	**–**	**–**	**400,000**	**265,000**	**135,000**

1. 116,667 of these deferred shares may be called for from 1 July 2009.
2. 66,667 of these deferred shares may be called for from 1 July 2009.

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

LONG TERM INCENTIVE PLAN (LTIP) KEY MANAGEMENT PERSONNEL	Grant Date	Fair Value as at Grant Date	Balance as at 30 June	Number Granted	Number Forfeited	Number Vested and Transferred	Balance as at 30 June
Alan Joyce	4 May 09	$1.64	–	250,000	–	–	250,000
	12 Dec 07	$4.42	65,000	–	–	–	65,000
	22 Aug 06	$2.39	55,000	–	–	–	55,000[2]
	17 Aug 05	$1.98	50,000	–	–	(36,250)	13,750[3]
	18 Aug 04	$2.25	7,000	–	–	–	7,000[4]
		2009 Total	**177,000**	**250,000**	**–**	**(36,250)**	**390,750**
		2008 Total	140,000	65,000	–	(28,000)	177,000
Colin Storrie	4 May 09	$1.64	–	90,000	–	–	90,000
	12 Dec 07	$4.42	44,000	–	–	–	44,000
	4 Oct 06	$2.95	35,000	–	–	–	35,000[2]
	22 Nov 05	$2.67	17,000	–	–	–	17,000[3]
	13 Jan 05	$2.47	3,000	–	–	–	3,000[4]
		2009 Total	**99,000**	**90,000**	**–**	**–**	**189,000**
Geoff Dixon	12 Dec 07	$4.42	300,000	–	(125,000)	–	175,000
	19 Oct 06	$3.17	300,000	–	(25,000)	–	275,000[2]
	21 Oct 04	$2.28	90,000	–	–	–	90,000[4]
		2009 Total	**690,000**	**–**	**(150,000)**	**–**	**540,000**
		2008 Total	750,000	300,000	–	(360,000)	690,000
Peter Gregg	12 Dec 07	$4.42	100,000	–	(100,000)	–	–
	19 Oct 06	$3.17	100,000	–	(100,000)	–	–
	17 Aug 05	$1.98	90,000	–	(13,320)	(76,680)	–
	21 Oct 04	$2.28	18,000	–	(18,000)	–	–
		2009 Total	**308,000**	**–**	**(231,320)**	**(76,680)**	**–**
		2008 Total	280,000	100,000	–	(72,000)	308,000
John Borghetti	12 Dec 07	$4.42	100,000	–	(100,000)	–	–
	22 Aug 06	$2.39	100,000	–	(100,000)	–	–
	17 Aug 05	$1.98	75,000	–	(11,100)	(63,900)	–
	18 Aug 04	$2.25	12,000	–	(12,000)	–	–
		2009 Total	**287,000**	**–**	**(223,100)**	**(63,900)**	**–**
		2008 Total	235,000	100,000	–	(48,000)	287,000

31. Related Parties continued

LONG TERM INCENTIVE PLAN (LTIP) KEY MANAGEMENT PERSONNEL	Grant Date	Fair Value as at Grant Date	Balance as at 30 June	Number Granted	Number Forfeited	Number Vested and Transferred	Balance as at 30 June
Kevin Brown	12 Dec 07	$4.42	53,000	–	(53,000)	–	–
	22 Aug 06	$2.39	55,000	–	(55,000)	–	–
	17 Aug 05	$1.98	50,000	–	(7,400)	(42,600)	–
	18 Aug 04	$2.25	8,000	–	(8,000)	–	–
		2009 Total	**166,000**	**–**	**(123,400)**	**(42,600)**	**–**
		2008 Total	145,000	53,000	–	(32,000)	166,000
Bruce Buchanan	4 May 09	$1.64	–	70,500	–	–	70,500
	31 Mar 08	$2.75	20,000	–	–	–	20,000
	13 Jan 05	$2.47	1,600	–	–	–	1,600[4]
		2009 Total	**21,600**	**70,500**	**–**	**–**	**92,100**
David Cox	12 Dec 07	$4.42	44,000	–	–	–	44,000
	22 Aug 06	$2.39	45,000	–	–	–	45,000[2]
	17 Aug 05	$1.98	40,000	–	–	(34,080)	5,920[3]
	18 Aug 04	$2.25	9,000	–	–	–	9,000[4]
		2009 Total	**138,000**	**–**	**–**	**(34,080)**	**103,920**
		2008 Total	130,000	44,000	–	(36,000)	138,000
Grant Fenn	4 May 09	$1.64	–	85,500	–	–	85,500
	12 Dec 07	$4.42	53,000	–	–	–	53,000
	22 Aug 06	$2.39	55,000	–	–	–	55,000[2]
	17 Aug 05	$1.98	50,000	–	–	(42,600)	7,400[3]
	18 Aug 04	$2.25	9,000	–	–	–	9,000[4]
		2009 Total	**167,000**	**85,500**	**–**	**(42,600)**	**209,900**
		2008 Total	150,000	53,000	–	(36,000)	167,000
Rob Gurney	4 May 09	$1.64	–	50,000	–	–	50,000
	31 Mar 08	$2.75	25,000	–	–	–	25,000
	4 Oct 06	$2.95	20,000	–	–	–	20,000[2]
	22 Nov 05	$2.67	13,000	–	–	(9,425)	3,575[3]
	13 Jan 05	$2.47	2,500	–	–	–	2,500[4]
		2009 Total	**60,500**	**50,000**	**–**	**(9,425)**	**101,075**
Simon Hickey	4 May 09	$1.64	–	70,500	–	–	70,500
	12 Dec 07	$4.42	35,000	–	–	–	35,000
	4 Oct 06	$2.95	35,000	–	–	–	35,000[2]
	22 Nov 05	$2.67	15,000	–	–	(10,875)	4,125[3]
	13 Jan 05	$2.47	1,600	–	–	–	1,600[4]
		2009 Total	**86,600**	**70,500**	**–**	**(10,875)**	**146,225**
Lyell Strambi	4 May 09	$1.64	–	75,000	–	–	75,000
		2009 Total	**–**	**75,000**	**–**	**–**	**75,000**

1. The fair value of Rights granted is calculated at the date of grant using a Monte-Carlo model and/or Black Scholes model.
2. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2009.
3. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2008.
4. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved The final test occurred on 30 June 2009 and Rights will lapse to the extent performance hurdles have not been achieved.

All Rights were granted with a nil exercise price and subject to the achievement of the performance hurdle may be converted on a one-for-one basis to Qantas shares. No amount has been paid, or is payable by, the Executive in relation to these Rights.

31. Related Parties continued

EQUITY HOLDINGS AND TRANSACTIONS

No other KMP or related party directly, indirectly or beneficially held any other shares, options or rights in the Qantas Group other than as set out below. 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.

KEY MANAGEMENT PERSONNEL	Interest in Shares as at 30 June 2007	Awarded as Remuneration[1]	Rights Converted to Shares	Other Change[2]	Interest in Shares as at 30 June 2008[3]	Awarded as Remuneration[1]	Rights Converted to Shares	Other Change[2]	Interest in Shares as at 30 June 2009[3]
Leigh Clifford	n/a	–	–	45,000	45,000	–	–	6,622	51,622
Alan Joyce	541,383	423,500	28,000	–	992,883	100,000	36,250	6,622	1,135,755
Colin Storrie	n/a	n/a	n/a	n/a	584,013	52,000	–	–	636,013
Geoff Dixon	1,742,821	1,258,000	421,729	–	3,422,550	287,000	–	–	3,709,550
Peter Gregg	905,529	486,000	81,967	–	1,473,496	96,000	76,680	(838,028)	808,148
Mike Codd	13,408	–	–	–	13,408	–	–	655	14,063
Peter Cosgrove	2,124	–	–	2,475	4,599	–	–	5,407	10,006
Patricia Cross	2,163	–	–	–	2,163	–	–	3,311	5,474
Richard Goodmanson	n/a	–	–	–	–	–	–	20,000	20,000
Garry Hounsell	33,811	–	–	–	33,811	–	–	9,638	43,449
Paul Rayner	n/a	n/a	n/a	n/a	n/a	–	–	21,622	21,622
John Schubert	34,753	–	–	–	34,753	–	–	6,622	41,375
James Strong	41,056	–	–	–	41,056	–	–	3,661	44,717
Barbara Ward	n/a	–	–	10,975	10,975	–	–	6,622	17,597
John Borghetti	517,746	486,000	57,967	189	1,061,902	96,000	63,900	(202,435)	1,019,367
Kevin Brown	423,000	369,000	32,000	(30,000)	794,000	63,000	42,600	(68,500)	831,100
Bruce Buchanan	n/a	n/a	n/a	n/a	13,054	25,066	–	246	38,366
David Cox	502,241	365,500	45,967	–	913,708	42,000	34,080	–	989,788
Grant Fenn	405,500	369,000	36,000	–	810,500	60,000	42,600	3,530	916,630
Rob Gurney	n/a	n/a	n/a	n/a	44,115	31,326	9,425	(43,824)	41,042
Simon Hickey	n/a	n/a	n/a	n/a	447,613	49,000	10,875	–	507,488
Lyell Strambi	n/a	n/a	n/a	n/a	n/a	75,000	–	–	75,000

1. Refer to details of the PSP and RP on pages 132 to 134.
2. Other change includes shares acquired through the DRP, salary sacrifice, purchased, sold or lapsed.
3. Where appropriate, the number shown is at the date the person ceased to be KMP.

LOANS AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Loans

No KMP or their related parties held any loans from the Qantas Group during or at the end of the year.

Other transactions with the Qantas Group

Related party disclosures

A number of KMP 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. Qantas purchases wine from Toolangi Vineyards for use on Qantas International Business Class services; and
- Woolworths Limited and its subsidaries (Woolworths Group) are related entites to Mr Strong, who is Chairman of Woolworths Limited. The Qantas Frequent Flyer (QFF) loyalty partnership with the Woolworths Group commenced in June 2009. Mr Strong has not participated in any Qantas Board discussions relating to the QFF-Woolworths Group loyalty partnership.

31. Related Parties continued

(B) OTHER RELATED PARTY TRANSACTIONS

Controlled entities

Details of interests in controlled entities are set out in Note 32. Transactions between Qantas and controlled entities are conducted on normal business terms and conditions. In addition, the Qantas Group has pooled funding arrangements with its major domestic banker and as such reciprocal borrowings occur regularly between Qantas and its controlled entities.

Transactions between Qantas and related parties in the wholly-owned group include:

- Qantas provides a range of administrative, financial and treasury services to controlled entities;
- Qantas provides ground handling services to Jetstar Airways Pty Limited (Jetstar) and QantasLink;
- Jetstar and QantasLink provide freight capacity to Qantas;
- Qantas Catering Group Limited and controlled entities and Snap Fresh Pty Limited provide airline catering and related services to Qantas;
- Qantas codeshares on certain Jetstar services for inbound international passengers and Qantas Frequent Flyers for which it pays capacity hire costs;
- Q H Tours Ltd and controlled entities and Qantas act as an agent for each other's products;
- Southern Cross Insurances Pte Limited provides insurance services to Qantas and its controlled entities;
- AAL Aviation Limited and its controlled entities assist in the hiring of aircraft capacity for Qantas;
- Qantas Cabin Crew (UK) Limited provides cabin crew to Qantas;
- Jetconnect Limited provides flights and cabin crew to Qantas;
- Qantas leases aircraft from controlled entities;
- Qantas leases property to and from controlled entities;
- Qantas leases aircraft to Jetstar;
- Qantas leases aircraft to Express Freighters Australia Pty Limited;
- Express Freighters Australia Pty Limited purchases freight capacity on passenger aircraft from Jetstar;
- Qantas provides treasury services to Jetstar Asia Airways Pte Ltd (Jetstar Asia);
- Qantas has sub-leased aircraft from Jetstar Asia;
- Qantas has seconded employees and provided various support services to Jetstar Asia;
- Qantas Group Flight Training Pty Limited provides pilot training services to Qantas; and
- Qantas Domestic Pty Limited provides cabin crew services to Qantas.

Transactions and balances with partly and wholly-owned controlled entities are included in the Financial Statements as follows:

		Qantas	
	Notes	**2009 $M**	2008 $M
Sales and other income		**775**	339
Dividend revenue	4	**429**	602
Finance costs	5	**62**	99
Current receivables	11	**1,584**	1,630
Non-current receivables	11	**1,880**	396
Current payables	19	**763**	889
Current interest-bearing liabilities	21	**266**	177
Non-current interest-bearing liabilities	21	**2,685**	1,202

31. Related Parties continued

Associates and jointly controlled entities

Details of interests in associates and jointly controlled entities are provided in Note 14. Transactions with associates and jointly controlled entities are conducted on normal terms and conditions.

Transactions between Qantas and associates and jointly controlled entities include:

- Qantas provides catering and ground handling services and performs maintenance and contract work for Air Pacific Limited (Air Pacific);
- Qantas provides ramp handling services to Australian air Express Pty Limited (Australian air Express);
- Qantas leases aircraft and domestic freight capacity and sub-leases certain property to Australian air Express;
- Qantas codeshares on certain Air Pacific services for which it pays capacity hire costs;
- Australian air Express and the Star Track Express Group provide certain domestic freight and document delivery services for Qantas;
- Qantas receives interest from the Star Track Express Group on an investment loan;
- Qantas has an engine tooling arrangement with LTQ Engineering Pty Limited;
- Qantas receives engine maintenance services from LTQ Engineering Pty Limited; and
- Qantas provides treasury services to Air Pacific and Jetstar Pacific Joint Stock Aviation Company.

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

		Qantas Group		Qantas	
	Notes	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Sales and other income		**152**	131	**22**	73
Dividend revenue	4	**–**	–	**20**	22
Finance income	5	**10**	10	**–**	8
Expenditure		**65**	14	**61**	13
Current receivables	11	**41**	7	**37**	6
Non-current receivables	11	**128**	128	**–**	–
Current payables	19	**38**	–	**37**	–
Current interest-bearing liabilities	21	**–**	3	**–**	3

32. Particulars in Relation to Controlled Entities as at 30 June 2009

				Qantas Group Ownership Interest	
CONTROLLED ENTITIES	**Footnote**	**ACN/ABN**	**Country of Incorporation**	**2009 %**	2008 %
738 Leasing 1 Pty Limited		33 099 119 641	Australia	**100**	100
738 Leasing 2 Pty Limited		71 099 119 801	Australia	**100**	100
AAL Aviation Limited	1	83 008 642 886	Australia	**100**	100
AAFE Superannuation Pty Limited		064 186 214	Australia	**100**	100
TAA Superannuation Pty. Ltd.		065 318 461	Australia	**100**	100
Australian Regional Airlines Pty. Ltd.	1	25 006 783 633	Australia	**100**	100
Sunstate Airlines (Qld) Pty. Limited	1	82 009 734 703	Australia	**100**	100
Southern Australia Airlines Pty Ltd	1	38 006 604 217	Australia	**100**	100
Airlink Pty Limited	1	76 010 812 316	Australia	**100**	100
Eastern Australia Airlines Pty. Limited	1	77 001 599 024	Australia	**100**	100
Impulse Airlines Holdings Proprietary Limited	1	67 090 590 024	Australia	**100**	100
Impulse Airlines Australia Pty Ltd	1	17 090 379 285	Australia	**100**	100
Jetstar Airways Pty Limited	1	33 069 720 243	Australia	**100**	100
Jetstar Airways Limited	2		New Zealand	**100**	100
Jetstar Holidays Co. Ltd.			Japan	**100**	100
Team Jetstar Pty Limited	1	64 003 901 353	Australia	**100**	100
First Brisbane Airport Proprietary Limited	1	60 006 912 116	Australia	**100**	100
Second Brisbane Airport Proprietary Limited	1	49 006 912 072	Australia	**100**	100
First Brisbane Airport Unit Trust			n/a	**100**	100
Second Brisbane Airport Unit Trust			n/a	**100**	100
TAA Aviation Pty. Ltd.	1	17 008 596 825	Australia	**100**	100
In Tours Airline Unit Trust No 1			n/a	**100**	100
Denmell Pty. Limited	1	24 008 636 093	Australia	**100**	100
Denmint Pty. Limited	1	22 008 636 084	Australia	**100**	100
Denold Pty. Limited	1	64 008 636 262	Australia	**100**	100
Denpen Pty. Limited	1	66 008 636 271	Australia	**100**	100
Denpet Pty. Limited	1	60 008 636 244	Australia	**100**	100
Denpost Pty. Limited	1	58 008 636 235	Australia	**100**	100
Denrac Pty. Limited	1	56 008 636 226	Australia	**100**	100
Denseed Pty. Limited	1	39 008 636 155	Australia	**100**	100
Australian Airlines Limited	1	85 099 625 304	Australia	**100**	100
BD No 1 Limited			Cayman Islands	**100**	100
Express Ground Handling Pty Limited	1	19 107 638 326	Australia	**100**	100
Jetconnect Limited			New Zealand	**100**	100
Jetstar Asia Holdings Pty Limited		86 108 623 123	Australia	**100**	100
Newstar Investment Holdings Pte. Ltd.	3		Singapore	**49**	–
Orangestar Investment Holdings Pte. Ltd.	3		Singapore	**49**	n/a
Jetstar Asia Airways Pte. Ltd.	3		Singapore	**49**	n/a
Valuair Limited	3		Singapore	**49**	n/a
Kurrajong Limited			Cayman Islands	**100**	100
LTQ Engineering Pty Limited	4	15 106 473 965	Australia	**n/a**	100
Q H Tours Ltd	1,6	81 001 262 433	Australia	**100**	100
Holiday Tours & Travel Pte Ltd			Singapore	**75**	75
Holiday Tours & Travel (Singapore) Pte. Ltd.			Singapore	**75**	75
Tour East Australia Pty Limited		87 106 526 096	Australia	**75**	75
Tour East Singapore (1996) Pte Ltd			Singapore	**75**	75
Tour East (Hong Kong) Limited			Hong Kong	**75**	75
PT Biro Perjalanan Wisata Tour East Indonesia			Indonesia	**60**	60
PT Pacto Holiday Tours			Indonesia	**53**	53
Holiday Tours & Travel Ltd			Taiwan	**75**	75
Holiday Tours & Travel Limited			Hong Kong	**75**	75
Hangda Consulting (Shanghai) Co. Ltd			China	**75**	75
Tour East (2009) Sdn Bhd	5		Malaysia	**75**	–
Holiday Tours & Travel (Korea) Limited			Korea	**56**	56
Jetset Travelworld Ltd	6	60 091 214 998	Australia	**58**	n/a
A.B.N. 23 124 732 136 Pty Limited	6,7	23 124 732 136	Australia	**58**	n/a
Jetset Pty Ltd	6	30 098 029 362	Australia	**58**	n/a
JTG Travel Insurance Pty Limited	6,8	59 105 702 136	Australia	**58**	n/a
JTG Corporate Pty Limited	6	128 834 588	Australia	**58**	n/a
JTG Services Pty Limited	9	86 135 179 485	Australia	**58**	–
JTG Wholesale Pty Limited	6	128 812 788	Australia	**58**	n/a
National Ticket Centre Pty Ltd	6	47 108 306 243	Australia	**58**	n/a

32. Particulars in Relation to Controlled Entities as at 30 June 2009 continued

CONTROLLED ENTITIES continued	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 2009 %	2008 %
Orient Pacific Holidays Pty Limited	6	85 124 719 508	Australia	**58**	n/a
Qantas Holidays Limited	6,10	24 003 836 459	Australia	**58**	100
Qantas Business Travel Pty Limited	6	50 128 382 187	Australia	**58**	100
Traveland Australia Pty. Ltd.	6	115 329 112	Australia	**58**	n/a
Traveland Group Pty. Ltd.	6	115 334 855	Australia	**58**	n/a
Travelworld Pty Ltd	6	81 074 285 224	Australia	**58**	n/a
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
QH Cruises Pty. Limited.	11	13 003 895 556	Australia	**–**	100
Qanfad Pty Limited	1	071 955 578	Australia	**100**	100
Qanlease Limited	11	78 064 157 839	Australia	**–**	100
Qantas Cabin Crew (UK) Limited			United Kingdom	**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 Defence Services Pty Limited	1	53 090 673 466	Australia	**100**	100
QDS Richmond Pty Ltd	1	58 092 691 140	Australia	**100**	100
Aerial Operations Services Pty Limited		52 123 140 152	Australia	**100**	100
Qantas Domestic Pty Limited	1,12	21 134 556 255	Australia	**100**	–
Qantas Catering Group Limited	1	34 003 836 440	Australia	**100**	100
Q Catering Limited	1	35 003 530 685	Australia	**100**	100
Q Catering Cairns Pty Limited	1	51 008 646 302	Australia	**100**	100
Q Catering Riverside Pty Limited	1	37 062 648 140	Australia	**100**	100
Airport Infrastructure Finance Pty. Limited		14 011 071 248	Australia	**100**	100
Qantas Freight Enterprises Limited	1	55 128 862 108	Australia	**100**	100
Express Freighters Australia Pty Limited	1	73 003 613 465	Australia	**100**	100
Express Freighters Australia (Operations) Pty Limited	1	54 119 093 999	Australia	**100**	100
Qantas Road Express Pty Limited	1	56 130 392 111	Australia	**100**	100
Qantas Freight Holdings Pty Limited	1	68 125 573 113	Australia	**100**	100
Jupiter Air Oceania Limited	1	32 003 890 328	Australia	**100**	100
Qantas Freight Asia Holdings Pte. Limited			Singapore	**100**	100
Asia Express Holdings Pte Ltd			Singapore	**100**	100
DPEX Transport Group Pte Ltd			Singapore	**100**	100
DPEX Ventures Pte Ltd			Singapore	**100**	100
Document Parcel Express Korea Ltd	13		Korea	**83**	83
DPEX Worldwide Express Pte Ltd			Singapore	**100**	100
DPEX Worldwide Express Limited			Hong Kong	**100**	100
Kilda Express Pte Ltd			Singapore	**69**	69
DPEX Worldwide Co. Ltd.			China	**52**	52
Qantas Foundation Trustee Limited		130 129 449	Australia	**100**	100
Qantas Frequent Flyer Limited		12 129 456 908	Australia	**100**	100
Qantas Frequent Flyer Operations Pty Limited	14	22 132 484 210	Australia	**100**	–
Qantas Ground Services Pty Limited	1,15	43 137 771 692	Australia	**100**	–
Qantas Group Flight Training Pty Limited	1	29 128 258 104	Australia	**100**	100
Qantas Group Flight Training (Australia) Pty Limited	1	45 128 258 677	Australia	**100**	100
Qantas Information Technology Ltd	1	99 000 005 372	Australia	**100**	100
Qantas Superannuation Limited		47 003 806 960	Australia	**100**	100
QF 738 Leasing 5 Pty Limited		75 100 511 706	Australia	**100**	100
QF 738 Leasing 6 Pty Limited		83 100 511 742	Australia	**100**	100
QF 744 Leasing 3 Pty Limited		18 100 511 466	Australia	**100**	100
QF 744 Leasing 4 Pty Limited		24 100 511 493	Australia	**100**	100
QF A332 Leasing 1 Pty Limited		11 100 511 813	Australia	**100**	100
QF A332 Leasing 2 Pty Limited		13 100 511 886	Australia	**100**	100
QF A332 Leasing 3 Pty Limited		86 100 510 503	Australia	**100**	100
QF A332 Leasing 4 Pty Limited		84 100 510 558	Australia	**100**	100
QF A333 Leasing 3 Pty Limited		50 100 510 352	Australia	**100**	100
QF A333 Leasing 4 Pty Limited		44 100 510 389	Australia	**100**	100
QF A388 Leasing 1 Pty Limited		62 100 510 843	Australia	**100**	100
QF A388 Leasing 2 Pty Limited		66 100 510 861	Australia	**100**	100
QF BNP 2008–1 Pty Limited	16	25 132 252 174	Australia	**100**	–
QF BNP 2008–2 Pty Limited	16	17 132 252 138	Australia	**100**	–

32. Particulars in Relation to Controlled Entities as at 30 June 2009 continued

CONTROLLED ENTITIES continued	Footnote	ACN/ABN	Country of Incorporation	Qantas Group Ownership Interest 2009 %	2008 %
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	17	23 135 258 534	Australia	**100**	–
QF Calyon 2009–2 Pty Limited	17	12 135 258 490	Australia	**100**	–
QF Dash 8 Leasing Pty Limited		86 107 164 750	Australia	**100**	100
QF Dash 8 Leasing No. 2 Pty Limited	18	44 134 259 957	Australia	**100**	–
QF Dash 8 Leasing No. 3 Pty Limited	18	48 134 259 975	Australia	**100**	–
QF Dash 8 Leasing No. 4 Pty Limited	17	91 135 258 445	Australia	**100**	–
QF ECA 2008–1 Pty Limited	19	71 133 356 475	Australia	**100**	–
QF ECA 2008–2 Pty Limited	19	73 133 356 420	Australia	**100**	–
Snap Fresh Pty Limited	1	55 092 536 475	Australia	**100**	100
Southern Cross Insurances Pte Limited			Singapore	**100**	100
Thai Air Cargo Holdings Pty Limited		19 112 083 584	Australia	**100**	100
Travel Software Solutions Pty Limited	20	36 005 407 465	Australia	**67**	n/a
CargoNet Pty Limited	20	79 063 504 978	Australia	**67**	n/a
SCDS Holdings Pty. Ltd.	20	52 007 368 121	Australia	**67**	n/a
Travel Technologies Pty. Limited	20	15 077 822 603	Australia	**67**	n/a
Traveltrack Solutions Pty Limited	20	72 075 185 536	Australia	**67**	n/a

1. Pursuant to ASIC Class Order 98/1418 (as amended), these controlled entities are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of Financial Reports. Jupiter Air Oceania Limited, Qantas Domestic Pty Limited and Qantas Ground Services Pty Limited became parties to the Deed of Cross Guarantee on 29 June 2009.
2. Jetstar Airways Pty Limited acquired a 100 per cent interest in Qantas Investments (NZ) Limited from Jetconnect Limited on 18 December 2008. Qantas Investments (NZ) Limited changed its name to Jetstar Airways Limited on 14 January 2009.
3. Newstar Investment Holdings Pte. Ltd. was incorporated on 16 March 2009. Newstar Investment Holdings Pte. Ltd. acquired a 100 per cent interest in Orangestar Investment Holdings Pte. Ltd. and its controlled entities on 8 April 2009. Orangestar Investment Holdings Pte. Ltd. ceased to be equity accounted from that date.
4. The Qantas Group disposed of 50 per cent of its interest in this entity on 1 July 2008. Jet Turbine Services Pty Limited changed its name to LTQ Engineering Pty Limited on 19 December 2008. LTQ Engineering Pty Limited is now held as an investment in a jointly controlled entity.
5. The Qantas Group acquired a 75 per cent interest in Tour East (2009) Sdn Bhd (formerly known as STA Travel (M) Sdn Bhd) on 1 September 2008.
6. Jetset Travelworld Ltd acquired a 100 per cent interest in Qantas Holidays Limited and Qantas Business Travel Pty Limited in exchange for Q H Tours Ltd acquiring a 58 per cent interest in Jetset Travelworld Ltd and its controlled entities on 25 July 2008.
7. JTG Services Pty Limited changed its name to A.B.N. 23 124 732 136 Pty Limited on 2 February 2009.
8. Jetset Travelworld Insurance Pty Ltd changed its name to JTG Travel Insurance Pty Limited on 1 July 2009.
9. JTG Services Pty Limited was incorporated on 2 February 2009.
10. A Revocation Deed was lodged with ASIC on 8 August 2008 to remove Qantas Holidays Limited from the Deed of Cross Guarantee.
11. The Qantas Group disposed of 100 per cent of its interest in QH Cruises Pty. Limited. and Qanlease Limited on 29 June 2009. A Revocation Deed was lodged with ASIC on 29 June 2009 to remove QH Cruises Pty. Limited. and Qanlease Limited from ASIC Class order 98/1418.
12. Qantas Domestic Pty Limited was incorporated on 10 December 2008.
13. Document Parcel Express Korea Ltd resolved to file for voluntary liquidation on 13 February 2009.
14. Qantas Frequent Flyer Operations Pty Limited was incorporated on 30 July 2008.
15. Qantas Ground Services Pty Limited was incorporated on 19 June 2009.
16. QF BNP 2008-1 Pty Limited and QF BNP 2008-2 Pty Limited were incorporated on 16 July 2008.
17. QF Calyon 2009-1 Pty Limited, QF Calyon 2009-2 Pty Limited and QF Dash 8 Leasing No. 4 Pty Limited were incorporated on 6 February 2009.
18. QF Dash 8 Leasing No. 2 Pty Limited and QF Dash 8 Leasing No. 3 Pty Limited were incorporated on 20 November 2008.
19. QF ECA 2008-1 Pty Limited and QF ECA 2008-2 Pty Limited were incorporated on 22 September 2008.
20. The Qantas Group acquired a further 17 per cent interest in Travel Software Solutions Pty Limited (TSS) and its controlled entities on 8 October 2008. The Qantas Group's interest in TSS is held through Qantas Airways Limited and AAL Aviation Limited.

33. Deed of Cross Guarantee

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

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

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

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

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

33. Deed of Cross Guarantee continued

	Consolidated	
INCOME STATEMENT	**2009 $M**	2008 $M
Profit before related income tax expense	**322**	1,391
Income tax expense	**48**	438
Profit for the year	**274**	953
Retained earnings as at 1 July	**1,191**	876
Shares vested to employees	**(1)**	(5)
Impact of entities (leaving)/joining the Deed	**(20)**	7
Dividends declared	**(439)**	(640)
Retained earnings as at 30 June	**1,005**	1,191
BALANCE SHEET		
CURRENT ASSETS		
Cash and cash equivalents	**3,309**	2,445
Receivables	**1,324**	2,338
Other financial assets	**561**	1,082
Inventories	**250**	210
Current tax receivable	**128**	–
Assets classified as held for sale	**26**	41
Other	**302**	245
Total current assets	**5,900**	6,361
NON-CURRENT ASSETS		
Receivables	**2,396**	532
Other financial assets	**344**	462
Investments accounted for using the equity method	**295**	329
Other investments	**394**	74
Property, plant and equipment	**11,833**	11,952
Intangible assets	**447**	412
Other	**7**	8
Total non-current assets	**15,716**	13,769
Total assets	**21,616**	20,130
CURRENT LIABILITIES		
Payables	**1,732**	2,220
Revenue received in advance	**3,033**	3,266
Interest-bearing liabilities	**726**	634
Other financial liabilities	**641**	960
Provisions	**499**	480
Current tax liabilities	**–**	110
Deferred lease benefits/income	**16**	15
Total current liabilities	**6,647**	7,685
NON-CURRENT LIABILITIES		
Revenue received in advance	**1,232**	1,083
Interest-bearing liabilities	**6,626**	3,958
Other financial liabilities	**268**	597
Provisions	**516**	421
Deferred tax liabilities	**572**	757
Deferred lease benefits/income	**35**	45
Total non-current liabilities	**9,249**	6,861
Total liabilities	**15,896**	14,546
Net assets	**5,720**	5,584
EQUITY		
Issued capital	**4,729**	3,976
Treasury shares	**(58)**	(61)
Reserves	**44**	478
Retained earnings	**1,005**	1,191
Total equity	**5,720**	5,584

34. Financial Risk Management

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

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

(A) LIQUIDITY RISK

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

The following tables summarise the contractual timing of cash flows, including interest payments, of financial liabilities and derivative instruments, as at 30 June 2009 and 30 June 2008:

FINANCIAL LIABILITIES QANTAS GROUP 2009 $M	**Less than 1 Year**	**1 to 5 Years**	**More than 5 Years**	**Total**
Trade creditors	**597**	**–**	**–**	**597**
Bank loans – secured[1]	**424**	**1,769**	**1,115**	**3,308**
Bank loans – unsecured[1]	**23**	**641**	**–**	**664**
Other loans – unsecured[1]	**78**	**818**	**685**	**1,581**
Lease and hire purchase liabilities[1]	**164**	**344**	**175**	**683**
Derivatives – inflows	**(270)**	**(1,782)**	**(815)**	**(2,867)**
Derivatives – outflows	**819**	**2,065**	**886**	**3,770**
Total financial liabilities	**1,835**	**3,855**	**2,046**	**7,736**

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

2008				
Trade creditors	670	–	–	670
Bank loans – secured[1]	308	1,472	233	2,013
Bank loans – unsecured[1]	51	706	–	757
Other loans – unsecured[1]	303	703	567	1,573
Lease and hire purchase liabilities[1]	77	449	161	687
Derivatives – inflows	(553)	(1,893)	(665)	(3,111)
Derivatives – outflows	1,452	2,651	891	4,994
Total financial liabilities	2,308	4,088	1,187	7,583

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

34. Financial Risk Management continued

FINANCIAL LIABILITIES QANTAS 2009 $M	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Trade creditors	**466**	**–**	**–**	**466**
Bank loans – secured[1]	**249**	**1,027**	**826**	**2,102**
Bank loans – unsecured[1]	**23**	**641**	**–**	**664**
Other loans – unsecured[1]	**78**	**818**	**685**	**1,581**
Lease and hire purchase liabilities[1]	**531**	**1,996**	**1,750**	**4,277**
Derivatives – inflows	**(270)**	**(1,782)**	**(815)**	**(2,867)**
Derivatives – outflows	**819**	**2,065**	**886**	**3,770**
Total financial liabilities	**1,896**	**4,765**	**3,332**	**9,993**
2008				
Trade creditors	738	–	–	738
Bank loans – secured[1]	134	637	135	906
Bank loans – unsecured[1]	51	706	–	757
Other loans – unsecured[1]	303	703	567	1,573
Lease and hire purchase liabilities[1]	308	1,673	285	2,266
Derivatives – inflows	(552)	(1,894)	(666)	(3,112)
Derivatives – outflows	1,452	2,651	891	4,994
Total financial liabilities	2,434	4,476	1,212	8,122

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 risks. The following section summarises Qantas Group's approach to managing these risks.

(i) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Qantas Group has exposure to movements in interest rates arising from its portfolio of interest rate sensitive assets and liabilities in a number of currencies, predominantly in AUD, GBP and EUR. These principally include corporate debt, leases and cash. The Qantas Group manages interest rate risk by reference to a duration target, being a measure of the sensitivity of the borrowing portfolio to changes in interest rates. 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 2009, interest-bearing liabilities amounted to $5,503 million (2008: $4,160 million). The fixed/floating split is 37 per cent and 63 per cent respectively (2008: 37 per cent and 63 per cent). Other financial assets and liabilities included financial instruments related to debt totalling $81 million (liability) (2008: $245 million (liability)). These financial instruments are recognised at fair value or amortised cost in accordance with AASB 139. Financial instruments are shown net of impairment losses for the year of $58 million (2008: $59 million).

(ii) Foreign exchange risk

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

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

Forward foreign exchange contracts and currency options are used to hedge a portion of remaining net foreign currency revenue or expenditure in accordance with Qantas Group policy. Net foreign currency revenue and expenditure out to five 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 are hedged using a combination of forward foreign exchange contracts and currency options at the date a firm commitment is entered into to buy or sell currency unless otherwise approved by the Board.

34. Financial Risk Management continued

As at 30 June 2009, 55 per cent (2008: 68 per cent) of forecast operational and capital expenditure foreign exchange exposures less than one year and 18 per cent (2008: 20 per cent) of exposures greater than one year but less than five years have been hedged. As at 30 June 2009, total unrealised exchange gains on hedges of net revenue designated to service long-term debt were $121 million (2008: $425 million gain).

For the year ended 30 June 2009, other financial assets and liabilities include derivative financial instruments used to hedge foreign currency, including hedging of future capital and operating expenditure payments, totalling $231 million (net asset) (2008: $615 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 aviation fuel, gasoil and crude oil to hedge the exposure to movements in the price of aviation fuel. Hedging is conducted in accordance with Qantas Group policy. Up to 100 per cent of estimated fuel consumption out to 12 months may be hedged and up to 50 per cent in the subsequent 12 months, with any hedging outside these parameters requiring approval by the Board. As at 30 June 2009, 71 per cent (2008: 65 per cent) of forecast fuel exposure less than one year and two per cent (2008: two per cent) of forecast fuel exposure between one and five years have been hedged.

For the year ended 30 June 2009, other financial assets and liabilities include fuel derivatives totalling $154 million (liability) (2008: $840 million (asset)). These are recognised at fair value in accordance with AASB139.

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

The following table summarises the impact of reasonably possible changes in market risk on net profit and equity. For the purpose of this disclosure, the following assumptions were used:

- 100 basis points increase and decrease in all relevant interest rates;
- 20 per cent (2008: 10 per cent) increase and decrease in all currency pairs;
- 20 per cent (2008: 10 per cent) increase and decrease in all relevant fuel indices;
- sensitivity analysis assumes designations and hedge effectiveness testing results as at 30 June 2009 remain unchanged; and
- 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 were increased from 10 per cent to 20 per cent to reflect volatile market conditions.

	Qantas Group				Qantas			
	Net Profit		Equity		Net Profit		Equity	
	2009 $M	2008 $M	**2009 $M**	2008 $M	**2009 $M**	2008 $M	**2009 $M**	2008 $M
100bps increase in interest rates								
Variable rate interest bearing instruments (net debt)	**1**	(24)	**–**	–	**1**	(24)	**–**	–
Derivatives designated in a cash flow hedge relationship	**–**	–	**14**	9	**–**	–	**14**	9
Derivative and fixed rate debt in a fair value hedge relationship	**4**	25	**–**	–	**4**	25	**–**	–
100bps decrease in interest rates								
Variable rate interest bearing instruments (net debt)	**(1)**	24	**–**	–	**(1)**	24	**–**	–
Derivatives designated in a cash flow hedge	**–**	–	**(14)**	(9)	**–**	–	**(14)**	(9)
Derivative and fixed rate debt in a fair value hedge relationship	**(5)**	(25)	**–**	–	**(5)**	(25)	**–**	–
20% movement in foreign currency pairs								
20% (2008: 10%) increase in all currency pairs	**(76)**	(32)	**(458)**	(549)	**(73)**	(32)	**(461)**	(549)
20% (2008: 10%) decrease in all currency pairs	**104**	43	**625**	704	**101**	43	**628**	704
20% movement in fuel indices								
20% (2008: 10%) increase per barrel in fuel indices	**39**	32	**279**	255	**39**	32	**279**	255
20% (2008: 10%) decrease per barrel in fuel indices	**(28)**	(29)	**(204)**	(232)	**(28)**	(29)	**(204)**	(231)

34. Financial Risk Management continued

(C) CREDIT RISK

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

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

i. trade debtor counterparties – the credit risk is the recognised amount, net of any impairment losses. As at 30 June 2009, this amounted to $824 million (2008: $1,085 million). The Qantas Group has credit risk associated with travel agents, industry settlement organisations and credit provided to direct customers. The Qantas Group minimises this credit risk through the application of stringent credit policies and accreditation of travel agents through industry programs;

ii. Some other trade debtor counterparties are required to post cash collateral to support their transactions with the Qantas Group and Qantas. As at 30 June 2009 $32 million was held as collateral by Qantas Group and $45 million was held by Qantas; and

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

The table below set out the maximum exposure to credit risk as at 30 June 2009:

	Qantas Group		Qantas	
	2009 $M	2008 $M	**2009 $M**	2008 $M
On Balance Sheet				
Cash and cash equivalents	**3,617**	2,599	**3,404**	2,461
Trade debtors	**824**	1,085	**548**	841
Aircraft security deposits	**42**	37	**22**	27
Sundry debtors	**582**	702	**520**	628
Other loans	**128**	143	**3,464**	1,994
Other financial assets	**905**	1,423	**905**	1,425
Off Balance Sheet				
Operating leases as lessor	**114**	126	**61**	67
Total	**6,212**	6,115	**8,924**	7,443

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 2009, the credit risk of the Qantas Group to counterparties in relation to other financial assets, cash and cash equivalents, and other financial liabilities where a right of offset exists amounted to $4,364 million (2008: $3,832 million) and was spread over a number of regions, including Australia, Asia, Europe and the United States. Excluding associated entities, Qantas Group's credit exposure is with counterparties which have a minimum credit rating of A-/A3, unless individually approved by the Board.

34. Financial Risk Management continued

(D) FAIR VALUE

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity. The fair value of financial assets and liabilities is determined by valuing them at the present value of future contracted cash flows.

Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows.

The fair value of forward foreign exchange and fuel contracts is determined as the unrealised gain/loss at balance date by reference to market exchange rates and fuel prices. The fair value of interest rate swaps is determined as the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows. The fair value of options is determined using standard valuation techniques.

Other financial assets and liabilities represent the fair value of derivative financial instruments recognised on Balance Sheet in accordance with AASB 139.

		Carrying Amount		Fair Value	
QANTAS GROUP	Notes	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Financial assets					
Cash and cash equivalents	10	**3,617**	2,599	**3,625**	2,625
Trade debtors	11	**824**	1,085	**824**	1,085
Aircraft security deposits	11	**42**	37	**42**	38
Sundry debtors	11	**582**	702	**582**	702
Other loans	11	**128**	143	**128**	143
Other financial assets		**905**	1,423	**905**	1,423
Other investments	15	**3**	3	**3**	3
		6,101	5,992	**6,109**	6,019
Financial liabilities					
Trade creditors	19	**597**	670	**597**	670
Other creditors and accruals	19	**1,236**	1,504	**1,236**	1,504
Bank loans – secured	21	**2,934**	1,692	**3,029**	1,754
Bank loans – unsecured	21	**629**	629	**641**	658
Other loans – unsecured	21	**1,307**	1,233	**1,358**	1,290
Other financial liabilities		**909**	1,435	**909**	1,435
Lease and hire purchase liabilities	21	**633**	606	**637**	579
		8,245	7,769	**8,407**	7,890
Net financial liabilities		**2,144**	1,777	**2,298**	1,871

34. Financial Risk Management continued

QANTAS	Notes	Carrying Amount 2009 $M	Carrying Amount 2008 $M	Net Fair Value 2009 $M	Net Fair Value 2008 $M
Financial assets					
Cash and cash equivalents	10	**3,404**	2,461	**3,413**	2,467
Trade debtors	11	**548**	841	**548**	841
Aircraft security deposits	11	**22**	27	**22**	28
Sundry debtors	11	**520**	628	**520**	628
Other loans	11	**3,464**	1,994	**3,464**	1,994
Other financial assets		**905**	1,425	**905**	1,425
Other investments	15	**766**	553	**766**	553
		9,629	7,929	**9,638**	7,936
Financial liabilities					
Trade creditors	19	**466**	738	**466**	738
Other creditors and accruals	19	**2,156**	2,599	**2,156**	2,599
Bank overdraft	21	**–**	20	**–**	20
Bank loans – secured	21	**1,832**	761	**1,928**	813
Bank loans – unsecured	21	**629**	629	**641**	658
Other loans – unsecured	21	**1,307**	1,233	**1,353**	1,290
Other financial liabilities		**909**	1,435	**909**	1,435
Lease and hire purchase liabilities	21	**3,584**	1,985	**3,681**	1,941
		10,883	9,400	**11,134**	9,494
Net financial liabilities		**1,254**	1,471	**1,496**	1,558

(E) 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. In response to the deteriorating environment, Qantas undertook a number of capital initiatives over and above secured financing of new aircraft deliveries. During the year ended 30 June 2009, Qantas raised $750 million in new equity, comprised of share issues totalling $514 million and $236 million through the DRP. In addition, Qantas reduced its capital requirements through deferral and cancellation of aircraft on order, in addition to limiting non-aircraft capital expenditure to essential projects.

With the interim dividend of 6 cents per share, the Qantas Group has paid out 100 per cent of profit after tax. Under the present circumstances, the Board consideres it prudent not to pay a final dividend, and future dividends will be assesed against ongoing earnings performance and capital requirements.

The Board monitors the return on total gross assets (RoTGA), as a return measure relative to the assets employed by the business, defined as earnings before interest, tax, depreciation and non-cancellable lease rentals (EBITDAR) divided by total gross assets, including capitalised operating leases. The Qantas Group's target is to achieve a RoTGA of between 13 and 14 per cent. During the year ended 30 June 2009, the return was 8.8 per cent (2008: 15.5 per cent) reflecting the difficult operating environment.

35. Events Subsequent to Balance Date

There has not arisen in the interval between 30 June 2009 and the date of this report, any event that would have had a material effect on the Financial Statements at 30 June 2009.

Directors' Declaration

1. In the opinion of the Directors of Qantas Airways Limited (Qantas):
   (a) the Financial Statements and Notes, and the Remuneration Report set out on pages 68 to 81 in the Directors' Report, are in accordance with the Corporations Act 2001, including:
      (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
      (ii) giving a true and fair view of the financial position of Qantas and the Qantas Group's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date;
   (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(A);
   (c) there are reasonable grounds to believe that Qantas will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that Qantas and the controlled entities identified in Note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between Qantas and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the year ended 30 June 2009.

Signed in accordance with a Resolution of the Directors:

Leigh Clifford
Chairman
31 August 2009

Alan Joyce
Chief Executive Officer

Independent Auditor's Report

to the Members of Qantas Airways Limited

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Qantas Airways Limited (Qantas), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 35 and the directors' declaration of both Qantas and the Qantas Group comprising Qantas and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Qantas are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(A), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their 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 on the financial report

In our opinion:

a) the financial report of Qantas Airways Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(A).

REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Qantas Airways Limited for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

KPMG	**Martin Sheppard**
Sydney, 31 August 2009	Partner

Shareholder Information

The shareholder information set out below was applicable as at 11 August 2009.

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]	24,339,324	52,810	1.08
1,001 – 5,000	174,148,640	69,803	7.69
5,001 – 10,000	84,563,647	12,208	3.73
10,001 – 100,000	114,239,689	5,814	5.04
100,001 and over	1,867,832,320	187	82.46
Total	2,265,123,620	140,822	100.00

1. 11,448 shareholders hold less than a marketable parcel of shares in Qantas.

ON-MARKET BUY-BACKS

On 28 April 2008, Qantas suspended its on-market buy-back.

TWENTY LARGEST SHAREHOLDERS

SHAREHOLDERS	Ordinary Shares Held	% of Issued Shares
1. J P Morgan Nominees Australia Ltd	653,311,821	28.84
2. HSBC Custody Nominees (Australia) Limited	481,755,889	21.27
3. National Nominees Limited	318,923,273	14.08
4. Citicorp Nominees Pty Limited	170,852,434	7.54
5. Australian Reward Investment Alliance	42,161,720	1.86
6. ANZ Nominees Limited	33,566,824	1.48
7. Cogent Nominees Pty Limited	27,881,134	1.23
8. AMP Life Limited	19,259,383	0.85
9. Queensland Investment Corporation	16,000,338	0.71
10. Pacifica Group Plans Ltd	13,012,324	0.57
11. Brispot Nominees Pty Ltd	9,718,180	0.43
12. Bond Street Custodians Limited	8,029,518	0.35
13. UBS Nominees Pty Ltd	7,242,363	0.32
14. Abned Nominees Pty Limited	5,503,286	0.24
15. Tasman Asset Management Ltd	5,136,736	0.23
16. The Senior Master of the Supreme Court	4,961,755	0.22
17. Merrill Lynch (Australia) Nominees Pty Ltd	3,656,296	0.16
18. Argo Investments Limited	3,464,661	0.15
19. Suncorp Custodian Services Pty Ltd	2,777,400	0.12
20. Geoffrey James Dixon	2,687,246	0.12
	1,829,902,581	80.79

SUBSTANTIAL SHAREHOLDERS

The following shareholders have notified that they are substantial shareholders of Qantas:

SHAREHOLDERS	Ordinary Shares Held	% of Issued Shares
The Capital Group Companies, Inc.[1]	379,967,053	16.77
Balanced Equity Management[2]	140,994,333	7.44
Commonwealth Bank of Australia[3]	129,721,858	6.85
AXA Asia Pacific Holdings Limited[4]	119,610,313	6.14

1. Substantial shareholder notice dated 30 April 2009.
2. Substantial shareholder notice dated 1 May 2008.
3. Substantial shareholder notice dated 9 September 2008.
4. Substantial shareholder notice dated 17 December 2008.

Sustainability Statistics and Notes

SUSTAINABILITY REPORTING SCOPE

This is the Qantas Group's third sustainability report and, continuing the approach of previous years, is integrated with the Annual Report. In 2009, the Annual Report is presented for the first time on a microsite (qantas.com/annual report), where additional sustainability information is provided, including case studies, stakeholder engagement methods and a detailed Global Reporting Initiative (GRI) Index.

The selection of content and key performance measures is made on the basis of materiality, stakeholder interest and guidance provided by the leading sustainability framework, the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines (www.globalreporting.org). The GRI provides a generally accepted framework for sustainability reporting that can be used by organisations of any size, sector or location.

The metrics align with the Qantas Group's overall business strategy and material impact areas including safety, security, environment, social (including our people, customers and community) and economic development.

In 2009, additional key performance statistics have been included for people and customer and statistic definitions are provided on pages 154-156.

The sustainability information and performance statistics in this report apply to all wholly-owned operations of the Qantas Group globally and for the Jetset Travelworld Group and is for the 2008/09 financial year unless otherwise indicated. Approximately 90 per cent of employees are based in Australia.

The statistics are provided for the information of a wide range of stakeholders including customers, shareholders, employees, suppliers, regulators, politicians, non-government organisations, financiers and various special interest groups.

Feedback on the sustainability information presented in the Annual Report and the additional disclosures on the microsite is encouraged. Please contact the Qantas Group by writing to sustainability@qantas.com.au.

PERFORMANCE STATISTICS AND NOTES	Notes	Unit	2009	2008	2007	2006	2005	GRI indicator[1]
1. Health and safety								
Aviation fatalities		#	**0**	0	0	0	0	
OHS LTIFR (Australia and New Zealand)	2	Rate	**4.2**	5.1	6.3	7.9	12.2	LA7
OHS SIFR (Australia)	3, 26	Rate	**13.5**	12.8	12.3	–	–	LA7
Occupational health and safety fatalities								
– Permanent employees		#	**0**	1	0	0	0	LA7
– Contractors (embedded)		#	**0**	0	0	1	0	LA7
2. People								
Number of full time equivalent employees	4, 26							LA1
Flying business		#	**16,216**	16,894	16,415	16,345	16,462	
– Qantas		#	**13,206**	14,159	14,457	14,940	15,296	
– Jetstar	5	#	**3,010**	2,735	1,958	1,405	1,166	
Portfolio & service businesses		#	**15,452**	15,577	14,613	15,430	16,522	
– Airports, Catering & Flight Training		#	**8,145**	8,656	8,394	8,897	9,355	
– Engineering		#	**5,708**	5,543	5,403	5,764	6,424	
– Freight		#	**786**	838	816	769	743	
– Holidays	6	#	**742**	487	–	–	–	
– Frequent Flyer	6	#	**71**	53	–	–	–	
Corporate support		#	**1,362**	1,824	2,074	2,250	2,240	
Total		**#**	**33,030**	34,295	33,102	34,025	35,224	
Attrition of employees	7, 26							LA2
Flying business		%	**5.1**	10.3	7.4	5.8	6.1	
– Qantas		%	**4.2**	9.7	6.8	5.2	5.6	
– Jetstar	5	%	**9.0**	12.9	11.2	10.8	11.4	
Portfolio & service businesses		%	**4.5**	7.0	6.3	5.3	4.1	
– Airports, Catering & Flight Training		%	**4.8**	6.8	7.1	5.9	4.4	
– Engineering		%	**3.1**	5.6	4.1	3.6	2.4	
– Freight		%	**5.8**	6.7	5.4	5.2	5.4	
– Holidays	6	%	**9.8**	15.4	–	–	–	
– Frequent Flyer	6	%	**3.0**	2.0	–	–	–	
Corporate support		%	**4.7**	8.0	8.4	7.4	5.4	
Total		%	**4.8**	8.7	6.9	5.6	5.1	
Diversity of employees	8							LA13
% women	9, 26	%	**41.7**	42.2	41.8	41.3	40.4	
% women in senior positions		%	**22.3**	22.7	22.5	22.6	23.3	
Average age		Years	**42.2**	41.2	41.2	41.0	40.4	
% who work part-time	10, 26	%	**12.9**	12.8	12.3	12.4	12.2	
% eligible for retirement in next five years	11, 26	%	**4.4**	3.7	3.4	2.9	2.5	
Indigenous		#	**269**	203	141	136	132	
Other workforce statistics	12							
Absenteeism (Qantas)	10, 26	Days	8.9	8.7	8.7	8.6	8.3	LA7
% Executive Committee positions filled by talent pool	13	%	70	–	–	–	–	

Sustainability Statistics and Notes

PERFORMANCE STATISTICS AND NOTES continued	Notes	Unit	2009	2008	2007	2006	2005	GRI Indicator[1]
3. Customer								
Domestic on-time arrivals (Australia)	10, 26							PR5
Qantas Group		%	**80.4**	79.4	86.2	84.9	84.5	
Qantas		%	**81.0**	79.6	87.1	85.9	84.9	
QantasLink		%	**80.9**	80.6	86.0	83.6	83.6	
Jetstar		%	**78.2**	76.5	84.5	84.9	85.3	
Mishandled bags files per 1,000 passengers (Qantas and QantasLink)	14, 26	#	**7.50**	8.31	–	–	–	PR5
4. Environment								
Energy consumption and other impacts								
Aviation fuel		000L	**4,695,383**	4,849,430	4,680,270	4,561,238	4,392,991	EN3
Electricity (Australia)	15	MWh	**240,005**	248,007	246,776	236,858	231,095	EN3
Natural gas (Australia)	16, 26	Gj	**308,877**	333,013	361,353	289,463	292,959	EN3
Airport ground petrol and diesel (Australia)	17	000L	**7,349**	7,233	7,127	6,998	7,023	EN3
Water (Australia)	18, 26	000L	**1,070,335**	1,152,278	1,215,820	–	–	EN8
Emissions								
CO_2 – aviation	19, 26	Tonnes	**11,905,237**	12,295,827	11,866,918	11,565,110	11,138,517	EN16
$CO_{2\text{-}e}$ – aviation	20, 26	Tonnes	**12,027,918**	12,422,533	–	–	–	EN16
$CO_{2\text{-}e}$ – airport ground vehicles (Australia)	21, 26	Tonnes	**19,577**	19,236	18,964	18,595	18,640	EN16
$CO_{2\text{-}e}$ – electricity (Australia)	10	Tonnes	**228,397**	–	–	–	–	EN16
$CO_{2\text{-}e}$ – natural gas (Australia)	10	Tonnes	**15,855**	–	–	–	–	EN16
NOx – aviation (Qantas)		Tonnes	**3,413**	3,511	3,387	3,273	3,294	EN20
Aviation efficiency								
CO_2 per 100 RTKs (Qantas)	19, 26	Kgs	**101.7**	98.1	97.4	100.2	102.2	EN5
$CO_{2\text{-}e}$ per 100 RTKs (Qantas)	20, 26	Kgs	**102.8**	99.1	–	–	–	EN5
Fuel per 100 RTKs (Qantas)		L	**40.1**	38.7	38.4	39.5	40.3	EN5
NOx per LTO cycle (Qantas)		Kgs	**21.8**	22.6	22.5	22.4	22.0	EN5
Unplanned events								
Fuel jettison (Qantas)		No. of times	**9**	4	11	13	–	EN23
Fuel spills reported	22	No. of times	**60**	77	67	65	53	EN23
5. Economic contribution (Australia)								
Tourism spending by Qantas Group passengers								
National export revenue	23	$M	**5,828.2**	5,976.2	–	–	–	EC1
Domestic traveller expenditure	24	$M	**18,622.3**	17,256.2	–	–	–	EC1
Indirect								
Economic output	25, 26	$M	**30,559.2**	32,816.7	–	–	–	EC9

1. For information on the GRI indicators, refer to GRI G3 Reporting Framework for Sustainability Reporting, www.globalreporting.org.
2. Lost time injury frequency rate (LTIFR) relates to Australian and New Zealand operations only.
3. Serious injury frequency rate (SIFR) relates to Australian operations only. As of 1 July 2008, the SIFR figure excludes injuries incurred by employees while travelling for work but outside of work hours. 2008 and 2007 SIFR comparatives have been restated to align to this revised methodology.
4. Full time equivalent (FTE) employees have been restated for the current and previous financial years to reflect actual hours worked by the casual and temporary workforce. Previously, estimated hours were used for casual and temporary workers.
5. Includes employees of Jetstar Asia.
6. FTE's and attrition for Holidays and Frequent Flyer were not separately identifiable for 2005 to 2007 as these were embedded within other business segments. They are however included within the Qantas Group totals. In 2008, Holidays and Frequent Flyer were recognised as stand alone segments and separately disclosed.
7. In 2009, attrition has replaced turnover as a workforce planning statistic and as an indicator of engagement. This is consistent with the new management team's focus on employee engagement. Attrition is based on number of employees and excludes involuntary terminations disclosed in the Qantas Group 15 April 2009 media release regarding the Group's response to deterioration in trading conditions.
8. Diversity statistics are based on number of employees.
9. Prior year comparatives have been restated to reflect the change in definition of the percentage of women based on number of employees in 2009 compared to a FTE basis used in previous Annual Reports. This was to ensure consistency of people statistics.
10. New statistic for 2009.
11. New statistic for 2009 which replaces previously reported percentage of part-time employees over 55.

Sustainability Statistics and Notes

12. Other workforce statistics are based on number of employees.
13. New statistic for 2009 used to indicate readiness for executive leadership. It is part of several metrics used to manage key positions to ensure strength in succession planning and to minimise business disruption costs.
14. New statistic for 2009. Includes Qantas and QantasLink only.
15. Fourth quarter 2009 consumption is based on estimates as fourth quarter invoices are not available until after the release of the 2009 Annual Report.
16. 2008 restated to reflect accounts recently identified by Qantas and the receipt of 2007/08 fourth quarter invoices as these were not received until after the release of the 2008 Annual Report. Fourth quarter 2009 consumption is based on estimates for the same reason. Variance increase of 3.3 per cent.
17. Represents airport ground fuel consumed from Australian airport sites.
18. 2008 and 2007 restated to reflect accounts recently identified by Qantas and the receipt of additional invoices from suppliers. Variance increase of 26.9 per cent in 2008 and 30.8 per cent in 2007.
19. Previously, Qantas used an assumed density specification for Jet-A1 aviation fuel of 0.78 kg and a standard carbon dioxide emission value of 3.15 kg CO_2 per 1 kg of Jet-A1 aviation fuel burned. All prior year data has been restated using the Australian Government's Department of Climate Change methodology. Emissions factors are from National Greenhouse Accounts (NGA) Factor workbook (June 2009). Refer to page 157 for further details.
20. 2008 restated using the most up to date NGA Factors (June 2009). Previously 2008 NGA Factors were applied.
21. Prior year comparatives restated using the most up to date NGA Factors (June 2009). Previously the NGA Factors that were relevant at the time were applied.
22. In 2009, 87 per cent of fuel spills were reported as category 3 spills (less than 100 litres); 13 per cent were reported as category 2 spills (greater than 100 litres and but less than 1,000 litres) and there were no reported category 1 spills (spill volume greater than 1,000 litres).
23. In 2009, calculated as 1,791,091 inbound visitors brought to Australia by Qantas and Jetstar between June 2008 and May 2009 which is the latest data available (source: Australian Bureau of Statistics) multiplied by average visitor expenditure of $3,254 (source: Tourism Australia's March 2009 International Visitor Survey). This amount does not include the value of airfare and freight charges that accrue to Qantas from overseas sources which also represent export revenue.
24. In 2009, calculated as 29,419,174 domestic passengers carried by the Qantas Group between June 2008 and May 2009 which is the latest data available for all flights within Australia multiplied by average visitor spending of $633 (source: Tourism Australia's March 2009 National Visitor Survey). This amount includes the value of related airfares. As it is not possible to disaggregate the data, the calculations should be viewed as indicative only e.g. the figure may include some international visitor expenditure (where domestic flights are purchased after arrival in Australia) or understate the expenditure associated with domestic flights which are 'round trip'.
25. In 2009, calculated as $14,552 million Qantas Group revenue multiplied by Qantas Group economic multiplier of 2.1 (as calculated by Access Economics, April 2008 in a report to Qantas). The multiplier is derived from Australian Bureau of Statistics input-output tables of the Australian economy. The 2008 comparative has been restated to reflect the revised 2008 Qantas Group revenue figure of $15,627 million.
26. KPMG have not reviewed prior year comparatives.

SUSTAINABILITY STATISTICS DEFINITIONS

Aviation fatalities

A person is fatally injured as a result of being in Qantas Group aircraft or having direct contact with any part of Qantas Group aircraft from 1 July to 30 June, 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. 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).

OHS Lost Time Injury Frequency Rate (LTIFR)

The number of Lost Time Injuries (LTIs) per million hours worked in Australia and New Zealand from 1 July to 30 June, where an LTI is defined as any work related injury or illness that results in the loss of one or more full days or shifts. LTIFR is used by Qantas Group business units as a means to compare their own performance both internally and externally.

OHS Serious Injury Frequency Rate (SIFR)

The number of workplace injuries resulting in the accumulation of seven or more total and/or suitable duties days lost per million hours worked in Australia from 1 July to 30 June. Serious injuries excludes injuries incurred by employees while travelling for work but outside of work hours and those incurred while travelling to and from work. Suitable duties days are defined as days when an employee has returned to the workplace following an injury but has specific restrictions or limitations around the work they can perform as part of a return to work plan. Serious injuries are a major driver of workers compensation costs.

Occupational health and safety fatalities

The death of an employee or contractor occurring from 1 July to 30 June, arising from an occupational injury or disease sustained or contracted while working for the Qantas Group in Australia and overseas. Qantas only includes 'embedded contractors' in its definition. Embedded contractors are those who work exclusively for the Qantas Group and perform work that is considered to be core business e.g. contractors provided by labour hire companies permanently to engineering or ramp services.

Full time equivalent employees

The total number of full time equivalent (FTE) employees as at 30 June, reported in total for each business unit of the Qantas Group in Australia and overseas.

This is calculated using standard working hours for full time and part-time employees and actual hours worked by the casual and temporary workforce.

Sustainability Statistics Definitions

Attrition
A measure to report active permanent voluntary turnover (attrition) from 1 July to 30 June, reported in total for each business unit of the Qantas Group in Australia and overseas. It is based on number of employees and excludes involuntary terminations. Attrition assists in workforce planning, as an indicator of engagement and of future recruitment needs.

Percentage of women
The percentage of all employees who are female as at 30 June for the Qantas Group in Australia and overseas. Attracting, developing and retaining women in all areas of the Qantas business remains an ongoing priority for the Group. Additional information can be found in the Qantas Group's 2008/09 Annual Report for the Equal Opportunity for Women in the Workplace Agency (qantas.com/sustainability).

Percentage of women in senior positions
The percentage of all female employees in senior management positions across the Qantas Group in Australia and overseas as at 30 June. Senior positions defined as Level 4 (Head of/Manager as defined by job size) designator and above. Qantas continues to target for an increased representation of women in senior positions. Additional information can be found in the Qantas Group's 2008/09 Annual Report for the Equal Opportunity for Women in the Workplace Agency (qantas.com/sustainability).

Average age
The average age of active permanent employees for the Qantas Group in Australia or overseas as at 30 June. Understanding the changing demographics of the workforce assists in workforce planning.

Percentage of part-time employees
A measure of workforce flexibility to report on the percentage of part-time positions across the Qantas Group in Australia and overseas as at 30 June.

Percentage of employees eligible for retirement in the next five years
A measure to report on the percentage of active permanent employees in the Qantas Group in Australia or overseas who are eligible, or will be eligible, to retire in the next 5 years as at 30 June. Retirement eligibility is deemed to be when a permanent employee reaches 65 years or above.

Indigenous employees
The number of self-identified Aboriginal and Torres Strait Islander employees based on number of employees across the Qantas Group as at 30 June. Qantas achieved its target of employing 200 Indigenous Australians by June 2008 and remains committed to reaching a goal of 450 Indigenous employees by December 2011.

Absenteeism
A measure to report the average number of days taken as sick leave per person from 1 July to 30 June, for Australian-based employees of the Qantas Group except for CaterAir Riverside, CaterAir Cairns and Jetstar.

Percentage of Executive Committee positions filled by talent pool
The percentage of Qantas Group open positions (Executive Committee level or similar equivalent positions) filled by internal candidates from the talent pool from 1 July to 30 June. The talent pool comprises individuals identified following periodic review by Qantas management as having high potential.

This talent and succession planning related indicator is used to indicate readiness for executive (strategic) leadership. It is part of several metrics used to manage key positions to ensure strength in succession planning and to minimise business disruption costs. While there is no set target, there is no expectation that roles will be filled 100 per cent by internal candidates based on the need to acquire critical knowledge that is potentially not yet fully available as internal capability.

Domestic on-time arrivals
Domestic on-time arrivals is defined as Australian domestic on-time arrivals for the Qantas Group from 1 July to 30 June. A flight arrival is counted as on time if it arrived at the gate within 15 minutes of the scheduled arrival time for Sectors flown. Neither diverted nor cancelled flights count as being on time. (Bureau of Infrastructure, Transport and Regional Economics (BITRE) definition).

Mishandled bags files per 1,000 passengers
The number of files lodged for mishandled bags per 1,000 passengers carried by Qantas and QantasLink domestically and internationally from 1 July to 30 June. A mishandled bag is defined as any delayed bag for which a report was filed within specified time limits. Details of the time limits can be found at www.qantas.com.au/info/flying/beforeYouTravel/baggageServices#jump3.

Aviation fuel consumption
The total volume of aviation kerosene consumed by the Qantas Group's flying businesses from 1 July to 30 June. Aviation fuel consumption includes Qantas, Jetstar, Regional Airlines, Jetconnect, and Freight, for both domestic and international operations. Aviation fuel consumption does not include consumption by codeshare partners.

Electricity consumption
The total amount of electricity consumed by Qantas Group sites within Australia as measured in MWh (megawatt hours) from 1 July to 30 June.

Natural gas consumption
Total natural gas consumed by Qantas Group sites within Australia as measured in GJ (gigajoules) from 1 July to 30 June.

Airport ground petrol and diesel consumption
Airport ground fuel consists of unleaded petrol and diesel used by Qantas Airport sites within Australia from 1 July to 30 June. Both unleaded petrol and diesel are measured in L (litres).

Water consumption
Total water consumed by Qantas Group sites within Australia as measured in KL (kilolitres) from 1 July to 30 June.

Carbon dioxide (CO_2) emissions – aviation
The amount of carbon dioxide (CO_2) generated from aviation fuel consumption (as defined above) from 1 July to 30 June. Qantas applies the National Greenhouse Accounts (NGA) Factors conversions and methodology issued by the Australian Government's Department of Climate Change for CO_2 calculation. CO_2 emissions do not include those generated from fuel consumed by codeshare partners.

Carbon dioxide equivalent ($CO_{2\text{-}e}$) emissions – aviation
The amount of greenhouse gas emissions measured in carbon dioxide equivalent ($CO_{2\text{-}e}$) generated from aviation fuel consumption (as defined above) from 1 July to 30 June. Under the Australian Government's Department of Climate Change National Greenhouse Accounts (NGA) Factors, emissions incorporated into the calculation include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Qantas applies the NGA Factors conversions and methodology for the calculation of $CO_{2\text{-}e}$.

Carbon dioxide equivalent ($CO_{2\text{-}e}$) emissions – airport ground vehicles
The amount of greenhouse gas emissions measured in carbon dioxide equivalent ($CO_{2\text{-}e}$) generated from airport ground petrol and diesel consumption (as defined above) within Australian airport sites from 1 July to 30 June. Under the Australian Government's Department of Climate Change National Greenhouse Accounts (NGA) Factors, emissions incorporated into the calculation include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Qantas applies the NGA Factors conversions and methodology for the calculation of $CO_{2\text{-}e}$.

Sustainability Statistics Definitions

Carbon dioxide equivalent ($CO_{2\text{-}e}$) emissions – electricity
The amount of greenhouse gas emissions measured in carbon dioxide equivalent ($CO_{2\text{-}e}$) generated from electricity consumption (as defined above) by the total in each Australian State, Territory or Grid Description from 1 July to 30 June. Under the Australian Government's Department of Climate Change National Greenhouse Accounts (NGA) Factors, emissions incorporated into the calculation include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Qantas applies the NGA Factors conversions and methodology for the calculation of $CO_{2\text{-}e}$.

Carbon dioxide equivalent ($CO_{2\text{-}e}$) emissions – natural gas
The amount of greenhouse gas emissions measured in carbon dioxide equivalent ($CO_{2\text{-}e}$) generated from Natural Gas consumption (as defined above) from 1 July to 30 June. Under the Australian Government's Department of Climate Change National Greenhouse Accounts (NGA) Factors, emissions incorporated into the calculation include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Qantas applies the NGA Factors conversions and methodology for the calculation of $CO_{2\text{-}e}$.

Nitrogen oxide (NOx) – aviation
The amount of nitrogen oxide (NOx) produced during fuel combustion of Qantas on take-off and landing to a height of 3,000 feet from 1 July to 30 June. NOx emissions factors are based on the engine type of the aircraft and determined by reference to the ICAO Engine Exhaust Emissions Data Bank.

Carbon dioxide (CO_2) emissions per 100 revenue tonne kilometres (RTKs)
A measure of carbon dioxide (CO_2) emissions efficiency based on CO_2 production per 100 RTKs for Qantas from 1 July to 30 June. CO_2 emissions for aviation are defined above. RTKs are a standard industry metric used to quantify the amount of revenue generating payload carried, taking into account the distance flown. RTKs comprise the passengers, freight and mail carried multiplied by the Great Circle Distance (GCD), which is a standard published distance between two airports.

Carbon dioxide equivalent ($CO_{2\text{-}e}$) per 100 revenue tonne kilometres (RTKs)
A measure of carbon dioxide equivalent $CO_{2\text{-}e}$ emissions efficiency based on $CO_{2\text{-}e}$ production per 100 RTKs for Qantas from 1 July to 30 June. $CO_{2\text{-}e}$ emissions for aviation as defined above.

Fuel per 100 revenue tonne kilometres (RTKs)
A measure of efficiency based on fuel consumption per 100 RTKs for Qantas from 1 July to 30 June.

Nitrogen oxide (NOx) per landing take-off (LTO) cycle
Nitrogen oxide (NOx) emissions produced for Qantas is per landing and take-off (LTO) cycle from 1 July to 30 June and is measured in kilograms per LTO cycle.

Fuel jettison
The release of fuel at altitude to reduce the weight of the aircraft usually to the maximum landing weight from 1 July to 30 June. The only aircraft in the Qantas Group's fleet which have aircraft fuel jettison systems are Qantas B747s, B767s and A380s. Typical situations where fuel may be released include conditions in which an expeditious landing would reduce the exposure to potential additional problems that could compromise safety or in the case of serious illness of crew or passengers who require immediate medical attention.

Fuel spills reported
The accidental discharge of aviation fuel reported by Qantas Group employees or equipment at airport sites from 1 July to 30 June and is categorised as follows:

- Category 1: spill volume greater than 1,000 litres;
- Category 2: spill volume greater than 100 litres but less than 1,000 litres; and
- Category 3: spill volume less than 100 litres.

The Qantas Group aims to minimise future spills by identifying the events resulting in aviation fuel spill occurrences and to put in place corrective actions.

Economic contribution
Tourism spending by Qantas Group passengers
This measure comprises the Qantas Group's contribution to national export revenue and domestic traveller expenditure.

National export revenue is calculated by the number of inbound visitors brought to Australia by Qantas and Jetstar for the 12 months to 31 May 2009 (latest available data) multiplied by the assumed visitor expenditure (based on the average expenditure per visitor according to Tourism Australia's March 2009 International Visitor Survey (latest available data)). This amount does not include the value of airfare and freight charges that accrue to Qantas from overseas sources which also represent export revenue.

Domestic traveller expenditure is calculated as the number of Qantas Group domestic passengers for the 12 months to 31 May 2009 (latest available data) multiplied by the average expenditure per overnight visitor according to Tourism Australia's March 2009 National Visitor Survey (latest available data). This amount includes the value of related airfares.

As it is not possible to disaggregate the data, the calculation should be viewed as indicative only e.g. the figure may include some international visitor expenditure (where domestic flights are purchased after arrival in Australia) or understate the expenditure associated with domestic flights which are 'round trip'.

Indirect economic contribution
This measure comprises Qantas Group revenue multiplied by a Qantas Group economic multiplier of 2.1 (as calculated by Access Economics). The multiplier is derived from Australian Bureau of Statistics input-output tables of the Australian economy. Access Economics is an economic advisory company which provides expertise in analysis, modelling and forecasting. Access Economics was commissioned by Qantas to gain a better understanding of the Group's contribution to the Australian economy.

A multiplier of 2.1 suggests that a $1 million increase in demand for Qantas' services leads to a $2.1 million increase in output from all sectors in the economy, including air transportation. In other words, the flow-on effects to other sectors is $1.1 million.

REVISION OF CARBON DIOXIDE (CO_2) EMISSIONS METHODOLOGY

Since 2007, the Qantas Group has used an assumed density specification for Jet-A1 of 0.78 kg (based on guidance from the Joint Inspection Group's Guidance for Aviation Fuel Quality Control and Operating Procedures) and an Intergovernmental Panel on Climate Change (IPCC) standard carbon dioxide emission value of 3.15 kg for aviation to calculate CO_2 emissions for aviation fuel consumption and its related efficiency measure.
This method was used in the absence of the Australian Government's Department of Climate Change (DCC) National Greenhouse Accounts (NGA) Factors Workbook disclosing separate carbon dioxide (CO_2) emission factors until the release of the June 2009 Accounts (only carbon dioxide equivalent ($CO_{2\text{-e}}$) factors were disclosed until then).

In 2009, the Group has revised its method to use the DCC's NGA Factors to align with the methodology used under the mandatory reporting system for Australian greenhouse gas emissions, energy production and consumption, the National Greenhouse and Energy Reporting Act 2007.

The Group has restated its prior year CO_2 emissions (aviation) and CO_2 emissions (kgs per 100 RTKs) (Qantas) as follows:

CO_2 EMISSIONS (AVIATION)	**Units**	**2008**	**2007**	**2006**	**2005**
CO_2 emissions (using IPCC 3.15 kg, Gravity 0.78 kg) (as reported in the 2008 Annual Report)	Tonnes	11,915,050	11,499,423	11,206,962	10,793,578
CO_2 emissions restated in the 2009 Annual Report (using June 2009 NGA Factors)	**Tonnes**	**12,295,827**	**11,866,918**	**11,565,110**	**11,138,517**

CO_2 EMISSIONS KGS PER 100 RTKS (QANTAS)	**Units**	**2008**	**2007**	**2006**	**2005**
CO_2 emissions kgs per 100 RTKs (using IPCC 3.15 kg, Gravity 0.78 kg) (as reported in the 2008 Annual Report)	Kgs	95.0	94.4	97.1	99.1
CO_2 emissions kgs per 100 RTKs restated in the 2009 Annual Report (using June 2009 NGA Factors)	**Kgs**	**98.1**	**97.4**	**100.2**	**102.2**

COMPLIANCE WITH REPORTING REQUIREMENTS

National Greenhouse and Energy Reporting Act 2007 (NGER Act)

The National Greenhouse and Energy Reporting Act 2007 (NGER Act) established a mandatory reporting system for Australian greenhouse gas emissions and energy production and consumption. NGER data will underpin the Australian Government's proposed Carbon Pollution Reduction Scheme (CPRS).

The Qantas Group is obliged to report under the NGER Act. The first reporting year under the NGER Act commenced on 1 July 2008 with corporations required to register by 31 August 2009 and to submit their first report by 31 October 2009. Qantas Management is in the process of finalising its NGER reporting and the indicative differences outlined below are based on management's current view and interpretation of the legislation.

The emissions that will be reported under the NGER Act for the Qantas Group are not comparable to the emissions voluntarily reported in the 2009 Qantas Group Annual Report because of the following differences:

- scope of reportable emissions. The emissions reported in the 2009 Qantas Group Annual Report relate to international and domestic emissions as defined in the Report. The NGER Act requires reporting of domestic Australian emissions only and excludes emissions resulting from the consumption of international bunker fuel. Emissions reported in the 2009 Qantas Group Annual Report include emissions from both domestic fuel and international bunker fuel and this will have the greatest impact on the comparability of sustainability reporting data and the data reported under the NGER Act;
- the reporting boundary. The concept of operational control with regard to determining reporting boundaries under the NGER Act may not align with financial and sustainability reporting boundaries. Further, the NGER Act applies to activities from facilities that are under Qantas' operational control as opposed to only legal entities for financial and sustainability reporting purposes; and
- reportable emissions sources. The emissions reported in the 2009 Qantas Group Annual Report include carbon dioxide (CO_2), carbon dioxide equivalent ($CO_{2\text{-e}}$) and nitrogen oxide (NOx). Under NGER, reportable emissions sources include carbon dioxide (CO_2), carbon dioxide equivalent ($CO_{2\text{-e}}$), hydro fluorocarbons (HFCs), nitrous oxide (N_2O), methane (CH_4) perflourocarbons (PFCs) and sulfur hexafluoride (SF_6).

With the exception of emissions related to international flights, the differences between the reporting boundaries for NGER purposes compared to sustainability reporting purposes are not likely to be significant.

Additional compulsory reporting requirements

The Qantas Group also fulfils its obligations in reporting to a diverse number of additional compulsory reporting requirements, both state based and international, for areas included in its sustainability landscape. These include annual reporting requirements to a number of Australian Government bodies such as the Equal Opportunity for Women Agency (EOWA), Greenhouse Friendly™ and the Energy Efficiency Opportunities (EEO).

Independent Review Report

to Qantas on sustainability performance statistics in its Annual Report 2009

INTRODUCTION

We have been engaged by Qantas to review the sustainability performance statistics (the Performance Statistics) for the year ended 30 June 2009 as presented in the Sustainability Statistics and Notes section (the Sustainability Section) of the Qantas Annual Report (the Report).

MANAGEMENT RESPONSIBILITIES FOR THE PERFORMANCE STATISTICS

The management of Qantas are responsible for the preparation and presentation of the Performance Statistics and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. Management's assertions about the effectiveness of the performance management and internal control systems are included in a separate letter we have received from management.

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

OUR RESPONSIBILITY

Our responsibility is to conduct an independent review of the Performance Statistics set out in the Sustainability Section of the Report for the year ended 30 June 2009, for Qantas' Group operations in Australia and overseas (unless otherwise stated).

The selection and suitability of the Criteria is the responsibility of management and our review did not include an assessment of the appropriateness of the Criteria to meet the needs of the users of the Performance Statistics. Further, the internal control structure which management has established and from which the Performance Statistics have been derived, has not been reviewed and no opinion is expressed as to its effectiveness.

Our review was conducted in accordance with the Standard on Assurance Engagements ASAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and other relevant assurance standards issued by the Auditing and Assurance Standards Board. ASAE 3000 requires that we comply with applicable ethical requirements, including independence.

A review is limited primarily to inquiries of company personnel and other procedures applied to the compilation and presentation of the quantitative data. A review does not provide all evidence that would be required in an audit thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

We performed procedures in order to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to state whether anything has come to our attention that would indicate that the Performance Statistics have not been prepared and presented, in all material respects, in accordance with the Criteria established by management.

Our review report is prepared solely for the use of Qantas in accordance with the terms of our engagement. We disclaim any assumption of responsibility for any reliance on this review report to any person other than Qantas or for any other purpose other than that for which it is prepared. The definitive version of the review report will be the one bearing our original manuscript signature and Management are responsible for any errors or inaccuracies appearing in any reproduction in any form or medium.

Independent Review Report

to Qantas on sustainability performance statistics in its Annual Report 2009

KPMG

THE PERFORMANCE STATISTICS

We have conducted an independent review of the Performance Statistics set out in the Sustainability Section of the Report for the year ended 30 June 2009, for Qantas' Group operations in Australia and overseas (unless otherwise stated) under the following headings:

1. Health and safety
2. People
3. Customer
4. Environment
5. Economic contribution (Australia)

INDEPENDENCE

In conducting our review, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

STATEMENT

Based on our review, which is not an audit, nothing has come to our attention to indicate that the Performance Statistics set out in the Sustainability Section of the Report for the year ended 30 June 2009, have not been prepared and presented, in all material respects, in accordance with the Criteria established by management.

KPMG

KPMG

Sydney, 31 August 2009

Financial Calendar and Additional Information

2009

19 February	Half year result announcement
6 March	Record date for interim dividend
8 April	Interim dividend payable
30 June	Year end
19 August	Preliminary final result announcement
21 October	Annual General Meeting

2010

18 February	Half year result announcement
8 March	Record date for interim dividend*
9 April	Interim dividend payable*
30 June	Year end
12 August	Preliminary final result announcement
30 August	Record date for final dividend*
29 September	Final dividend payable*
29 October	Annual General Meeting

*Subject to a dividend being declared by the Board.

2009 Annual General Meeting
The 2009 AGM of Qantas Airways Limited will be held at 11:00am on Wednesday 21 October in Perth. Further details are available on the Corporate Governance section of the Qantas website (at qantas.com)

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Company Secretary Cassandra Hamlin

An online version of this Report, plus additional sustainability and investor information, is available at qantas.com.

Designed by Frost*Design, Sydney, Principal Photography Ant Geernaert

Qantas Airways Limited
ABN 16 009 661 901