Qantas
Annual Report
2019

Contents

Financial Highlights[1]

$1.30 billion
UNDERLYING PROFIT BEFORE TAX

$1.27 billion
STATUTORY PROFIT BEFORE TAX

55 cents
STATUTORY EARNINGS PER SHARE

18.4%
RETURN ON INVESTED CAPITAL

$2.81 billion
OPERATING CASH FLOW

$1.0 billion
RETURNED TO SHAREHOLDERS
through dividends and on-market share buy-backs

Qantas Domestic
$740m
Underlying EBIT

Qantas International
$285m
Underlying EBIT

Jetstar Group
$370m
Underlying EBIT

Qantas Loyalty
$374m
Underlying EBIT

1 Refer to the Review of Operations section in the Qantas Annual Report 2019 for definitions and explanations of non-statutory measures. Unless otherwise stated, amounts are reported on an underlying basis.

Five-year History[1]

FINANCIAL PERFORMANCE

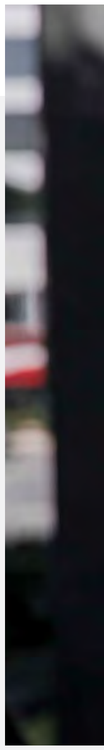
		2019	2018 (restated)	2017	2016	2015
Total Revenue	$M	17,966	17,128	16,057	16,200	15,816
Statutory Profit Before Tax	$M	1,265	1,352	1,181	1,424	789
Statutory Profit After Tax	$M	891	953	853	1,029	560
Underlying Profit Before Tax[2]	$M	1,302	1,565	1,401	1,532	975
Underlying Earnings Before Interest and Tax (EBIT)	$M	1,487	1,747	1,590	1,751	1,233
Operating Margin	%	8.3	10.2	9.9	10.8	7.8
Underlying Earnings per share[2]	Cents per share	56	63	55	53	32
Basic earnings per share (Statutory Earnings per share)	Cents per share	55	54	46	49	25
Return on Invested Capital (ROIC) %[2]	%	18.4	21.4	20.1	22.7	16.2
Share Price (30 June Closing)	$	5.40	6.16	5.72	2.82	3.16
Dividend per Share	Cents per share	25	17	14	7	–
Cash flow from operations	$M	2,807	3,413	2,704	2,819	2,048
Net free cash flow[2]	$M	1,244	1,442	1,309	1,674	1,104
Net on balance sheet debt	$M	3,067	3,054	3,062	2,880	2,594
Net debt (including capitalised operating leases)[2]	$M	4,710	4,903	5,212	5,646	6,400
Net capital expenditure[2]	$M	1,611	1,971	1,534	1,032	805
Unit Revenue (RASK)[2]	c/ASK	8.85	8.40	8.00	8.08	8.21
Total unit cost[2]	c/ASK	(7.99)	(7.37)	(7.07)	(7.05)	(7.54)
Ex-fuel unit cost[2,3]	c/ASK	(5.40)	(5.37)	(5.03)	(4.79)	(4.97)

STATISTICS

		2019	2018	2017	2016	2015
Available Seat Kilometres (ASKs)[1]	M	151,430	152,428	150,323	148,691	142,287
Revenue Seat Kilometres (RPKs)[1]	M	127,492	126,814	121,178	119,054	112,543
Passengers carried	'000	55,813	55,273	53,659	52,681	49,181
Revenue Seat Factor	%	84.2	83.2	80.6	80.1	79.1
Aircraft in service at end of period		314	313	309	303	299

1 The 2019 and 2018 (restated) reporting periods are under AASB 15 Revenue from Contracts with Customers. All other periods continue to be reported under previous accounting standards.
2 For non-statutory measures refer to the definitions in the Review of Operations.
3 The comparative period has been adjusted for foreign exchange to make it comparable to the current year. 2018 and 2019 reflect the foreign exchange rates as presented in the 2019 Annual Report. The same applies for 2017, 2016, 2015 which have been adjusted for foreign exchange in line with the 2018, 2017 and 2016 Annual Report respectively.

Chairman's Report



> "Our performance shows how resilient the Qantas Group has become. And that's largely due to the strategy behind our portfolio of businesses."

I'm pleased to report that the Qantas Group delivered another strong result in financial year 2019 and made excellent progress towards our long-term goals.

Total profit was lower than last year's record result. This was chiefly due to the headwinds of higher fuel costs and the impact of a lower Australian dollar on our foreign currency expenses.

When you consider those factors, our performance shows how resilient the Qantas Group has become. And that's largely due to the strategy behind our portfolio of businesses.

In **Group Domestic**, Qantas and Jetstar continued to lead among corporate, premium leisure and budget travellers.

Qantas International faced a significant impact from high fuel costs because of flight distance, but the structural changes to our fleet and network are greatly improving performance. Jetstar airlines in Japan and Vietnam performed well but there were challenges for Jetstar Asia in Singapore with a significant increase in airport charges.

Qantas Loyalty achieved another record profit, helped by an increase in earnings from its new insurance and financial services ventures.

The strong performances across our portfolio meant we could continue to deliver for our shareholders, customers and our people.

Shareholders received $1 billion in capital returns during FY19. In August we announced a further $200 million in dividends and around $400 million in an off-market buyback.

At the end of this latest buyback, we'll have bought back almost **one-third of our shares** since 2015 — the most of any company in the ASX All Ordinaries in the past five years. This is delivering significant earnings per share benefits for investors.

We continued to **invest for our customers**, with new aircraft, cabin upgrades, improvements to the Frequent Flyer program and better lounges.

We were also able to keep **rewarding our people**. The Group is a major employer in Australia, reflected in a total wages bill of more than $4 billion. Recent wage agreements have included 3 per cent annual increases.

We know people are critical to our success, and were pleased to provide 25,000 of our employees with a total of $32 million in staff travel bonuses. This takes the total set aside for non-executive bonuses to more than $340 million since 2015.

Looking longer-term, we remain focused on the **four global forces** that are shaping our broader operating environment.

We are responding to shifting consumer preferences, building our presence in growth markets in Asia, making better use of big data and reducing our environmental footprint.

By the end of 2020 we will have reduced single use plastics by 100 million items and will be well advanced to cutting our waste to landfill by 75 per cent by the end of 2021.

Our ongoing process of **Board renewal** continued this year. We welcomed Antony Tyler, who brings significant aviation management experience. And we farewelled former Chairman Leigh Clifford. Leigh's strong leadership was key to the turnaround of Qantas. He gave his full support to management during a very challenging period of transformation. And by staying the course, he helped set up Qantas for future success. He leaves with our sincere thanks.

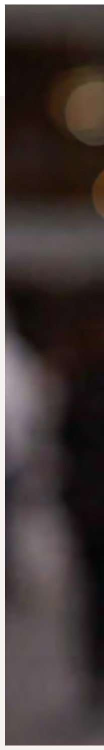
I have been proud to serve my first year as Chairman, particularly as Qantas enters its 100th year in a strong position and with much to look forward to.

On behalf of the Board, thank you to all members of the Qantas Group family, and to Alan and his management team, for their hard work and dedication, which continues to drive our performance.

Richard Goyder

Richard Goyder AO

CEO's Report



"The aviation industry knows it needs to adapt to a carbon constrained future. Acting responsibly on emissions will be key to our long-term success."

Qantas continued to be one of the best performing airline groups in FY19.

This performance is largely due to a long-term strategy of investment and innovation.

The restructure of our **international network** over the past few years is a good example. Perth-London direct has given us a unique advantage in a very competitive market. The shift of our hub back to Singapore gives us a stronger foothold in Asia – and its success can be seen in the need to expand our lounges there.

We're able to drive a lot of value through our **cornerstone partnerships** with Emirates, China Eastern and now American Airlines.

We've accelerated the retirement of our 747s — an aircraft type that has served us very well in various forms for 50 years — and invested in more 787-9s, and we're giving a mid-life upgrade to our fleet of Airbus A380s.

We're investing in new fleet at **Jetstar** as well. The latest variants of the Airbus A321 that start arriving from mid-2020 will allow us to open up new destinations with route economics that help keep downward pressure on fares.

Domestically, we've seen our investments in network, customer service training and inflight Wi-Fi strengthen our position in the corporate and premium leisure markets. Our Qantas Business Rewards loyalty program has also helped us grow our share of the small business travel market.

We are investing $25 million to strengthen the **Frequent Flyer** program — including adding 1 million reward flights per year across Qantas, Jetstar and our partners.

A further $10 million has been invested in providing discounted fares for people living in remote regional cities on top of a $5 million regional grants program we announced during FY19. And our **Pilot Academy** will open in the Queensland regional centre of Toowoomba during FY20, with an explicit goal of encouraging more women to pursue a career in aviation.

Safety remains core to the Qantas Group's success. Operational safety levels were high in FY19 but we fell short of our workplace safety targets — something that we are working hard to address in FY20.

The aviation industry knows it needs to adapt to a **carbon constrained future**.

Qantas has signed up to industry-wide targets that will halve net emissions by 2050 based on 2005 levels. Since 2009, we've been working to improve fuel efficiency by an average of 1.5 per cent a year. We're also investing in biofuel research and we operate the world's largest airline carbon offset scheme. Acting responsibly on emissions will be key to our long-term success.

For almost a century, Qantas has succeeded by pushing the boundaries of aviation. We hope to do this again with Project Sunrise — which is assessing the commercial and technical feasibility of direct flights from the East Coast of Australia to New York and London.

As we head towards our 100th year, we're confident in our performance, excited by our future and grateful for the ongoing support of our people and customers.

Alan Joyce AC

Board of Directors

RICHARD GOYDER AO

BCom, FAICD

Chairman and Independent Non-Executive Director

Richard Goyder was appointed to the Qantas Board in November 2017 and as Chairman in October 2018.

He is Chairman of the Nominations Committee.

Mr Goyder is Chairman of Woodside Petroleum Limited, the Australian Football League Commission, JDRF Australia, the West Australian Symphony Orchestra, and of the Channel 7 Telethon Trust. He is an honorary member of the Business Council of Australia, and a Fellow of the AICD.

Mr Goyder was the Managing Director and CEO of Wesfarmers Limited from July 2005 to November 2017. He also previously held the roles of Finance Director between 2002 and 2004, and Deputy Managing Director and CFO between 2004 and 2005.

Mr Goyder was also formerly Chairman of the Australian B20 (the key business advisory body to the World Economic Forum which includes business leaders from all G20 economies).

Age: 59

ALAN JOYCE AC

BApplSc (Phy) (Math) (Hons), MSc (MgtSc), MA, FRAeS, FTSE

Chief Executive Officer

Alan Joyce was appointed Chief Executive Officer and Managing Director of Qantas in November 2008.

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

Mr Joyce is a Director of the Business Council of Australia, a Member of the International Air Transport Association's Board of Governors, having served as Chairman from 2012 to 2013 and a Director of the Museum of Contemporary Art Australia. He is also a Director of a number of controlled entities of the Qantas Group.

Mr Joyce was the Chief Executive Officer of Jetstar from 2003 to 2008. Before that, he spent over 15 years in leadership positions with Qantas, Ansett and Aer Lingus.

At both Qantas and Ansett, he led the network planning, schedules planning and network strategy functions. Mr Joyce spent eight years at Aer Lingus, where he held roles in sales, marketing, IT, network planning, operations research, revenue management and fleet planning.

Age: 53

MAXINE BRENNER

BA, LLB

Independent Non-Executive Director

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

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

Ms Brenner is a Director of Origin Energy Limited, Orica Limited and Growthpoint Properties Australia Limited. She is a Member of the Council of the University of New South Wales.

Ms Brenner was formerly a Managing Director of Investment Banking at Investec Bank (Australia) Limited. She has extensive experience in corporate advisory work, particularly in relation to mergers and acquisitions, corporate restructures and general corporate activity. She also practised as a lawyer with Freehill Hollingdale & Page (now Herbert Smith Freehills), where she specialised in corporate work, and spent several years as a lecturer in the Faculty of Law at both the University of NSW and the University of Sydney.

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

Age: 57

Board of Directors continued

RICHARD GOODMANSON

BCom, BEc, MBA, MCE

Independent Non-Executive Director

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

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

Mr Goodmanson was a Director of Rio Tinto plc and Rio Tinto Limited from 2004 to 2016.

From 1999 to 2009, he was Executive Vice President and Chief Operating Officer of E.I. du Pont de Nemours and Company. Previous to this role, he was President and Chief Executive Officer of America West Airlines. Mr Goodmanson was also Chief Operations Officer for Frito-Lay Inc, a subsidiary of PepsiCo, and a Principal at McKinsey & Company Inc. He spent 10 years in heavy civil engineering project management, principally in South East Asia. Additionally, Mr Goodmanson was an Economic Advisor to the Governor of Guangdong Province, China from 2003 until 2009.

Mr Goodmanson was born in Australia and is a citizen of both Australia and the United States.

Age: 72

JACQUELINE HEY

BCom, Grad Cert (Mgmt), GAICD

Independent Non-Executive Director

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

She is a Member of the Audit Committee.

Ms Hey is a Director and Chair-elect of Bendigo and Adelaide Bank Limited and is Chairman of its Technology Committee. She is a Director of AGL Energy Limited and Chairman of its Safety, Sustainability & Corporate Responsibility Committee. She is also a Director of Cricket Australia.

Ms Hey was formerly a Director of the Australian Foundation Investment Company Limited from 2013 to 2019, Melbourne Business School from 2013 to 2018, the Special Broadcasting Service from 2011 to 2016 and a Member of the ASIC Directory Advisory Panel from 2013 to 2016.

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

Age: 53

BELINDA HUTCHINSON AM

BEc, FCA, FAICD

Independent Non-Executive Director

Belinda Hutchinson was appointed to the Qantas Board in April 2018.

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

Ms Hutchinson is currently Chancellor of the University of Sydney, Chairman of the Future Generation Global Investment Company and Chairman of Thales Australia.

She has over 30 years' experience in the financial services sector, working in senior roles at Citibank and Macquarie Group. Ms Hutchinson also has extensive board experience. She was formerly Chairman of QBE Insurance Limited, a Director of Telstra Corporation Limited, Coles Group Limited, Crane Group Limited, Energy Australia Limited, TAB Limited, Snowy Hydro Trading Limited, Sydney Water and AGL Energy.

Ms Hutchinson was awarded a Member of the Order of Australia (AM) in 2007 for her service to business through a range of executive roles in the finance sector, and to the development of financial planning and fundraising initiatives for cultural, medical and social welfare organisations.

Age: 66

Board of Directors continued

MICHAEL L'ESTRANGE AO

BA (Syd), MA (Oxon)

Independent Non-Executive Director

Michael L'Estrange was appointed to the Qantas Board in April 2016.

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

Mr L'Estrange was Head of the National Security College at the Australian National University from 2009 to 2015. Prior to this, he was the Secretary of the Department of Foreign Affairs and Trade for almost five years and the Australian High Commissioner to the UK between 2000 and 2005. He served as Secretary to Cabinet and was Head of the Cabinet Policy Unit from 1996 for more than four years and, prior to that, as Executive Director of the Menzies Research Centre.

He has been a Non-Executive Director of Rio Tinto plc and Rio Tinto Limited and a Director of the University of Notre Dame, Australia since 2014. He was appointed Deputy Chancellor of the University of Notre Dame, Australia in 2017.

Mr L'Estrange studied at the University of Sydney and later as a Rhodes Scholar at Oxford University, where he graduated as a Master of Arts with First Class Honours.

Age: 66

PAUL RAYNER

BEc, MAdmin, FAICD

Independent Non-Executive Director

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

He is Chairman of the Remuneration Committee and a Member of the Nominations Committee.

Mr Rayner is Chairman of Treasury Wine Estates Limited, a Director of Boral Limited and Chairman of its Audit Committee, and a Director of the Murdoch Children's Research Institute.

Mr Rayner was formerly a Director of Centrica plc from 2004 to 2014 and Chairman of its Audit Committee from 2004 to 2013. 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: 65

TODD SAMPSON

MBA, BA(Hons)

Independent Non-Executive Director

Todd Sampson was appointed to the Qantas Board in February 2015.

He is a Member of the Remuneration Committee.

Mr Sampson was Executive Chairman of the Leo Burnett Group from September 2015 to January 2017, and National Chief Executive Officer from 2008 to 2015. He was also a Director of Fairfax Media Limited from 2014 to 2018.

Mr Sampson has over 20 years' experience across marketing, communication, new media and digital transformation. He has held senior leadership and strategy roles for a number of leading communication companies in Australia and overseas, including as Managing Partner for D'Arcy, Strategy Director for The Campaign Palace and Head of Strategy for DDB Needham Worldwide.

Age: 49

Board of Directors continued

ANTONY TYLER

BA (Jurisprudence)

Independent Non-Executive Director

Antony Tyler was appointed to the Qantas Board in October 2018.

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

Mr Tyler was Director General and Chief Executive of the International Air Transport Association from 2011 to 2016. Prior to this, Mr Tyler spent over 30 years with Cathay Pacific Airways Limited. His career includes several management and executive roles in Hong Kong, the UK, Italy, Japan, Canada, the Philippines and Australia before serving in the role of Chief Executive Officer from 2007 to 2011.

He is a Non-Executive Director of Bombardier Inc, BOC Aviation Limited and Trans Maldivian Airways Limited and a Fellow of the Royal Aeronautical Society.

Age: 64

BARBARA WARD AM

BEc, MPolEc

Independent Non-Executive Director

Barbara Ward was appointed to the Qantas Board in June 2008.

She is Chairman of the Audit Committee, a Member of the Safety, Health, Environment and Security Committee and a Member of the Nominations Committee.

Ms Ward is a Director of Caltex Australia Limited and a number of Brookfield Multiplex Group companies.

She was formerly a Director of the Commonwealth Bank of Australia, Lion Nathan Limited, Multiplex Limited, Data Advantage Limited, O'Connell Street Associates Pty Ltd, Allco Finance Group Limited, Rail Infrastructure Corporation, Delta Electricity, Ausgrid, Endeavour Energy and Essential Energy. She was also Chairman of Country Energy, NorthPower and HWW Limited, a Board Member of Allens Arthur Robinson, the Sydney Opera House Trust and the Sydney Children's Hospital Foundation, and on the Advisory Board of LEK Consulting.

Ms Ward was Chief Executive Officer of Ansett Worldwide Aviation Services from 1993 to 1998. Before that, Ms Ward held various positions at TNT Limited, including General Manager Finance, and also served as a Senior Ministerial Advisor to The Hon PJ Keating.

Age: 65

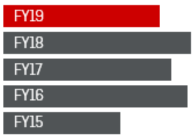
Review of Operations

For the year ended 30 June 2019

RESULT HIGHLIGHTS

Underlying Profit Before Tax

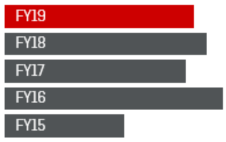
1,302 $M



FY19	**1,302**
FY18	1,565
FY17	1,401
FY16	1,532
FY15	975

Statutory Profit After Tax

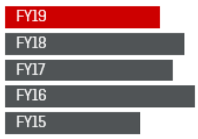
891 $M



FY19	**891**
FY18	953
FY17	853
FY16	1,029
FY15	560

Return on Invested Capital

18.4 %



FY19	**18.4%**
FY18	21.4%
FY17	20.1%
FY16	22.7%
FY15	16.2%

The Qantas Group (the Group) applied AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The results for the 12 months ended 30 June 2018 have been restated on the same basis for comparison.

The Qantas Group reported an Underlying Profit Before Tax[1] (Underlying PBT) of $1,302 million for the 12 months ended 30 June 2019, a decrease of $263 million from the record set in 2017/18. The Group's Statutory Profit Before Tax of $1,265 million was down $87 million from the prior year. The Statutory Profit Before Tax for this financial year included a net $37 million of costs which were not included in Underlying PBT. Items Outside Underlying PBT included costs such as those associated with transformation and discretionary non-executive employee bonuses which were mostly offset by the net gains on the sale of the catering business and the Melbourne Airport Domestic Terminal assets, as well as the reversal of the impairment of an associate, Helloworld Travel Ltd. This compares with $213 million of costs which were not included in Underlying PBT in the prior year.

As fuel costs increased by $614 million compared to the prior year, the Group moved rapidly to fully offset this headwind. Capacity discipline in the domestic market supported near record performances from Group Domestic[2]. The international businesses[3] have a more significant exposure to higher fuel costs and operate in highly competitive markets which dampened the ability and speed at which the Group was able to recover these costs. Despite this, the fundamentals of the international businesses remain strong, as revenue increases helped to deliver resilient earnings. Qantas Loyalty delivered a record result, growing and diversifying earnings. It returned to double digit profit growth in the second half, compared to the prior corresponding period.

Financial highlights for the 2018/19 financial year are:

- Statutory Earnings Per Share was flat on the prior year at 54.6 cents per share, reflecting lower statutory earnings that were offset by the accretive benefit of the on-market share buy-backs
- Continued strong Return on Invested Capital (ROIC)[4] of 18.4 per cent
- Delivery of $452 million in transformation benefits, well in excess of the $400 million annual target
- All operating segments delivering ROIC greater than their Weighted Average Cost of Capital (WACC)[5]
- Continued strong cash flow generation.

The balance sheet strengthened further through the year, providing the Group with significant financial flexibility. Net Debt[6] at 30 June 2019 was $4.7 billion, below the bottom of the Net Debt target range of $5.2 billion to $6.5 billion. The Group's strong cash flow generation ability delivered $2.8 billion in operating cash flow, lower than the prior year due to lower working capital benefits, the timing of option premium outflows and the recommencement of payment of Australian income taxes. Net capital expenditure[7] of $1.6 billion was invested in the business and $1.0 billion of surplus capital returned to shareholders through $363 million of fully franked dividends and $637 million of on-market share buy-backs.

Giving consideration to the strength of the balance sheet and the near-term outlook for the business, the Board resolved to distribute a 13 cents per share fully franked final dividend, totalling $204 million and an additional off-market share buy-back of up to 79.7 million shares[8].

1. Underlying Profit Before Tax (Underlying PBT) is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas Domestic, Qantas International, Jetstar Group and Qantas Loyalty operating segments is Underlying Earnings Before Net Finance Costs and Income Tax Expense (Underlying EBIT). The primary reporting measure of the Corporate segment is Underlying PBT as net finance costs are managed centrally. Refer to the reconciliation of Underlying PBT to Statutory Profit Before Tax on Page 19.
2. Group Domestic includes Qantas Domestic and Jetstar Domestic.
3. International businesses or Group International includes Qantas International, Jetstar International Australian operations, Jetstar New Zealand (including Jetstar Regionals), Jetstar Asia (Singapore) and the contributions from Jetstar Japan and Jetstar Pacific.
4. Return on Invested Capital is calculated as ROIC EBIT for the 12 months ended 30 June 2019, divided by the 12 month Average Invested Capital. ROIC EBIT is calculated by adjusting Underlying EBIT for the period to exclude non-cancellable aircraft operating lease rentals and include Notional Depreciation for these aircraft to account for them as if they are owned aircraft.
5. Weighted Average Cost of Capital is calculated on a pre-tax basis.
6. Net Debt under the Group's Financial Framework includes net on balance sheet debt and off-balance sheet aircraft operating lease liabilities.
7. Net Capital Expenditure is equal to net investing cash flows (excluding aircraft operating lease refinancing) included in the Consolidated Cash Flow Statement of $1,563 million and the impact to Invested Capital of commencing/returning aircraft operating leases of $48 million.
8. Under the buy-back, Qantas Group has the ability to buy back up to 79.7 million of its shares without shareholder approval. The Group will determine the size of the buy-back at the end of the tender period, depending on relevant factors such as the market price of shares at the relevant time, shareholder demand, market conditions, the Group's forecast earnings and capital requirements, and the requirements of its Constitution and applicable laws. For illustrative purposes, assuming a buy-back price of $4.85 (being a 14 per cent discount to an assumed market price of $5.64, as at 19 August 2019), the total spend by the Group would be $387 million. The Group can vary the size of the buy-back, or decide not to buy back any shares, at its discretion. Refer to off-market buy-back tender booklet 2019 for further information.

Review of Operations continued

For the year ended 30 June 2019

FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES

Qantas' Financial Framework aligns our objectives with those of our shareholders. With the aim of generating maintainable Earnings Per Share (EPS) growth over the cycle, which in turn should generate Total Shareholder Return (TSR) in the top quartile of the ASX100 and a basket of global airlines[9], the Financial Framework has three clear priorities and associated long-term targets:

1. Maintaining an Optimal Capital Structure	2. ROIC > WACC Through the Cycle	3. Disciplined Allocation of Capital
Minimise cost of capital by targeting a Net Debt range of $5.2 billion to $6.5 billion	Deliver ROIC > 10 per cent[10] through the cycle	Grow Invested Capital with disciplined investment, return surplus capital

MAINTAINABLE EPS GROWTH OVER THE CYCLE

TOTAL SHAREHOLDER RETURN IN THE TOP QUARTILE

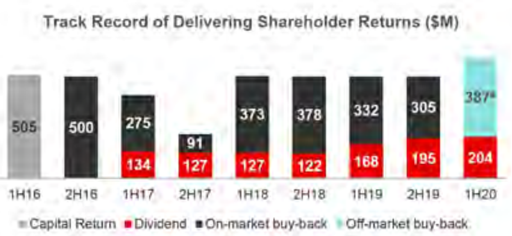
Maintaining an Optimal Capital Structure

The Group's Financial Framework targets an optimal capital structure. This results in a Net Debt target range of $5.2 billion to $6.5 billion, based on the current Average Invested Capital of approximately $8.9 billion, a minimum ROIC of 10 per cent and net debt/ROIC EBITDA range of 2.0-2.5 times. This capital structure optimises the Group's cost of capital and preserves financial strength with the objective of enhancing long-term shareholder value. At 30 June 2019, Net Debt was $4.7 billion which is below the bottom of the Net Debt target range. The Group's optimal capital structure is consistent with investment grade credit metrics. The Group is rated Baa2 with Moody's Investor Services.

ROIC > WACC Through the Cycle

Return on Invested Capital (ROIC) of 18.4 per cent was above the Group's value-creating threshold ROIC of 10 per cent for the fifth consecutive year.

Disciplined Allocation of Capital



The Qantas Group takes a disciplined approach to allocating capital with the aim to grow Invested Capital and return surplus capital to shareholders.

- Net capital expenditure of $1.6 billion was invested during the financial year
- $1.0 billion was distributed to shareholders in 2018/19 through $363 million fully franked dividends and on-market share buy-backs totalling $637 million.

In August 2019, the Board declared a fully franked final dividend of 13 cents per ordinary share totalling $204 million and announced an off-market share buy-back of up to 79.7 million shares[8].

Maintainable EPS Growth Over the Cycle

Statutory Earnings Per Share was 54.6 cents, flat on the prior year as the decrease in Statutory Profit After Tax was offset by a seven per cent reduction in weighted average shares on issue. The Group purchased 113 million shares for $637 million at an average price of $5.63.

9. Target Total Shareholder Return within the top quartile of the ASX100 and the global listed airline peer group as stated on page 43.
10. Target of 10 per cent ROIC allows ROIC to be greater than pre-tax WACC through the cycle.

Review of Operations continued

For the year ended 30 June 2019

GROUP PERFORMANCE

Underlying PBT for 2018/19 was $1,302 million, 17 per cent lower than the Record Underlying PBT of $1,565 million in 2017/18. Ticketed Passenger Revenue[11] increased by $594 million, and combined with the increase in Net Freight Revenue of $76 million to more than offset a $614 million increase in fuel costs. The benefits of transformation and other revenue streams assisted in partially offsetting other cost increases incurred through the year including increases in depreciation charges, foreign exchange impacts on net expenditure and the $90 million increase in the non-cash impact of discount rate changes on provisions.

Group Underlying Income Statement Summary	June 2019 $M	June 2018 (restated) $M	Change $M	Change %
Net passenger revenue	15,696	14,944	752	5
Net freight revenue	971	895	76	8
Other revenue	1,299	1,289	10	1
Revenue and other income	**17,966**	**17,128**	**838**	**5**
Operating expenses (excluding fuel)[12]	(10,786)	(10,375)	(411)	(4)
Fuel	(3,846)	(3,232)	(614)	(19)
Depreciation and amortisation[12]	(1,605)	(1,517)	(88)	(6)
Non-cancellable aircraft operating lease rentals	(264)	(272)	8	3
Share of net profit of investments accounted for under the equity method	22	15	7	47
Total underlying expenditure	**(16,479)**	**(15,381)**	**(1,098)**	**(7)**
Underlying EBIT	**1,487**	**1,747**	**(260)**	**(15)**
Net finance costs	(185)	(182)	(3)	(2)
Underlying PBT	**1,302**	**1,565**	**(263)**	**(17)**

Operating Statistics		June 2019	June 2018 (restated)	Change	Change %
Available Seat Kilometres (ASK)[13]	M	151,430	152,428	(998)	(0.7)
Revenue Passenger Kilometres (RPK)[14]	M	127,492	126,814	678	0.5
Passengers carried	000	55,813	55,273	540	1.0
Revenue Seat Factor[15]	%	84.2	83.2	1.00	n/a
Operating Margin[16]	%	8.3	10.2	(1.9)	n/a
Unit Revenue (RASK)[17]	c/ASK	8.85	8.40	0.45	5.3
Total unit cost[18]	c/ASK	(7.99)	(7.37)	(0.62)	(8.4)
Ex-fuel unit cost[19]	c/ASK	(5.40)	(5.37)	(0.03)	(0.6)

Group capacity (ASK) decreased by 0.7 per cent, while demand (RPK) increased by 0.5 per cent, resulting in a 1.0 percentage point increase in Revenue Seat Factor. Group Unit Revenue increased by 5.3 per cent from the prior year, with an increase[20] of 5.7 per cent in the first half and a 4.9 per cent increase[21] in the second half. As the year progressed, Unit Revenue in the International businesses improved but softening demand slowed Unit Revenue growth in the domestic market. The Group's Total Unit Cost increased by 8.4 per cent resulting from higher fuel prices, foreign exchange impacts and other costs.

TRANSFORMATION

The Group maintained its focus on ongoing transformation, delivering $452 million in benefits, which again exceeded the annual target of $400 million. This included net revenue benefits of $149 million from a range of initiatives including the full year benefit of structural changes such as the introduction of the Dreamliner to Qantas International, the Singapore hub restructure and the Perth to London direct service. Non-fuel costs were reduced by $265 million through a combination of technology-based innovations and commercial sourcing benefits. With rising fuel costs and a continued focus on reducing carbon emissions, $38 million in fuel benefits was achieved through a range of fuel efficiency measures including on-board weight reduction and increased utilisation of single engine taxiing.

11. Uplifted passenger revenue included in net passenger revenue.
12. Underlying expenses differ from equivalent statutory expenses due to items excluded from Underlying PBT such as those items identified by Management as not representing the underlying performance of the business. Refer to the reconciliation on page 19.
13. ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
14. RPK – total number of passengers carried, multiplied by the number of kilometres flown.
15. Revenue Seat Factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.
16. Operating Margin is Group Underlying EBIT divided by Group total revenue.
17. Unit Revenue is calculated as ticketed passenger revenue per ASK. The prior period has been restated to conform with current year presentation.
18. Total Unit Cost is Underlying PBT less ticketed passenger revenue per ASK. The comparative period has been restated to conform with current year presentation.
19. Ex-fuel unit cost is measured as Underlying PBT less ticketed passenger revenue, fuel and share of profit/(loss) of investments accounted for under the equity method, adjusted for the impact of changes in foreign exchange rates and non-cash impact of discount rate changes on provisions per ASK. The comparative period has been restated to conform with current year presentation.
20. Compared to the first half of 2017/18 financial year restated for first time adoption of AASB 15.
21. Compared to the second half of 2017/18 financial year restated for first time adoption of AASB 15.

Review of Operations continued

For the year ended 30 June 2019

CASH GENERATION

Cash Flow Summary	June 2019 $M	June 2018 $M	Change $M	Change %
Operating cash flows	2,807	3,413	(606)	(18)
Investing cash flows (excluding aircraft operating lease refinancing)	(1,563)	(1,971)	408	21
Net free cash flow	**1,244**	**1,442**	**(198)**	**(14)**
Aircraft operating lease refinancing	(88)	(230)	142	62
Financing cash flows	(705)	(1,296)	591	46
Cash at beginning of year	1,694	1,775	(81)	(5)
Effect of foreign exchange on cash	12	3	9	>100
Cash at end of year	**2,157**	**1,694**	**463**	**27**

Debt Analysis		June 2019	June 2018	Change $M	Change %
Net on balance sheet debt[22]	$M	3,067	3,054	13	-
Capitalised operating lease liabilities[23]	$M	1,643	1,849	(206)	(11)
Net Debt[24]		**4,710**	**4,903**	**(193)**	**(4)**
Debt/EBITDA[25]	times	2.3	2.0	0.3	15

Operating cash flows for 2018/19 were $2.8 billion, $606 million lower than the record performance in the prior year, reflecting timing differences associated with outflows for the Group's fuel cost hedging program, lower working capital movements and the recommencement of payment of Australian income taxes. Investing cash flows were $1.6 billion excluding aircraft operating lease refinancing.

Net capital expenditure of $1.6 billion included investment in replacement fleet such as the final delivery payments for three 787-9 Dreamliners for Qantas International, customer experience initiatives including lounge upgrades, the Jetstar A320/321 Cabin Enhancement Program and Wi-Fi installation on the Qantas Domestic fleet. Qantas generated more than $1.2 billion of net free cash flow in the year, facilitating Net Debt reduction and returns to shareholders.

Net financing cash outflows of $705 million included $1,137 million draw down from two new tranches of the corporate debt program, offset by scheduled debt repayments of $744 million, dividends of $363 million and on-market buy-backs totalling $637 million. The second and third tranches of the corporate debt program were secured against 38 mid-life aircraft. The third tranche expanded to a new funding source with an issuance to traditional US Private Placement investors, with a tenor of 12 years.

With reduced financial leverage and minimal near-term refinancing risk, the Group has continued to optimise the mix of liquidity with less requirement for short-term liquidity held in cash. The Group used $88 million cash in excess of its short-term requirements to purchase two aircraft out of operating leases. Using the Group's existing cash balance in this way achieved the following benefits:

- Reduced gross debt and cost of carry with minimal impact to net debt
- Greater fleet and maintenance planning flexibility
- Reduced exposure to US dollar lease rentals.

The Group enhanced the quality of the unencumbered pool of aircraft by adding three new 787-9s, bringing the total unencumbered aircraft to 51 per cent of the fleet[26] with an approximate value of US$3.1 billion[27].

Qantas continues to retain significant flexibility in its financial position, funding strategies and fleet plan to ensure that it can respond to changes in market conditions and earnings scenarios. At 30 June 2019, the Group's leverage metrics were well within investment grade metrics Baa2 with Debt/EBITDA of 2.3 times.

22. Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt reduced by cash and cash equivalents.
23. Capitalised aircraft operating lease liabilities are measured at fair value at the lease commencement date and remeasured over the lease term on a principal and interest basis akin to a finance lease. Residual value of capitalised aircraft operating lease liability denominated in foreign currency is translated at a long-term exchange rate.
24. Net debt includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group's Financial Framework.
25. Management's estimate based on Moody's methodology.
26. Based on number of aircraft as at 30 June 2019. The Group's fleet totalled 314 aircraft including Jetstar Asia (Singapore) owned fleet and excludes Jetstar Pacific (Vietnam) and Jetstar Japan.
27. Based on AVAC market values.

Review of Operations continued

For the year ended 30 June 2019

FLEET

The determination of the optimal fleet age for the Qantas Group balances a number of factors and varies by fleet type, including the availability of any new technology, the level of capacity growth required in the markets that it serves, the competitive landscape and whether the investment is earnings accretive.

At all times, the Group retains significant flexibility to respond to changes in market conditions and the competitive landscape by deploying a number of strategies including fleet redeployment, refurbishment, renewal and retirement.

The Group continued to cross utilise the A330-200 and 737-800 aircraft between Qantas Domestic and Qantas International, and recently the A320-200s released from Jetstar were deployed into QantasLink, optimising capacity to match demand. These aircraft were released through capacity right sizing in the domestic market. At 30 June 2019, the Qantas Group fleet[28] totalled 314 aircraft. During 2018/19, the Group acquired three 787-9s (Qantas International), retired three 747-400s (Qantas International) and added one leased A320-200 aircraft to Jetstar Asia (Singapore).

Fleet Summary (Number of aircraft)	June 2019	June 2018
A380	12	12
747-400/400ER	7	10
A330-200/300	28	28
737-800	75	75
787-9	8	5
717-200	20	20
Q200/300/400	45	45
F100	17	17
A320-200	2	2
Total Qantas (including QantasLink and Network Aviation)	**214**	**214**
Q300	5	5
A320/A321-200	78	77
787-8	11	11
Total Jetstar Group	**94**	**93**
737-300/400F	5	5
767-300F	1	1
Total Freight	**6**	**6**
Total Group	**314**	**313**

SEGMENT PERFORMANCE

Segment Performance Summary	June 2019 $M	June 2018 (restated) $M	Change $M	Change %
Qantas Domestic	740	765	(25)	(3)
Qantas International	285	398	(113)	(28)
Jetstar Group	370	457	(87)	(19)
Qantas Loyalty	374	345	29	8
Corporate	(174)	(195)	21	11
Unallocated/Eliminations	(108)	(23)	(85)	>(100)
Underlying EBIT	**1,487**	**1,747**	**(260)**	**(15)**
Net finance costs	(185)	(182)	(3)	(2)
Underlying PBT	**1,302**	**1,565**	**(263)**	**(17)**

28. Includes Qantas Airways, Jetstar Australia and New Zealand, Jetstar Asia (Singapore), Qantas Freight and Network Aviation, and excludes aircraft operated by Jetstar Japan and Jetstar Pacific (Vietnam).

Review of Operations continued

For the year ended 30 June 2019

QANTAS DOMESTIC

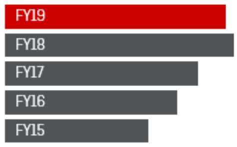
Revenue

6,106 $M

FY19	**6,106**
FY18	5,945
FY17	5,632
FY16	5,710
FY15	5,828

Underlying EBIT

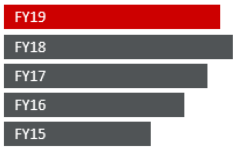
740 $M



FY19	**740**
FY18	765
FY17	645
FY16	578
FY15	480

Operating Margin

12.1 %



FY19	**12.1%**
FY18	12.9%
FY17	11.5%
FY16	10.1%
FY15	8.2%

Metrics		June 2019	June 2018	Change
ASKs	M	33,866	34,385	(1.5%)
Seat factor	%	77.8	77.8	0pts

Qantas Domestic reported an Underlying EBIT of $740 million, down three per cent from the record result in 2017/18. Qantas Domestic was able to more than offset fuel cost increases and partially offset foreign exchange impacts on non-fuel costs. Unit Revenue increased by five per cent compared to 2017/18 as market capacity remained in line with demand.

Qantas Domestic grew share in both the corporate and Small to Medium Enterprise (SME) markets. During the year, Qantas Domestic also benefited from the ongoing recovery of the resources market with a $47 million growth in revenue from that sector.

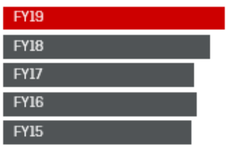
The dual brand strategy, together with the benefits of transformation and investment in our customers continued to deliver leading margins, with the Operating Margin for Qantas Domestic at 12.1 per cent.

Qantas Domestic continued to invest in customer experience delivering:
- 15 percentage points customer advocacy[29] premium to competitor[30]
- 83 per cent on-time performance[31]
- Improved Net Promoter Score (NPS) for in-flight entertainment on Wi-Fi equipped 737s
- Expansion of regional resident fares program, removal of change fee for regional resident fares and turboprop fleet refurbishment
- Continued investment in domestic lounges.

QANTAS INTERNATIONAL

Revenue

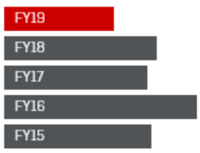
7,425 $M



FY19	**7,425**
FY18	6,925
FY17	6,413
FY16	6,496
FY15	6,295

Underlying EBIT

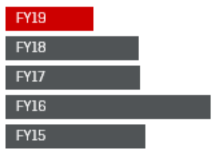
285 $M



FY19	**285**
FY18	398
FY17	374
FY16	576
FY15	381

Operating Margin

3.8 %



FY19	**3.8%**
FY18	5.7%
FY17	5.8%
FY16	8.9%
FY15	6.1%

Metrics		June 2019	June 2018	Change
ASKs	M	69,571	69,280	0.4%
Seat factor	%	86.0	84.2	1.8pts

Qantas International reported Underlying EBIT of $285 million for 2018/19, down 28 per cent compared to 2017/18. Unit Revenue growth was strong at 6.4 per cent, fully offsetting increased fuel costs. Growth in other revenue streams could not fully recover other cost increases such as foreign exchange impacts on non-fuel costs and the costs of concurrently flying the 747 and 787 aircraft while transitioning the fleet. Earnings momentum built in the second half as competitor capacity reduced.

The USA market, in particular, experienced significant competitive pressure. Approval for Anti-Trust Immunity for the American Airlines Joint Business is opening up new opportunities with the announcement of a number of new routes including Brisbane to Chicago and Brisbane to San Francisco. The strategy to build a resilient Qantas International continues with the expansion of the 787-9 Dreamliner fleet to eight aircraft. The success of the Perth to London direct route with network leading NPS, Revenue Seat Factor and Unit Revenue, gives confidence in the strategy to pursue ultra-long haul routes that provide a unique competitive advantage. Combined with the Singapore hub restructure, the London services have seen a significant improvement in financial performance, becoming profitable for the first time in over a decade.

Qantas International continued to invest in customer experience delivering:
- Investment in a new Singapore First lounge and expansion of the Business lounge to support increased demand from the hub restructure
- Commencement of the A380 cabin upgrade.

29. Customer advocacy measured as Net Promoter Score (NPS). Based on Qantas internal reporting.
30. Competitor refers to Virgin Australia. Based on Qantas internal reporting.
31. On time performance (OTP) of Qantas Domestic mainline and regional services measured as departures within 15 minutes of scheduled departure time for FY19. Source: BITRE.

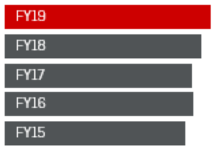
Review of Operations continued

For the year ended 30 June 2019

JETSTAR GROUP

Revenue

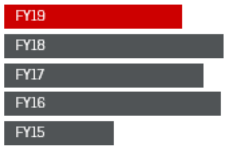
3,961 $M



FY19	**3,961**
FY18	3,795
FY17	3,600
FY16	3,636
FY15	3,464

Underlying EBIT

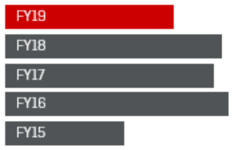
370 $M



FY19	**370**
FY18	457
FY17	417
FY16	452
FY15	230

Operating Margin

9.3 %



FY19	**9.3%**
FY18	12.0%
FY17	11.6%
FY16	12.4%
FY15	6.6%

Metrics		June 2019	June 2018	Change
ASKs	M	47,993	48,763	(1.6%)
Seat factor	%	86.1	85.6	0.5pts

The Jetstar Group achieved record revenue fully offsetting increased fuel costs as Unit Revenue in the domestic market increased by 2.7 per cent and ancillary revenue per passenger increased 12 per cent. Jetstar International also saw strong improvement in Unit Revenue, which increased by 6.0 per cent compared with 2017/18. Even with the record revenue performance, the Jetstar Group was able to maintain its commitment to affordability with almost two-thirds of fares sold for under $100.

The Underlying EBIT result of $370 million for the Jetstar Group was impacted by increased fuel costs, foreign exchange impacts on non-fuel costs and a significant increase in airport charges and taxes in Singapore. Associate airlines, Jetstar Japan and Jetstar Pacific (Vietnam), remained profitable despite the considerable headwinds, with our investment in Jetstar Japan delivering a record Australian dollar profit share.

Jetstar continued its investment in transformation and customer experience delivering:

– Ancillary revenue strength driven by the success of the "Plus 3kg" carry on
– Cabin Enhancement Program completed, achieving capital efficient expansion with 3 per cent extra seats added[32]
– Club Jetstar continued growth with more than 340,000 members.

QANTAS LOYALTY

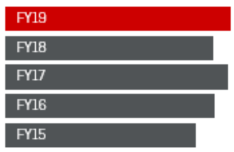
Revenue

1,654 $M

FY19	**1,654**
FY18	1,519
FY17	1,505
FY16	1,454
FY15	1,362

Underlying EBIT

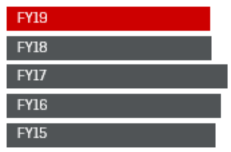
374 $M



FY19	**374**
FY18	345
FY17	369
FY16	346
FY15	315

Operating Margin

22.6 %



FY19	**22.6%**
FY18	22.7%
FY17	24.5%
FY16	23.8%
FY15	23.1%

Metrics		June 2019	June 2018	Change
QFF members	M	12.9	12.3	4.8%

Qantas Loyalty reported a record result with Underlying EBIT of $374 million, up 8.4 per cent compared to 2017/18[33] as it returned to double digit profit growth[34] in the second half. Revenue was at a record level as member engagement with the program increased. Points earned from Financial Services products reached record levels, growth in everyday earn segments continued and program points redeemed across airline, hotel and retail awards increased by 12 per cent.

During the year Qantas Loyalty announced the biggest overhaul of the Frequent Flyer program in 32 years, adding additional reward seats and launching of a new program tier, Lifetime Platinum and the establishment of the Points Club for its most loyal buyers.

The diversification of earnings through the New Business portfolio continued. Revenue from New Businesses increased by 27 per cent. Qantas Insurance achieved 46 per cent growth[35] in the Health Insurance market with one of the lowest average premium increases and strong market growth. The Qantas Premier Credit Card portfolio continues to perform well with strong card acquisition trends and double the spend volume compared with the prior year.

32. Compared to the aircraft prior to the cabin enhancement.
33. The financial year 2017/18 Underlying EBIT has been restated for the adoption of AASB 15 to $345 million. Prior to the restatement 2017/18 Underlying EBIT was reported as $372 million. Financial years 2014/15, 2015/16 and 2016/17 have not been restated for AASB 15.
34. Compared to the second half of 2017/18.
35. Based on 12 months to June 2019 growth in net persons insured compared to all Australian private health insurance funds. Source: Qantas/nib internal analysis and estimates.

Review of Operations continued

For the year ended 30 June 2019

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX

The Statutory Profit Before Tax of $1,265 million for 2018/19 was $87 million lower than the previous year.

Underlying PBT

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

Reconciliation of Underlying PBT to Statutory Profit Before Tax	**2019 $M**	**2018 (restated) $M**
Underlying PBT	**1,302**	**1,565**
Items not included in Underlying PBT		
– Transformation costs	(218)	(162)
– Discretionary bonuses to non-executive employees	(27)	(53)
– Net gain on disposal of a controlled entity	39	12
– Net gain on disposal of Airport Terminal assets	141	–
– Net gain on disposal/reversal of impairment of associate	43	–
– Other	(15)	(10)
Total items not included in Underlying PBT	**(37)**	**(213)**
Statutory Profit Before Income Tax Expense	**1,265**	**1,352**

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

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

In the 2019 financial year these included:

- Transformation costs of $218 million included redundancy and related costs of $65 million, fleet restructuring costs of $107 million (primarily related to costs for the introduction of the 789 Dreamliners and retirement of the 747 fleet) and other upfront costs of $46 million directly incurred to enable the delivery of transformation benefits. Included in fleet restructuring costs are $68 million of non-cash accelerated depreciation and inventory write-downs
- Discretionary bonuses to non-executive employees of $27 million will be paid to non-executive employees after the employees post wage freeze collective agreement is voted upon and approved
- The net gain on disposal of a controlled entity of $39 million arose from the sale of the Qantas Catering business, which was completed during the year
- The net gain on disposal of Airport Terminal assets of $141 million primarily relates to the gain on disposal of Melbourne Domestic Terminal assets
- The net gain on disposal/reversal of impairment of associate of $43 million relates to the Group's investment in Helloworld Travel Limited. The Group sold 2 million shares for $5.50 per share in September 2018 and reversed previously recognised impairment. The reversal of the impairment has been recognised as an item outside of Underlying PBT consistent with the treatment of the original impairment.

Review of Operations continued

For the year ended 30 June 2019

MATERIAL BUSINESS RISKS

The aviation industry is subject to a number of inherent risks. These include, but are not limited to, exposure to changes in economic conditions, changes in government regulations, fuel and foreign exchange volatility and other exogenous events such as aviation incidents, natural disasters, war or an epidemic. Qantas is exposed to a number of specific business risks which may impact the achievement of the Group's strategy and financial prospects. The Group's focus is on continuously improving the controls to manage these risks as the context of these risks typically does not significantly change compared with the previous year. The Qantas Group continues to operate in a domestic and international environment where elevated political risk for the business will be the norm. The increased level of unpredictability makes it imperative that the Group continues to plan for wide ranges of scenarios and risks to ensure its robustness.

Competitive intensity: Market capacity growth ahead of underlying demand impacts industry profitability.

- Australia's liberal aviation policy settings have attracted offshore competitors to the Australian international aviation market, predominantly state-sponsored airlines. Qantas remains focused on building key strategic airline partnerships with strong global partners and optimising its network. Qantas brings domestic strength and the unrivalled customer offering of Qantas Loyalty. Qantas International continues to build a resilient and sustainable business through transformation.
- The Australian domestic aviation market is highly competitive. The Qantas Group's market-leading domestic position and dual brand strategy allow Qantas to effectively mitigate the impact of market changes. This strategy leverages Qantas Domestic (including QantasLink) to serve business and premium leisure customers and Jetstar to serve price-sensitive customers. Qantas Domestic continues to focus on managing its cost base through sustainable transformation initiatives to ensure it remains competitive, while maintaining a revenue premium. Jetstar is working to maintain its lowest seat cost and yield advantage. These priorities result in Qantas Domestic and Jetstar Domestic delivering the highest Underlying EBITs in their respective markets, enabling the Group to retain Underlying EBIT share in excess of capacity share.

Fuel and foreign exchange volatility: The Qantas Group is subject to fuel and foreign exchange risks. These risks are an inherent part of the operations of an airline. The Qantas Group manages these risks through a comprehensive hedging program. Fuel price is 100 per cent hedged for the remainder of 2019/20. For 2019/20, the Group's hedging profile is positioned such that 2019/20 fuel costs are expected to be $3.95[36] billion with an average 53 per cent participation rate[37] to lower fuel prices. Complementing the hedging program, increased focus on forecasting and the operational agility of our aviation operations are supporting the Group to manage the residual uncertainty.

Cyber security and data governance: The global cyber and privacy landscape is constantly evolving and at the same time, data governance has become an important function for many organisations including the Qantas Group. Qantas remains focused on embedding cyber security, privacy and data governance into business processes, taking a security and privacy by design approach and creating a cybersafe and privacy orientated culture which builds on an established safety culture. The Group is also enhancing its data governance framework to ensure ethical and commercial data risks are managed in addition to data protection and privacy. Qantas has a defined risk and control framework, aligned with industry standards, which is designed to protect the confidentiality, integrity, availability and privacy of data and to maintain compliance with regulatory requirements. The Qantas Group's cyber and privacy controls operate to reduce the likelihood and severity of cyber security and data privacy related incidents and related impacts. The Group's cyber and data privacy risks are continuously monitored by the Group Cyber and Privacy Committee and are subject to independent assurance including for material third party suppliers.

Key business partners and alliances: The Qantas Group has relationships with a number of key business partners. In order to continue to maximise mutual benefit from both a financial and customer proposition perspective, governance structures are in place to track and report performance against common strategic objectives. The Qantas Group continues to proactively build relationships with existing and new industry partners through ongoing dialogue with relevant authorities and stakeholder groups.

Climate change: The Qantas Group is subject to short-term and long-term climate-related physical and transition risks. These risks are an inherent part of the operations of an airline and are managed by undertaking scenario analysis, strengthening governance, technology, operational and market-based controls, including proactive consideration of how changing factors (including global climate policies) impact the proximity of climate-related risks. The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning its 2018/19 corporate disclosures with the Taskforce on Climate-Related Financial Disclosures (TCFD). These disclosures are available on www.qantas.com/au/en/qantas-group/acting-responsibly/our-planet.html.

An overview of the Group Risk Management Framework is contained in the Qantas Group Business Practices Document available on www.qantas.com.au.

36. As at 20 August 2019. 2019/20 assumes forward market rates of Jet Fuel US $74 per barrel and AUD/USD 0.6763. Actual fuel costs for 2019/20 will be impacted by changes in Jet Fuel prices and the AUD/USD.
37. Participation from current market Brent prices down to US $64 per barrel for the remainder of 2019/20.

Corporate Governance Statement

For the year ended 30 June 2019

OVERVIEW

Corporate governance is core to ensuring the creation, protection and enhancement of shareholder value. The Board maintains, and requires that Qantas Management (Management) maintains, the highest level of corporate ethics.

The Board comprises a majority of Independent Non-Executive Directors who, together with the Executive Director, have an appropriate balance of skills, knowledge, experience, independence and diversity to enable the Board as a collective to effectively discharge its responsibilities.

The Board has endorsed the ASX Corporate Governance Principles and Recommendations (ASX Principles) 3rd Edition throughout 2018/19 and at the date of this Statement and has considered the 4th Edition ASX Principles following its release in February 2019.

Accordingly, Qantas Airways Limited has disclosed its 2019 Corporate Governance Statement in the Corporate Governance section on the Qantas website. As required, Qantas has also lodged its Corporate Governance Statement with the ASX.

Following is a summary of the key aspects of the Corporate Governance Statement.

THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

The Board is responsible for setting and reviewing the strategic direction of Qantas and monitoring the implementation of that strategy by Management.

The CEO is responsible for the day-to-day management of the Qantas Group with all powers, discretions and delegations authorised, from time to time, by the Board.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

THE BOARD IS STRUCTURED TO ADD VALUE

The Qantas Board currently has 11 Directors. Ten Directors are Independent Non-Executive Directors elected by shareholders. The Qantas CEO, who is an Executive Director, is not regarded as independent.

Details of the current Directors, their qualifications, skills, experience and tenure are set out on pages 8 to 11 of the Qantas Annual Report 2019.

The Board has four committees:
- Audit Committee
- Nominations Committee
- Remuneration Committee
- Safety, Health, Environment and Security Committee.

Each of these committees assists the Board with specified responsibilities that are set out in the Committee Charters, as delegated and approved by the Board.

Membership of and attendance at 2018/19 Board and Committee meetings is detailed on page 24 of the Qantas Annual Report 2019.

THE BOARD PROMOTES ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board has established a corporate governance framework, comprising Non-Negotiable Business Principles (Principles) and Group Policies, which forms the foundation for the way in which the Qantas Group undertakes business. The Principles and Group Policies, including the Qantas Group Code of Conduct and Ethics, are detailed in the Qantas Group Business Practices document. This framework is supported by a rigorous Whistleblower Program, which provides a protected disclosure process for all Disclosing Persons.

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

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

Corporate Governance Statement continued

For the year ended 30 June 2019

THE BOARD SAFEGUARDS THE INTEGRITY OF CORPORATE FINANCIAL REPORTING

The Board and the Audit Committee closely monitor the independence of the external auditor. Regular reviews occur of the independence safeguards put in place by the external auditor. Qantas rotates the lead external audit partner every five years and imposes restrictions on the employment of personnel previously employed by the external auditor. Qantas last rotated its lead external audit partner during the 2016/17 year.

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

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

THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

Qantas is committed to ensuring that trading in its shares takes place in an orderly and informed market, by having transparent and consistent communication with all shareholders. Qantas has an established process to ensure that it complies with its continuous disclosure obligations at all times, including a bi-annual confirmation by all Executive Management that the areas for which they are responsible have complied with the Group's Continuous Disclosure Policy.

Qantas proactively communicates with its shareholders via the ASX and its web-based Newsroom, with all materials released by the Group being made available to all shareholders at the same time. Additionally, Qantas actively conveys its publicly-disclosed information and seeks the views of its shareholders, large and small, in a number of forums, including at the Annual General Meeting (AGM), the Qantas Investor Day and, as is common practice among its major listed peers, through periodic meetings with current and potential institutional shareholders.

THE BOARD RESPECTS THE RIGHTS OF SHAREHOLDERS

Qantas has a Shareholder Communications Policy which promotes effective two-way communication with shareholders and the wider investment community, and encourages participation at general meetings.

Shareholders also have the option to receive communications from, and send communications to, Qantas and its Share Registry electronically, including email notification of significant market announcements.

The external auditor attends the AGM and is available to answer shareholder questions that are relevant to the audit.

THE BOARD RECOGNISES AND MANAGES RISK

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

During 2018/19, the two Board committees responsible for oversight of risk-related matters, the Audit Committee and the Safety, Health, Environment and Security Committee, undertook their annual review of the effectiveness of Qantas' implementation of its risk management system and internal control framework.

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

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

THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas Executive remuneration objectives and approach are set out below.

Information about remuneration of Executive Management is disclosed to the extent required, together with the process for evaluating performance, in the Remuneration Report from page 28 to 54 of the Qantas Annual Report 2019.

Qantas Non-Executive Directors are entitled to statutory superannuation and certain travel entitlements (accrued during service) that are reasonable and standard practice in the aviation industry. Non-Executive Directors do not receive any performance-based remuneration (see pages 52 to 53 of the Qantas Annual Report 2019).

Directors' Report

For the year ended 30 June 2019

The Directors of Qantas Airways Limited (Qantas) present their Report, together with the Financial Statements of the consolidated entity comprising Qantas and its controlled entities (Qantas Group) and the Independent Audit Report, for the year ended 30 June 2019. In compliance with the provisions of the *Corporations Act 2001*, the Directors' Report is set out below.

DIRECTORS

The Directors of Qantas during the year were:

Richard Goyder AO (appointed Chairman on 26 October 2018)

Alan Joyce AC

Maxine Brenner

Richard Goodmanson

Jacqueline Hey

Belinda Hutchinson AM

Michael L'Estrange AO

Paul Rayner

Todd Sampson

Antony Tyler (appointed 26 October 2018)

Barbara Ward AM

Leigh Clifford AO (retired 26 October 2018)

Details of the Directors' qualifications, experience and any special responsibilities, including Qantas committee memberships, are set out on pages 8 to 11.

PRINCIPAL ACTIVITIES

The principal activities of the Qantas Group during the year were the operation of international and domestic air transportation services, the provision of freight services and the operation of a frequent flyer loyalty program. There were no significant changes in the nature of the activities of the Qantas Group during the year.

DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

The Directors declared a fully franked final dividend of $204 million (13 cents per ordinary share) for the year ended 30 June 2019 (2018: 10 cents per share).

The final dividend will be franked and follows a franked interim dividend of $195 million (12 cents per ordinary share), which was paid during the year.

In addition, the Directors announced an off-market share buy-back of up to 79.7 million shares. During the year ended 30 June 2019, the Group completed the on-market share buy-back of $332 million in August 2018, and the on-market share buy-back of $305 million announced in February 2019.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

Any matter or circumstance that has arisen since the end of the year that may affect the Qantas Group's state of affairs in future financial years has been included in page 94 to the Financial Statements.

REVIEW OF OPERATIONS

A review of, and information about, the Qantas Group's operations, including the results of those operations during the year, together with information about the Qantas Group's financial position, appear on pages 12 to 20.

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

EVENTS SUBSEQUENT TO BALANCE DATE

Refer to page 94 for events which occurred subsequent to balance date. Other than the matters disclosed on page 94, since the end of the year and to the date of this Report no other matter or circumstance has arisen that has significantly affected or may significantly affect the Qantas Group's operations, results of those operations or state of affairs in future years.

Directors' Report continued

For the year ended 30 June 2019

DIRECTORS' MEETINGS

The number of Directors' meetings held (including meetings of Committees of Directors) and attendance of Directors during 2018/19 is as follows:

	Qantas Board											
	Scheduled Meetings		Sub-Committee Meetings[1]		Audit Committee[2]		Safety, Health, Environment and Security Committee[2]		Remuneration Committee[2]		Nominations Committee[2]	
Directors	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]
Richard Goyder[5,6]	9	9	1	1[4]	1	1[4]	–	–	–	–	1	1[4]
Leigh Clifford[6,7]	3	3[4]	1	1[4]	–	–	–	–	–	–	1	1[4]
Alan Joyce	9	9	2	2	–	–	4	4	–	–	–	–
Maxine Brenner	9	9	–	–	5	5	–	–	3	3	–	–
Richard Goodmanson	9	9	–	–	–	–	4	4	–	–	2	2
Jacqueline Hey	8	9	–	–	5	5	–	–	–	–	–	–
Belinda Hutchinson[8]	9	9	–	–	4	4[4]	4	4	1	1[4]	–	–
Michael L'Estrange[9]	9	9	–	–	–	–	4	4	2	2[4]	–	–
Paul Rayner	9	9	–	–	–	–	–	–	3	3	2	2
Todd Sampson	8	9	–	–	–	–	–	–	3	3	–	–
Antony Tyler[10]	7	7[4]	–	–	–	–	3	3[4]	–	–	–	–
Barbara Ward	9	9	2	2	5	5	4	4	–	–	2	2

1. Sub-Committee meetings convened for specific Board-related business.
2. All Directors are invited to, and regularly attend, committee meetings in an ex officio capacity. The above table reflects the attendance of a Director only where he or she is a member of the relevant committee.
3. Number of meetings held and requiring attendance.
4. Number of meetings held during the period that the Director held office.
5. Mr Goyder was appointed as Chairman, Chair of the Nominations Committee and retired as a Member of the Audit Committee on 26 October 2018.
6. The Chairman attends all Committee meetings.
7. Mr Clifford retired as Chairman on 26 October 2018.
8. Ms Hutchinson was appointed as a Member of the Safety, Health, Environment and Security Committee and as a Member of the Remuneration Committee on 28 June 2018. Ms Hutchinson retired as a Member of the Remuneration Committee and was appointed as a Member of the Audit Committee on 12 December 2018.
9. Mr L'Estrange was appointed as a Member of the Remuneration Committee on 20 February 2019.
10. Mr Tyler was appointed as a Director on 26 October 2018 and as a Member of the Safety, Health, Environment and Security Committee on 12 December 2018.

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2019 – FOR THE PERIOD 1 JULY 2016 TO 30 JUNE 2019

Richard Goyder	Qantas Airways Limited Woodside Petroleum Ltd	Current, appointed 17 November 2017 Current, appointed 1 August 2017
Alan Joyce	Qantas Airways Limited	Current, appointed 28 July 2008
Maxine Brenner	Qantas Airways Limited Origin Energy Limited Orica Limited Growthpoint Properties Australia Limited	Current, appointed 29 August 2013 Current, appointed 15 November 2013 Current, appointed 8 April 2013 Current, appointed 19 March 2012
Richard Goodmanson	Qantas Airways Limited	Current, appointed 19 June 2008
Jacqueline Hey	Qantas Airways Limited AGL Energy Limited Australian Foundation Investment Company Bendigo and Adelaide Bank Limited	Current, appointed 29 August 2013 Current, appointed 21 March 2016 Ceased, appointed 31 July 2013 and ceased 18 January 2019 Current, appointed 5 July 2011
Belinda Hutchinson	Qantas Airways Limited AGL Energy Limited	Current, appointed 12 April 2018 Ceased, appointed 22 December 2010 and ceased 12 December 2018
Michael L'Estrange	Qantas Airways Limited Rio Tinto Limited Rio Tinto plc	Current, appointed 7 April 2016 Current, appointed 1 September 2014 Current, appointed 1 September 2014

Directors' Report continued

For the year ended 30 June 2019

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2019 – FOR THE PERIOD 1 JULY 2016 TO 30 JUNE 2019 (CONTINUED)

Paul Rayner	Qantas Airways Limited Treasury Wine Estates Limited Boral Limited	Current, appointed 16 July 2008 Current, appointed 9 May 2011 Current, appointed 5 September 2008
Todd Sampson	Qantas Airways Limited Fairfax Media Limited	Current, appointed 25 February 2015 Ceased, appointed 29 May 2014 and ceased 7 December 2018
Antony Tyler	Qantas Airways Limited	Current, appointed 26 October 2018
Barbara Ward	Qantas Airways Limited Caltex Australia Limited Brookfield Capital Management Limited[1] Brookfield Funds Management Limited[2]	Current, appointed 19 June 2008 Current, appointed 1 April 2015 Current, appointed 1 January 2010 Current, appointed 22 October 2003

1. Responsible entity for the Brookfield Prime Property Fund and the Multiplex European Property Fund, both of which were listed Australian registered managed investment schemes until they delisted on 3 July 2017 and 17 September 2015 respectively.
2. Responsible entity for the Multiplex SITES Trust, which is a listed Australian registered managed investment scheme.

QUALIFICATIONS AND EXPERIENCE OF EACH PERSON WHO IS A COMPANY SECRETARY OF QANTAS AS AT 30 JUNE 2019

Andrew Finch – Company Secretary	– BCom, LLB (UNSW), LLM (Hons I) (USyd), MBA (Exec) (AGSM) – Appointed as Company Secretary on 31 March 2014 – Joined Qantas on 1 November 2012 – 2002 to 2012 – Mergers and Acquisitions Partner at Allens, Sydney (previously Allens Arthur Robinson and Allen & Hemsley) – 1999 to 2001 – Managing Associate at Linklaters, London – 1993 to 1999 – Various roles at Allens, Sydney including Senior Associate (1997 to 1999) and Solicitor (1993 to 1997) – Admitted as a solicitor of the Supreme Court of NSW in 1993
Debra Smith – Company Secretary	– BA, LLB (ANU) – Appointed as a Company Secretary on 6 April 2017 – Joined Qantas on 2 January 2001 – 1999 to 2000 – Solicitor at Minter Ellison – 1994 to 1999 – Commonwealth Public Servant (various senior roles) – Admitted as a solicitor of the High Court of Australia and the ACT Supreme Court in 1999 and the Supreme Court of NSW in 2001
Michaela May – Company Secretary	– Diploma in Law, Legal Profession Admission Board (2017 – in progress) – Appointed as a Company Secretary on 9 May 2019 – Joined Qantas on 1 February 1999 – 2013 to 2019 – Manager, Safety Information and Initiatives, Office of the CEO – 2012 to 2013 – Project Manager, Workplace Transformation – 2009 to 2012 – Learning Services, Qantas Group – 1999 to 2009 – Various roles within Qantas Holidays including Reservations, Business Analysis and Project Management

Directors' Report continued

For the year ended 30 June 2019

DIRECTORS' INTERESTS AND BENEFITS

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

Directors	Number of Shares 2019	Number of Shares 2018[1]
Richard Goyder	130,000	100,000
Alan Joyce	2,728,924	2,728,924
Maxine Brenner	30,065	30,065
Richard Goodmanson	18,780	18,780
Jacqueline Hey	38,170	38,170
Belinda Hutchinson	16,200	16,200
Michael L'Estrange	15,012	12,012
Paul Rayner	287,909	287,909
Todd Sampson	7,095	7,095
Antony Tyler	–	–
Barbara Ward	44,694	44,694

1. As at 31 August 2018.

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

Deferred shares held in trust under:	Number of Shares 2019	Number of Shares 2018
2016/17 Short Term Incentive Plan	–	347,012
2017/18 Short Term Incentive Plan	154,118	154,118[1]
2018/19 Short Term Incentive Plan	97,768[1]	–

1. The deferred shares under the 2018/19 Short Term Incentive Plan were awarded to Mr Joyce following the release of the 2018/2019 full-year financial results.

Rights granted under:	Number of Rights 2019	Number of Rights 2018
2017–2019 Long Term Incentive Plan	–[1]	1,172,000
2018–2020 Long Term Incentive Plan	687,000[2]	687,000
2019–2021 Long Term Incentive Plan	651,000[3]	–
Total Rights	**1,338,000**	**1,859,000**

1. Following the testing of performance hurdles as at 30 June 2019 and the Board's approval of the 2017–2019 Long Term Incentive Plan (LTIP) vesting outcome on 21 August 2019, 100 per cent of the 2017–2019 LTIP Rights awarded to Mr Joyce on 21 October 2016 vested and converted to 1,172,000 shares after the release of the 2018/2019 full-year financial results.
2. Shareholders approved the award of these Rights on 27 October 2017. Performance hurdles will be tested as at 30 June 2020 to determine whether any Rights vest to Mr Joyce.
3. Shareholders approved the award of these Rights on 26 October 2018. Performance hurdles will be tested as at 30 June 2021 to determine whether any Rights vest to Mr Joyce.

RIGHTS

Performance Rights are awarded to select Qantas Group Executives under the Qantas Deferred Share Plan (DSP) and the Qantas Employee Share Plan (ESP). Refer to pages 40 to 45 for further details.

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

Performance Rights Reconciliation	Number of Rights 2019	Number of Rights 2018
Rights outstanding as at 1 July	15,121,500	64,752,500
Rights granted	3,602,500	3,976,000
Rights forfeited	(1,278,263)	(3,954,047)
Rights exercised	(4,746,237)	(49,652,953)
Rights outstanding as at 30 June	**12,699,500[1]**	**15,121,500[1]**

1. The movement of Rights outstanding as at 30 June 2019 to the date of this Report is explained in the footnotes on page 27.

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

Directors' Report continued

For the year ended 30 June 2019

The following Rights were outstanding at 30 June 2019:

				Number of Rights					
Name	Testing Period	Grant Date	Value at Grant Date	2019 Net Vested	2019 Unvested	2019 Total	2018 Net Vested	2018 Unvested	2018 Total
2016–2018 Long Term Incentive Plan	30 Jun 18[1]	1 Sep 15	$2.09	–	–	**–**	–	3,890,000	**3,890,000**
2016–2018 Long Term Incentive Plan	30 Jun 18[1]	23 Oct 15	$2.46	–	–	**–**	–	974,500	**974,500**
2017–2019 Long Term Incentive Plan	30 Jun 19[2]	5 Sep 16	$1.96	–	4,858,000	**4,858,000**	–	5,418,000	**5,418,000**
2017–2019 Long Term Incentive Plan	30 Jun 19[2]	21 Oct 16	$1.95	–	1,172,000	**1,172,000**	–	1,172,000	**1,172,000**
2018–2020 Long Term Incentive Plan	30 Jun 20	5 Sep 17	$2.98	–	2,569,500	**2,569,500**	–	2,938,500	**2,938,500**
2018–2020 Long Term Incentive Plan	30 Jun 20	27 Oct 17	$3.30	–	728,500	**728,500**	–	728,500	**728,500**
2019–2021 Long Term Incentive Plan	30 Jun 21	5 Sept 18	$3.35	–	2,678,500	**2,678,500**	–	–	**–**
2019–2021 Long Term Incentive Plan	30 Jun 21	26 Oct 18	$2.33	–	693,000	**693,000**	–	–	**–**
Total				**–**	**12,699,500**	**12,699,500**	**–**	**15,121,500**	**15,121,500**

1. Following the testing of performance hurdles as at 30 June 2018 and the Board's approval of the 2016–2018 vesting outcome on 22 August 2018, 100 per cent of Rights vested and converted to shares after the release of the 2017/2018 full-year financial results.
2. Following the testing of performance hurdles as at 30 June 2019 and the Board's approval of the 2017–2019 vesting outcome on 21 August 2019, 100 per cent of Rights vested and converted to shares after the release of the 2018/2019 full-year financial results.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED)

REMUNERATION REPORT

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

COVER LETTER TO THE REMUNERATION REPORT

Dear Shareholder

The Remuneration Report sets out remuneration information for the Chief Executive Officer (CEO), direct reports to the CEO (Executive Management) and Non-Executive Directors. It describes the Qantas Executive Remuneration Framework (Remuneration Framework) and pay outcomes for 2018/19 in a simple and transparent way.

Remuneration Outcomes in 2018/19

The Qantas Group continues to outperform its domestic and international competitors as the strength of the integrated portfolio of businesses underpins the strong result. Underlying PBT for the 2018/19 year was $1,302 million, lower than the record performance set in the prior year, as higher fuel costs, the low Australian dollar and the non-cash impact of the discount rate on provisions had a negative impact on the result. The benefits of transformation and revenue strength, despite the weakening domestic demand environment, partially offset these headwinds. ROIC[1] remained strong at 18.4%, well above the Group's WACC.[2]

Qantas also achieved continued share price growth over the Long Term Incentive Plan's (LTIP) 3-year performance period. Qantas' share price grew from $2.82 at 30 June 2016 to $5.40 at 30 June 2019. Together with dividends paid, this represents a Total Shareholder Return (TSR) of +121[3] per cent over the three years.

These results are reflected in remuneration outcomes for 2018/19, as follows:

- Annual incentives were paid, at a below target level and lower level than were paid in 2017/18
- Long term incentives vested in full, with the value of LTIP awards driven by share price growth achieved over the past three years.

Board Discretion on Non-Financial Matters

In reviewing performance for the year, the Board identified three non-financial matters that fell short of the Qantas Group's high standards:

- While operational safety performance was strong, the Group failed to meet workplace safety improvement targets for 2018/19. A plan is in place to strengthen performance in 2019/20.
- An employment misclassification issue, disclosed in February 2019, which resulted in some Qantas employees receiving the wrong mix of benefits and, in some cases, being underpaid. Rectification work is well-progressed and ongoing.
- Statements within Jetstar's terms and conditions regarding customer refunds that were found to be misleading. A $1.95m penalty was levied by the ACCC in May 2019.

In light of the above, the Board exercised its discretion to reduce the 2018/19 annual incentives for the CEO and Executive Management.

CEO's Remuneration in 2018/19

The CEO's pay for 2018/19 was as follows:

- Total pay outcome is 8 per cent lower than in 2017/18
- Statutory remuneration is 15 per cent lower than in 2017/18

A detailed explanation of the CEO's pay for 2018/19 is provided in the Remuneration Report. The Board is satisfied that remuneration outcomes for 2018/19 are appropriately aligned to performance.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

COVER LETTER TO THE REMUNERATION REPORT (CONTINUED)

2018/19 Remuneration Framework Review

Each year, the Board reviews the Remuneration Framework, ensuring that it supports our business objectives, operates sustainably and is market competitive. The Board welcomes feedback on the Remuneration Report and we consider that feedback as part of our review.

The outcomes of the 2018/19 review are detailed in the Remuneration Report. In summary, they involve:

- Introducing a minimum shareholding guideline for Non-Executive Directors, the CEO and Executive Management
- Applying an additional 1-year holding lock period on any shares awarded under the annual incentive and long term incentive plans
- Strengthening the clawback provisions that apply to unvested and vested equity (including providing the ability to clawback vested equity that is subject to the new 1-year holding lock period).

The Board also reviewed and updated the Remuneration Committee Charter to reflect the 4^{th} edition of the ASX Corporate Governance Principles and to expand the Remuneration Committee's oversight of group-wide remuneration policy and frameworks.

We believe that these changes enhance our Remuneration Framework.

I invite you to review the 2019 Remuneration Report.

Paul Rayner
Chairman, Remuneration Committee

1. Calculated as ROIC EBIT for the 12 months ended 30 June 2019, divided by the 12 month Average Invested Capital.
2. Weighted Average Cost of Capital (WACC) calculated on a pre-tax basis.
3. TSR performance, applying the LTIP performance test methodology (which applies the average closing share price over the six months preceding the test date of 30 June 2019)

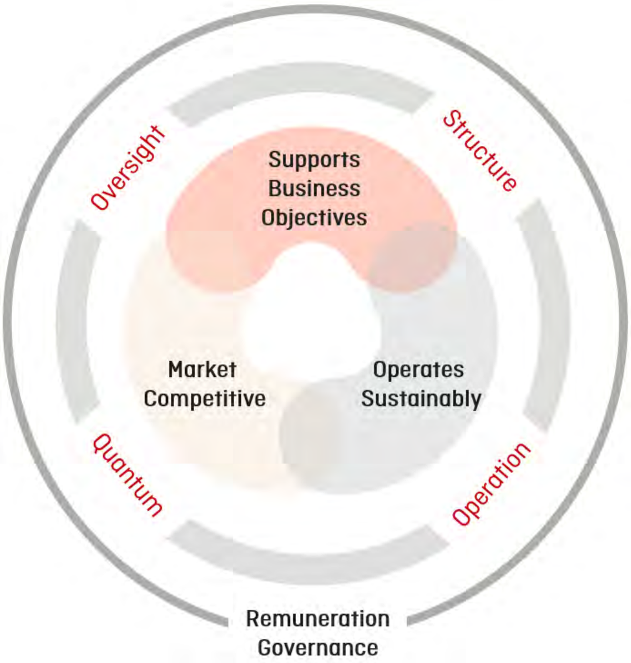
Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

1 REMUNERATION REPORT SUMMARY

The objectives of and approach to Qantas' Executive Remuneration Framework is summarised as follows:



Remuneration Objectives

- **Supports Business Objectives:** Encourages the pursuit of growth and the success of Qantas. Aligned with Qantas' purpose, values, strategy and risk appetite. Aligned with shareholder requirements.
- **Operates Sustainably:** Encourages sound management of financial and non-financial risk. Encourages good conduct and discourages misconduct. Considers cost and reputational factors and complies with relevant laws and regulations.
- **Market Competitive:** Attracts, motivates and appropriately rewards a capable management team.

Remuneration Effectiveness

- **Oversight:** Remuneration governance roles clearly defined for the Board, Remuneration Committee, Safety, Health, Environment and Security Committee, Audit Committee and the Board's independent remuneration consultant (EY).
- **Structure:** Design elements that reward for performance, but also protect against unintended or unjustified pay outcomes.
- **Operation:** Demonstrated history of aligning remuneration outcomes with performance, appropriate application of Board discretion and adjusting remuneration outcomes based on individual performance and conduct.
- **Quantum:** Remuneration decisions made with reference to comparable roles in other listed Australian companies.

A more detailed description is provided on pages 36-37.

The structure of the Executive Remuneration Framework is as follows:

		Year 1	Year 2	Year 3	Year 4 (Applies from 1 July 2019)
Base Pay	Fixed salary inclusive of superannuation	Cash			
Annual Incentive Also referred to as the Short Term Incentive Plan (or STIP)	– An annual incentive opportunity – Balanced scorecard (financial + non-financial measures) – Individual performance (achievements and conduct) – Delivered 2/3rds cash and 1/3rd shares	Cash			
		Shares	Deferral Period		Additional Lock
		Performance	Restriction		
Long Term Incentive Also referred to as the Long Term Incentive Plan (or LTIP)	– Awards of Rights – Qantas' 3-year TSR performance relative to: – A global airline peer group – ASX100 companies – Rights may convert to shares	50% Rights may vest, subject to Qantas TSR performance relative to ASX100			Additional Lock
		50% Rights may vest, subject to Qantas TSR performance relative to airline peers			Additional Lock
		Performance			Restriction

Clawback applies

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

ANNUAL INCENTIVE PLAN

Annual Incentive – Structure

Also referred to as the Short Term Incentive Plan (or STIP).

The STIP is an annual incentive opportunity where an Executive may receive an award that is a combination of a cash bonus and an award of restricted shares if the plan's performance conditions are achieved.

Purpose	Reward for individual and Qantas Group performance, aligned with annual performance objectives.
Target and Maximum Opportunity	**% of Base Pay** / **CEO** / **Executive KMP** Target: 100% / 80% Maximum: 200% / 160%
Business Performance	STIP Scorecard: – A single Qantas Group Scorecard that applies to the CEO and Executive Management – A balanced set of financial and non-financial measures.
Individual Performance	Individual Performance Factor (IPF): – Delivery against individual objectives – Behaviour and how it aligns to the Qantas Group beliefs.
STIP Formula	Base Pay x Target Opportunity x STIP Scorecard Outcome x IPF
Delivery	Cash: 2/3rds Shares (with 2-year deferral period): 1/3rd
Disclosure	In addition to required statutory disclosures, Qantas chooses to disclose the full value of each year's STIP award, disclosing both: – The value of cash awards made – The full value of restricted shares that were awarded (notwithstanding that these shares are still subject to a 2-year deferral period).
Board Discretion	The Board retains discretion over any awards made under the STIP. Previously, the Board has applied its discretion in circumstances where scorecard measures have been achieved or exceeded, but in the view of the Board it was more appropriate to make a nil or reduced award under the STIP or to deliver a higher proportion of an award in Qantas shares.
Changes to Framework Applicable for 2019/20	STIP to become a 4-year plan, as follows: – A 1-year performance period – A 2-year deferral of STIP shares – An additional 1-year holding lock on STIP shares, during which the STIP shares cannot be traded and are subject to clawback Enhanced clawback of unvested and vested equity.

Annual Incentive Outcomes for 2018/19

2018/19 STIP Scorecard Outcome

2018/19 STIP Scorecard Outcome:

Measure	Weighting (target)	Outcome
Underlying PBT	50%	
Workplace Safety[1]/ Operational Safety	15%	
Customer	15%	
Domestic Market Position	10%	
Transformation and Growth	10%	
STIP Scorecard Outcome	100%	**81%**

Above target achievement · Partial achievement against targets · Full achievement against targets · Nil achievement against targets

A summary of the CEO's and Executive Management's contribution to these performance measures is provided on page 47.

1. A description of both the Workplace Safety and Operational Safety measures is provided on page 48.

The Qantas Group overall did not achieve its Workplace Safety stretch targets for the year. Within the Group, a number of reporting entities achieved their targets and/or delivered strong year-on-year improvements. For example: Regional Airlines; the Australian Airports and Freight departments of Qantas Airlines; and Jetstar Airways regarding lost-work-day case rates. Overall, there was a nil contribution to the STIP scorecard under the Workplace Safety measure.

Operational Safety performance continued to remain strong. The Group maintains a positive reporting culture. Technical Dispatch Reliability across the Group remained strong in 2018/19 and there were no on-going or unresolved adverse flight data trends across any Group airline for key operational performance indicators. Therefore, there was an above target contribution under the Operational Safety measure.

Underlying PBT Target and Outcome for 2018/19

Given the cyclicality of the aviation industry, it is not appropriate to set profit targets based on year-on-year linear growth.

Instead, at the start of each year, the Board sets a financial budget and profit target, taking into account the operating environment at that time as well as considering investor requirements for a certain level of sustainable returns.

For 2018/19, the target was set in an environment with significantly higher fuel costs and the foreign exchange rate having a significant impact on non-fuel costs.

The Underlying PBT result, while lower than 2017/18, is seen as an excellent result in the context of the operating environment, and Qantas continues to outperform our domestic and international competitors.

The Underlying PBT result was above the threshold, but below the stretch target set by the Board at the start of the year. Therefore, there was a partial contribution to the STIP Scorecard under this measure.

Further detail on the STIP is provided on pages 40 to 42.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

LONG TERM INCENTIVE PLAN

Long Term Incentive - Structure

Also referred to as the Long Term Incentive Plan (or LTIP).

The LTIP involves an upfront award of a fixed number of Rights. If performance and service conditions are achieved over a 3-year period, Rights vest and convert to Qantas shares.

Purpose

Reward for longer-term Qantas Group performance.

Target Opportunity and Allocation methodology (since 1 July 2017)

Since 1 July 2017, the number of Rights awarded under the LTIP has been calculated applying a face value methodology. The number of Rights awarded is the maximum number of Rights that may vest and convert to Qantas shares.

The target opportunity for the CEO and Executive KMP is as follows:

Target Opportunity	CEO	Executive KMP
% of Base Pay on a face value basis	185%	95%

The number of Rights awarded is determined by applying the following formula:

Base Pay x Target Opportunity ÷ Face Value of Right

Allocation Methodology (prior to 1 July 2017)

Prior to 1 July 2017, the number of Rights awarded under the LTIP (including Rights awarded under the 2017-2019 LTIP) were calculated applying a fair value methodology as follows:

Base Pay x Target Opportunity ÷ Fair Value of Right

Business Performance

Qantas' 3-year Total Shareholder Return (TSR) performance relative to:

- A global airline peer group
- ASX100 companies.

Delivery

If performance and service conditions are achieved, Rights vest and convert to Qantas shares.

Disclosure

In addition to the required statutory disclosures, Qantas chooses to disclose the full value of LTIP awards that vest during the year, disclosing both:

- The value of the LTIP awards driven by vesting (that is, based on the share price at the start of the performance period)
- The value of the LTIP awards that is driven by the share price growth experienced over the 3-year performance period.

Changes to framework applicable for 2019/20

LTIP to become a 4-year plan, as follows:

- A 3-year performance period
- A 1-year holding lock on vested shares, during which the shares cannot be traded and are subject to clawback.

Enhanced clawback for unvested and vested equity

Long Term Incentive Outcomes for 2018/19

2017-2019 LTIP Outcome

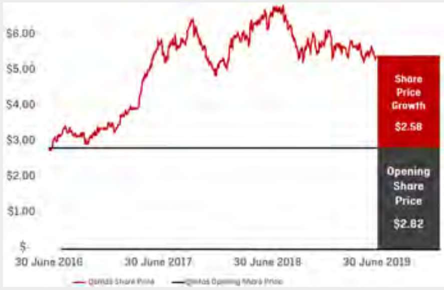
100% of Rights vested due to continued strong TSR performance[1] of +121% over the past three years.

Qantas 3-year TSR was ranked:

- 1st in the airline peer group
- 7th in the ASX 100.

Share Price Growth

Share price growth drove significant value in LTIP:



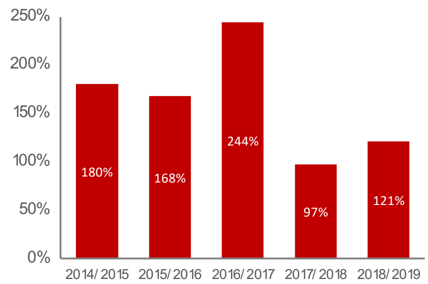
3-year TSR Performance

The CEO and Executive Management continue to deliver on commitments made to shareholders.

This has resulted in continued longer-term share price growth. Qantas has achieved top quartile relative TSR performance against the airline peer group over four rolling 3-year periods and against the ASX100 group over five rolling 3-year periods.

The relative TSR performance hurdles continue to be achieved off higher starting share prices.

QANTAS' ROLLING 3-YEAR TSR PERFORMANCE[1]



QANTAS' ROLLING 3-YEAR RELATIVE TSR PERFORMANCE[1] HISTORY

LTIP Period	Airline Peer Group	ASX100 Peer Group
2017-2019	Top quartile	Top quartile
2016-2018	Top quartile	Top quartile
2015-2017	Top quartile	Top quartile
2014-2016	Top quartile	Top quartile
2013-2015	Above median	Top quartile

1. TSR performance, applying the LTIP performance test methodology (which applies the average closing share price over the six months preceding the test date of 30 June 2019).

Further detail on the LTIP is provided on pages 42 to 44.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OUTCOMES FOR THE CEO IN 2018/19

CEO Remuneration Outcomes – Key Points

Annual incentive award 41 per cent lower than 2017/18 due to a lower 2018/19 STIP Scorecard Outcome:

- Profit result lower than 2017/18, but it was a strong result in a challenging operating environment
- Continued good performance against the other scorecard measures

One-third deferred into shares with 2-year deferral period.

Long Term Incentive Plan vesting in full based on excellent TSR Performance:

- TSR performance 1st in airline peer group, 7th in ASX100
- Qantas has achieved top quartile relative TSR performance over:
  - Four rolling 3-year periods against the airline peer group
  - Five rolling 3-year periods against the ASX100 companies
- TSR performance hurdles continue to be achieved off higher starting share prices
- Share price growth contributed $3.02 million of additional value in CEO's LTIP award.

Total Remuneration outcome was down 8 per cent.

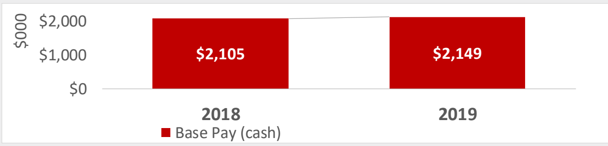
Base Pay

The CEO's Base Pay was increased from $2,125,000 to $2,170,000 (a 2 per cent increase), effective 1 July 2018.

This general market increase was the CEO's first increase since 1 July 2011. The CEO forwent 5 per cent of his Base Pay from 1 January 2014 until 30 June 2015.

Base Pay (cash) is $2,149,469 (Base Pay of $2,170,000 less superannuation contributions of $20,531).

CEO REMUNERATION OUTCOMES
BASE PAY (CASH)



Annual Incentive – 2018/19 STIP

The CEO's 2018/19 STIP award was 41 per cent lower than his 2017/18 STIP award, due to the lower STIP Scorecard Outcome in 2018/19.

The STIP Scorecard Outcome is detailed on page 46. A summary of how Executive Management contributed to this outcome is provided on page 47.

The Individual Performance Factor (IPF) for the CEO was determined by the Board based on its assessment of the CEO's conduct as well as his achievement against KPIs in the areas of strategy, customer, governance, government relations, people, leadership and investor relations.

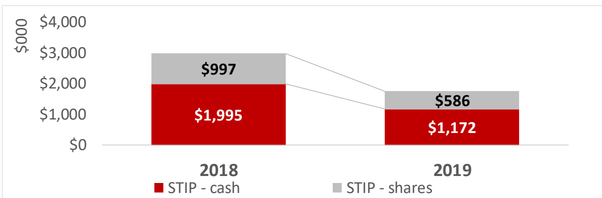
The 2018/19 STIP award was delivered in the following combination of cash and shares:

- Cash: $1,171,800 (2/3rds of the total award)
- Shares, with 2-year deferral: $585,900, (1/3rd of the total award.

Based on the Board's assessment of performance against the STIP Scorecard measures and the CEO's individual performance, the CEO's STIP award was calculated as follows:

Total	=	Base Pay	x	'Target' Opportunity	x	STIP Scorecard Outcome	x	Individual Performance Factor
$1,757,700	=	$2,170,000	x	100%	x	81%	x	1.0

CEO REMUNERATION OUTCOMES
ANNUAL INCENTIVE



Long Term Incentive – 2017-2019 LTIP

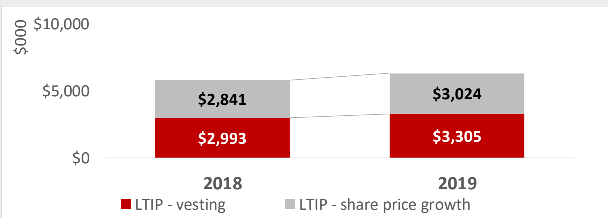
The CEO was awarded 1,172,000 Rights under the 2017-2019 LTIP, approved by shareholders at the 2016 Annual General Meeting (compared to 947,000 Rights awarded under the 2016-2018 LTIP, approved by shareholders at the 2015 Annual General Meeting).

Based on Qantas' top quartile TSR performance over the 3-year performance period of the 2017-2019 LTIP, 100 per cent of Rights vested and the CEO was awarded 1,172,000 shares.

The value of these shares at the start of the performance period was $3,305,000. The value of these shares increased by $3,024,000 over the 3-year performance period.

To provide complete transparency on the full value of the 2017–2019 LTIP awards that vested during the year, Qantas discloses both the value of the awards driven by vesting and the value driven by the share price growth experienced over the 3-year performance period.

CEO REMUNERATION OUTCOMES
LONG TERM INCENTIVE



Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration Outcomes for the CEO for 2018/19

The remuneration outcomes for the CEO in 2018/19 are detailed in the following table. These outcomes are aligned with the CEO's and Qantas' performance during 2018/19, as well as being aligned with Qantas' longer-term performance.

CEO Remuneration Outcomes[1]	2019 $'000	2018 $'000	2019 vs 2018 % change
Base Pay (cash)[2]	2,149	2,105	2%
STIP – cash bonus	1,172	1,995	(41%)
STIP – share-based	586	997	(41%)
LTIP – vesting[3]	3,305	2,993	10%
Other[4]	(239)	(62)	n/a
Total	**6,973**	**8,028**	**(13%)**
LTIP – share price growth[5]	3,024	2,841	6%
Total – including share price growth	**9,997**	**10,869**	**(8%)**

1. Detail of non-statutory remuneration methodology is explained on page 38.
2. Base Pay (cash) for Mr Joyce is Base Pay of $2,170,000 (2018: $2,125,000) less superannuation contributions of $20,531 (2018: $20,049), which are reported in Other.
3. LTIP vesting at 100% valued at the start of the performance period (30 June 2016 when the share price was $2.82).
4. Other is negative due to movement in annual leave and long service leave balances.
5. Increase in the value of the shares over the performance period (from $2.82 on 30 June 2016 to $5.40 at 30 June 2019).

Statutory Remuneration Disclosures

The statutory remuneration disclosures for the CEO are prepared in accordance with Australian Accounting Standards.

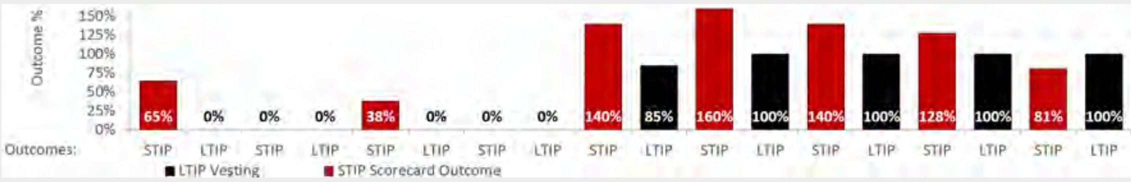
The statutory disclosures differ from the remuneration outcomes for the CEO due to the accounting treatment of share-based payments for the STIP and LTIP. A reconciliation of remuneration outcomes to statutory remuneration disclosures is provided on page 40.

CEO Statutory Remuneration	2019 $'000	2018 $'000
Base Pay (cash)	2,149	2,105
STIP – cash bonus	1,172	1,995
STIP – share-based	1,206	1,501
LTIP	2,277	2,160
Other	(239)	(62)
Total	**6,565**	**7,699**

CEO Remuneration Outcomes History (2010/11 to 2018/19)

Qantas' incentive awards are designed to align Executive remuneration outcomes with business performance. This alignment is demonstrated each year in the variability in the history of the incentive plan outcomes for the CEO, which reflect business performance.

	2011	2012	2013	2014	2015	2016	2017	2018[2]	2019
Underlying PBT ($m)	$552	$95	$186	($646)	$975	$1,532	$1,401	$1,565	$1,302
ROIC %[1]				(1.5%)	16.2%	22.7%	20.1%	21.4%	18.4%



1. ROIC % information is only available from 2013/14.
2. The Group adopted AASB 15 Revenue from Contracts with Customers effective 1 July 2018 using the full retrospective method of adoption. 2018 has been restated. Refer to Note 29 of the Financial Report.

CHANGES TO THE REMUNERATION FRAMEWORK FROM 2019/20

As an outcome of a review of the Executive Remuneration Framework, the Board has made a number of changes to the structure of the framework that were effective from 1 July 2019.

These changes, individually and collectively, provide an avenue for Directors and Executives to be financially exposed should financial or non-financial risks materialise, as well as an enhanced ability to clawback remuneration (both the ability to clawback and quantum of equity available for clawback).

Minimum Shareholding Guidelines

While formal shareholding guidelines have not previously applied, Directors and Executive Management have held material holdings in Qantas shares, including the CEO whose holding at 30 June 2019 was valued at 8 times Base Pay.

Notwithstanding this, the following shareholding guidelines were introduced:

Individual	Guideline[1]
Non-Executive Directors	1 times base fee
CEO	1.5 times Base Pay
Executive Management	0.75 times Base Pay

Note 1: Value of shareholding to be acquired over a maximum 5-year timeframe.

Additional Holding Lock Period on STIP and LTIP

An additional 1-year holding lock period is to apply to vested STIP shares and Rights that vest and convert to shares under the LTIP (commencing with the 2019/20 STIP and 2020-2022 LTIP).

The additional holding lock applies to these shares both during employment and post-cessation of employment. These shares are not forfeited on cessation of employment but are subject to clawback.

Approach to Clawback

The clawback policy has been expanded to give the Board broader circumstances in which clawback may be applied. This applies in cases of financial misstatement, fraud, dishonesty and misconduct, with application on both the individual who committed the misconduct and those accountable for those individuals. The additional 1-year holding lock also provides an enhanced mechanism to enable clawback of vested equity. When combined with the performance periods and the existing deferral period, this provides a 4-year period under both the STIP and LTIP where clawback could be strictly enforced. Further detail on the changes to the Executive Remuneration Framework is provided on pages 41 to 44.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION REPORT FOR 2018/19

The Remuneration Report sets out remuneration information for the CEO, Executive Management and Non-Executive Directors. Section 300A of the *Corporations Act 2001* requires disclosure of remuneration information for Key Management Personnel (KMP), with KMP defined in Australian Accounting Standard AASB 124 *Related Party Disclosures* as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

Executive KMP (and their statutory remuneration disclosures) are listed on page 39. Non-Executive KMP (and their statutory remuneration disclosures) are listed on page 53.

2 REMUNERATION GOVERNANCE

The objectives of Qantas' Executive Remuneration Framework are to:

- **Support Business Objectives** by:
  - Encouraging the pursuit of growth and the success of Qantas
  - Aligning with Qantas' purpose, values, strategy and risk appetite
  - Aligning with shareholder requirements.
- **Operate Sustainably** by:
  - Encouraging the sound management of financial and non-financial risks
  - Encouraging good conduct and discouraging misconduct
  - Considering cost and reputational factors and complying with relevant laws and regulations.
- **Be Market Competitive** to attract, motivate and appropriately reward a capable management team.

These objectives are achieved by the Board applying the following robust approach to remuneration governance and effectiveness, described below across the areas of oversight, structure, operation and quantum:

Oversight	The remuneration governance role of the Board, the Remuneration Committee, the Safety, Health, Environment and Security Committee, the Audit Committee and the Board's independent remuneration consultant (EY) are clearly defined. The Remuneration Committee (a committee of the Board, whose members are detailed on pages 8 to 11 has the role of reviewing and making recommendations to the Board on specific Executive remuneration matters at Qantas. This includes ensuring remuneration decisions are appropriate from the perspectives of business performance, individual performance and conduct, risk, governance, reward quantum and market conditions. The Safety, Health, Environment and Security Committee and the Audit Committee have appropriate input into remuneration decision making. The Chairs of both committees regularly attend Remuneration Committee meetings and provide input into remuneration decision making. A member of the Remuneration Committee is also a member of the Safety, Health, Environment and Security Committee and the Audit Committee. During 2018/19, the Remuneration Committee re-appointed EY as its remuneration consultant. The Remuneration Committee has established protocols in relation to the appointment and use of remuneration consultants to support compliance with the Corporations Act 2001, which are incorporated into the terms of engagement with EY. The Remuneration Committee did not seek a formal remuneration recommendation (as defined in the *Corporations Act 2001*) during 2018/19.
Structure	The Framework has design elements that protect against the risk of unintended and unjustified pay outcomes. These include: – Diversity in incentive plan performance measures, which as a suite of measures cannot be directly and imprudently influenced by any individual employee – Individual performance being defined and assessed in terms of both achievements and conduct – The Board retaining discretion over remuneration outcomes – Clear maximum values specified for scorecard outcomes under the STIP and a challenging vesting scale under the LTIP – Diversity of the timeframes within which performance is measured, with performance under the STIP being measured over one year and performance under the LTIP being measured over three years – Deferral of a portion of awards under the STIP for two years, providing alignment with shareholder interests

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

	– Clawback being available in the event of serious misconduct or a material misstatement in Qantas' Financial Statements. The Board may: – Determine that an Executive forgoes some or all awards otherwise due under the STIP – Deem some or all STIP shares which are subject to a deferral period be forfeited – Cause some or all LTIP Rights which have not yet vested to lapse, and/or – In the case of serious misconduct, cancel any post-employment benefits for the relevant employee(s) where possible. The Board continues to review the structure of the Framework and has implemented a number of changes effective 1 July 2019 that further protect against the risk of unintended and unjustified pay outcomes. These changes are summarised on page 35.
Operation	The Qantas Board has a demonstrated history of aligning remuneration outcomes with performance. The Board has applied its discretion in the past to ensure remuneration outcomes are appropriate and has adjusted remuneration outcomes based on individual performance and conduct. Examples of where the Board has applied its discretion are provided on page 41.
Quantum	Base Pay and incentive plan opportunities are set with reference to external market data, including comparable roles in other listed Australian companies. Remuneration is benchmarked against ASX50 companies and a revenue-based peer group of other listed Australian companies. The Board believes these are the appropriate benchmarks, as these are the comparator groups whose roles best mirror the size, complexity and challenges in managing Qantas' businesses and are also the peer groups with whom Qantas competes for executive talent.

EMPLOYEE SHARE TRADING POLICY

The Qantas Code of Conduct and Ethics contains Qantas' Employee Share Trading Policy (Policy). The Policy prohibits employees from dealing in Qantas securities (or securities of other listed or unlisted entities) while in possession of material non-public information relevant to the entity.

In addition, nominated employees (including the CEO and Executive Management) and Non-Executive Directors are:

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

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

3 REMUNERATION OUTCOMES FOR 2018/19

The following table summarises the remuneration decisions and outcomes for the CEO and Executive KMP for the year ended 30 June 2019. The remuneration outcomes detailed in this table are better aligned to the current year performance and are therefore particularly useful in understanding current year pay and its alignment with performance.

Remuneration Outcomes Table – CEO and Executive KMP[1]

$'000s		Base Pay (Cash)[2]	STIP Cash Bonus[3]	STIP Deferred Award[3]	LTIP Vesting[4,5]	Other Benefits[6]	Payment in Lieu of Notice	Total	LTIP Share Price Growth[7]	Total Including Share Price Growth
Current Executives										
Alan Joyce	**2019**	**2,149**	**1,172**	**586**	**3,305**	**(239)**	**-**	**6,973**	**3,024**	**9,997**
Chief Executive Officer	2018	2,105	1,995	997	2,993	(62)	-	8,028	2,841	10,869
Tino La Spina	**2019**	**999**	**419**	**209**	**826**	**21**	**-**	**2,474**	**756**	**3,230**
Chief Financial Officer	2018	930	681	340	749	76	-	2,776	711	3,487
Andrew David	**2019**	**999**	**397**	**198**	**826**	**96**	**-**	**2,516**	**756**	**3,272**
CEO Qantas Domestic	2018	930	648	324	749	112	-	2,763	711	3,474
Gareth Evans	**2019**	**1,060**	**467**	**233**	**1,001**	**61**	**-**	**2,822**	**916**	**3,738**
CEO Jetstar Group	2018	1,040	760	380	880	83	-	3,143	836	3,979
Olivia Wirth[8]	**2019**	**846**	**375**	**187**	**365**	**110**	**-**	**1,883**	**334**	**2,217**
CEO Qantas Loyalty from 12 February 2018	2018	797	557	279	330	236	-	2,199	314	2,513
Total	**2019**	**6,053**	**2,830**	**1,413**	**6,323**	**49**	**-**	**16,668**	**5,786**	**22,454**
	2018	5,802	4,641	2,320	5,701	445	-	18,909	5,413	24,322
Former Executives										
Alison Webster[8]	**2019**	**609**	**-**	**-**	**-**	**86**	**353**	**1,048**	**-**	**1,048**
Former CEO Qantas International from 1 November 2017 to 11 April 2019	2018	644	376	188	155	33	-	1,396	147	1,543

1. Detail of non-statutory remuneration methodology is explained on pages 40 and 44.
2. Base Pay (Cash) is Base Pay less superannuation contributions. (Superannuation is reported in Other Benefits.)
3. The full value of STIP awards made to each Executive during each of the 2018/19 and 2017/18 financial years is calculated by adding the STIP Cash Bonus and the STIP Deferred Award.
4. LTIP awards vested in 2018/19 at 100%. LTIP awards vested in 2017/18 at 100%.
5. The number of Rights vested multiplied by the Qantas share price at 30 June 2016, as at the start of the performance period (2018: 30 June 2015).
6. Other Benefits are detailed on page 39.
7. The LTIP Share Price Growth amount is equal to the number of Rights vested multiplied by the increase in the Qantas share price over the 3-year performance period ended 30 June 2019 (2018: 1 July 2015 to 30 June 2018).
8. 2017/18 remuneration reflects the full-year remuneration for Ms Wirth and Ms Webster. This differs to the Statutory Remuneration disclosure, which includes only the remuneration for the period of time in a key management role for Ms Wirth (12 February 2018 to 30 June 2019) and Ms Webster (1 November 2017 to 11 April 2019).

Ms Webster resigned during 2018/19 and ceased as a KMP on 11 April 2019. Treatment on resignation of employment under the STIP and LTIP (consistent with the terms and conditions of those plans) was as follows:

- No award made under the 2018/19 STIP award
- 57,200 restricted shares (awarded under the 2016/17 Manager Incentive Plan and 2017/18 STIP) were forfeited
- 306,500 Rights (awarded under the 2017-2019 LTIP, 2018-2020 LTIP and 2019-2021 LTIP) lapsed.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

4 STATUTORY REMUNERATION DISCLOSURES FOR 2018/19

The statutory remuneration disclosures for the year ended 30 June 2019 are detailed below. These are prepared in accordance with Australian Accounting Standards and differ from the 2018/19 remuneration outcomes on page 38. These differences arise due to the accounting treatment of share-based payments for the STIP and LTIP.

Statutory Remuneration Table – CEO and Executive KMP

			Incentive Plan – Accounting Accrual				Other Benefits					
				Equity-Settled Share-Based Payments								
$'000s		Base Pay (Cash)[1,2]	STIP Cash Bonus[1]	STIP Deferred Shares	LTIP Rights	Sub-Total	Non-Cash Benefits[1,3]	Post-Employment Benefits[4]	Payment in Lieu of Notice	Other Long-Term Benefits[5]	Sub-Total	Total
Current Executives												
Alan Joyce	**2019**	**2,149**	**1,172**	**1,206**	**2,277**	**6,804**	**41**	**51**	**-**	**(331)**	**(239)**	**6,565**
Chief Executive Officer	2018	2,105	1,995	1,501	2,160	7,761	46	55	-	(163)	(62)	7,699
Tino La Spina	**2019**	**999**	**419**	**361**	**529**	**2,308**	**67**	**48**	**-**	**(95)**	**20**	**2,328**
Chief Financial Officer	2018	930	681	413	493	2,517	47	47	-	(18)	76	2,593
Andrew David	**2019**	**999**	**397**	**351**	**529**	**2,276**	**30**	**48**	**-**	**19**	**97**	**2,373**
CEO Qantas Domestic	2018	930	648	402	493	2,473	33	47	-	32	112	2,585
Gareth Evans	**2019**	**1,060**	**467**	**421**	**590**	**2,538**	**33**	**48**	**-**	**(20)**	**61**	**2,599**
CEO Jetstar Group	2018	1,040	760	496	568	2,864	47	47	-	(11)	83	2,947
Olivia Wirth[6]	**2019**	**846**	**375**	**312**	**302**	**1,835**	**87**	**48**	**-**	**(24)**	**111**	**1,946**
CEO Qantas Loyalty from 12 February 2018	2018	319	221	131	82	753	3	34	-	53	90	843
Total	**2019**	**6,053**	**2,830**	**2,651**	**4,227**	**15,761**	**258**	**243**	**-**	**(451)**	**50**	**15,811**
	2018	5,324	4,305	2,943	3,796	16,368	176	230	-	(107)	299	16,667
Former Executive												
Alison Webster	**2019**	**609**	**-**	**(153)**	**(190)**	**266**	**45**	**44**	**353**	**(3)**	**439**	**705**
Former CEO Qantas International from 1 November 2017 to 11 April 2019	2018	487	306	112	126	1,031	13	40	-	43	96	1,127

1. Short-term employee benefits include Base Pay (cash), STIP cash bonus and non-cash benefits.
2. Base Pay (Cash) is Base Pay less superannuation contributions. (Superannuation is reported in Post-Employment Benefits.)
3. Non-Cash Benefits includes the value of travel benefits whilst employed and other minor benefits.
4. Post-Employment Benefits includes superannuation and an accrual for post-employment travel of $30,000 for Mr Joyce and $27,000 for each other Executive (2018: $35,000 for Mr Joyce and $26,000 for each other Executive).
5. Other Long-Term Benefits includes movement in annual leave and long service leave balances. The accounting value of other long-term benefits may be negative, for example where an Executive's annual leave balance decreases as a result of taking more annual leave than they accrue during the current year.
6. 2018/19 remuneration reflects the period of time in a key management role for Ms Wirth (12 February 2018 to 30 June 2019) and Ms Webster (1 November 2017 to 11 April 2019).

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

A reconciliation of the CEO's remuneration outcome to the statutory disclosures is detailed below as an example.

CEO's Statutory Remuneration Disclosure to Remuneration Outcome for 2018/19

Reconciliation	($'000s)	Description
Statutory Remuneration Disclosure	**6,565**	
Accounting value of share-based payments – Less: Accounting value for STIP share awards – Less: Accounting value for LTIP share awards	 (1,206) (2,277)	The Statutory Remuneration Disclosure includes the accounting value of share-based payments. Accounting standards require share-based payments to be amortised over the relevant performance and service periods. The accounting value for LTIP awards do not have regard to whether performance conditions were achieved.
Current year STIP share awards and vesting of LTIP awards – Add: 2018/19 STIP share awards – Add: 2017–2019 LTIP vesting[1,2]	 586 3,305	The Remuneration Outcomes disclosure includes: – The full value of shares awarded under the 2018/19 STIP (even though these awards are still subject to a 2-year deferral period) – The value of the shares that vested under the 2017–2019 LTIP, based on the value of the shares at the start of the performance period.
Remuneration Outcome – Total	**6,973**	
LTIP awards – share price growth Add: 2017–2019 LTIP share price growth[1,3]	 3,024	The Remuneration Outcomes including share price growth includes the increase in the value of the shares that vested under the 2017–2019 LTIP over the 3-year performance period.
Remuneration Outcome – Total including share price growth	**9,997**	

1. The 2017–2019 LTIP was tested as at 30 June 2019. 100% of Rights vested.
2. The number of Rights vested multiplied by the Qantas share price at the start of the performance period ($2.82 on 30 June 2016).
3. The number of Rights vested multiplied by the increase in the Qantas share price over the 3-year performance period (an increase of $2.58 from $2.82 on 30 June 2016 to the $5.40 on 30 June 2019).

5 EXECUTIVE REMUNERATION STRUCTURE

The Qantas Executive Remuneration Framework as it applies to the CEO and Executive Management is summarised on pages 31 to 35. Additional detail on the structure and operation of each element of the framework is provided below.

Base Pay (also referred to as Fixed Annual Remuneration)	Base Pay is a guaranteed salary level, inclusive of superannuation. Each year, the Remuneration Committee reviews the Base Pay for the CEO and Executive Management. An individual's Base Pay, being a guaranteed salary level, is not related to Qantas' performance in a specific year. Base Pay (Cash), as disclosed in the remuneration tables, excludes superannuation (which is disclosed as Post-Employment Benefits) and includes salary sacrifice components such as motor vehicles. In performing a Base Pay review, the Board makes reference to external market data including comparable roles in other listed Australian companies. Remuneration is benchmarked against ASX50 companies and a revenue-based peer group of other listed Australian companies. The Board believes these are the appropriate benchmarks, as these are the comparator groups whose roles best mirror the size, complexity and challenges in managing Qantas' businesses and are also the peer groups with whom Qantas competes for executive talent. The CEO's Base Pay was increased from $2,125,000 to $2,170,000 (a 2 per cent increase), effective 1 July 2018. This general market increase was the CEO's first increase since 1 July 2011. The Base Pay for other Executive KMP increased by 2 per cent effective 1 July 2018, also reflecting general market increases. The Base Pay for each Executive KMP is outlined on page 49.
Annual Incentive (STIP)	The STIP is the annual incentive plan for members of Qantas Executive Management. Each year these Executives may receive an award that is a combination of cash and restricted shares to the extent that the plan's performance conditions are achieved.
Calculation of STIP Awards	STIP awards are calculated as follows: STIP Award = Base Pay X 'Target' Opportunity X STIP Scorecard Outcome X Individual Performance Factor
'Target' Opportunity	Each STIP participant has a 'Target' STIP Opportunity expressed as a percentage of Base Pay, as follows: – for the CEO, 100 per cent of Base Pay – for Executive Management, 80 per cent of Base Pay.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Conditions – STIP Scorecard	The Board set a scorecard of performance conditions for the 2018/19 STIP (the STIP Scorecard). The STIP Scorecard contains a mix of Group financial and non-financial measures. Underlying PBT is the key budgetary and financial performance measure for the Qantas Group and is therefore the key performance measure in the STIP Scorecard, with a weighting of 50 per cent. Other financial and non-financial measures comprise the remaining 50 per cent of the STIP Scorecard. The Board sets targets for each STIP Scorecard measure. At the end of the financial year, the Board assesses performance against each measure and determines the overall STIP Scorecard outcome. A detailed description of the STIP Scorecard measures and the 2018/19 STIP Scorecard outcome is provided on pages 46 and 48.
Performance Conditions – Individual Performance Factor (IPF)	An individual's performance is recognised via an IPF. The IPF is a measure of individual performance that assesses: – What an individual has achieved – How they went about it (their conduct and behaviours). An individual's behaviour is assessed against the Qantas Group Beliefs. The Qantas Group Beliefs are: – Everyone has the right to return home safely – Customers determine our success – Being a fit, agile and diverse organisation drives innovation and simplicity – Working together in an inclusive manner always delivers the optimal Group outcome – Each employee deserves respect, trust and good leadership. IPFs are generally in the range of 0.8 to 1.2. However, in the case of under-performance the IPF may be zero. In exceptional circumstances the IPF may be as high as 1.5.
Board Discretion	Board discretion is a key element of the design of the STIP. While the Board sees the STIP Scorecard approach as an important design element of the STIP, it also recognises that remuneration outcomes must be considered in the context of Qantas' overall business performance, the operating environment and non-financial considerations. Circumstances may occur where scorecard measures have been achieved or exceeded, but in the view of the Board it is more appropriate to make no award under the STIP or to deliver a higher proportion of an award in Qantas shares. Therefore, each year the Board considers whether to apply its discretion. The Board may determine that: – No award be made (as it did in 2011/12 and 2013/14) – Only a partial award be made (as it did in 2010/11 and 2012/13) – Any award will be entirely deferred and/or delivered in Qantas shares (as it did in 2010/11) – A higher proportion of the award be made in Qantas shares (as it did in 2016/17). On the other hand, there may be circumstances where performance is below an agreed target where the Board may determine that it is appropriate to pay some STIP award. This circumstance has not occurred.
Delivery of STIP Awards	Awards under the 2018/19 STIP were made per the default approach of the plan. That is, 2/3rds of the STIP award was paid as a cash bonus, with the remaining 1/3rd deferred into Qantas shares with a 2-year deferral period.
STIP Award Deferral and Holding Lock Periods (commencing with 2019/20 STIP)	Any shares awarded will be subject to an additional 1-year holding lock period. As a result, any shares awarded under the 2019/20 STIP would be subject to: – A 2-year deferral period – An additional 1-year holding lock period. The additional holding lock will apply to these shares both during employment and post-cessation of employment (shares subject to the holding lock period are not forfeited on cessation of employment, but are subject to clawback). The additional holding lock period provides a strong mechanism whereby clawback of vested equity could be enforced.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Maximum and Minimum STIP Outcome	The maximum outcome under the STIP is capped at 200 per cent of Base Pay for the CEO and 160 per cent of Base Pay for other Executive Management. The minimum outcome is nil, which would occur if the threshold level of performance is missed on each STIP measure, if an individual performance does not warrant an award, or if the Board determines that no award be made.
Cessation of Employment (current plans)	In general, Executives ceasing employment during the year forfeit any right to participate in that year's STIP and forfeit any shares awarded under prior year STIPs that are subject to a deferral period. In limited circumstances (for example, retirement, employer-initiated cessation of employment with no record of poor performance, death or total and permanent disablement), the Board may: – For the current year STIP, make a pro-rated award that has regard to actual performance against the performance measures (as determined by the Board following the end of the performance period), and the portion of the performance period that the Executive served – For shares awarded under prior year STIPs that are subject to a deferral period, remove that restriction.
Cessation of Employment (commencing with 2019/20 STIP)	In general, where an Executive resigns, is terminated for cause or is terminated in other circumstances involving unacceptable performance or conduct, they forfeit any right to participate in that year's STIP and forfeit any shares awarded under prior year STIPs that are subject to a deferral period. For shares subject to the additional holding lock, forfeiture does not apply. That is, any shares awarded under prior year STIPs where the deferral period has been served, but the shares are subject to the additional holding lock, the Executive retains those shares subject to the additional holding lock. The additional holding lock strengthens the ability to clawback on vested equity, if required. In limited circumstances (for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement): – For the current year STIP, the Executive will receive a pro-rated award based on the actual performance against the performance measures (as determined by the Board following the end of the performance period), and the portion of the performance period that the Executive served – For shares awarded under prior year STIPs that are subject to a deferral period, allow the Executive to continue to hold those shares. The original deferral period and additional holding lock continue to apply and these shares are subject to clawback. On cessation of employment, a tax liability arises on shares that are subject to a deferral period or holding lock period, notwithstanding that those trading restrictions continue to apply. Accordingly, a portion of the shares may be released to assist with funding the tax liability that arises for the Executive.
Disclosure	In addition to required statutory disclosures, Qantas chooses to disclose the full value of each year's STIP award in the Remuneration Outcomes Table on page 38. This involves disclosing both: – The value of cash awards made – The full value of restricted shares that were awarded (notwithstanding that these shares are still subject to a 2-year deferral period). Disclosure of STIP awards in the Statutory Remuneration Table on page 39 is based on the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards. The STIP awards are disclosed as either: – A cash incentive for any cash bonus paid – A share-based payment for any component awarded in deferred shares. Where share-based STIP awards involve deferral over multiple reporting periods, they are reported against each period in accordance with accounting standards.
Long Term Incentive Plan (LTIP)	The LTIP involves an upfront award of a fixed number of Rights over Qantas Shares. If performance and service conditions are achieved over a 3-year period, Rights vest and convert to Qantas shares. If the 3-year performance conditions or service conditions are not met, the Rights lapse.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Conditions	The performance measures for each of the 2017–2019 LTIP (tested as at 30 June 2019), 2018–2020 LTIP (to be tested at 30 June 2020) and 2019–2021 LTIP (to be tested at 30 June 2021), are Qantas' TSR compared to: – A global airline peer group – ASX100 companies. Up to 50 per cent of the total number of Rights granted may vest based on Qantas' TSR performance in comparison to the global airline peer group and up to 50 per cent of the total number of Rights granted may vest based on Qantas' TSR performance in comparison to the ASX100 companies. These Rights will only vest in full if Qantas' TSR performance ranks at or above the 75th percentile compared to both the global airline peer group and the ASX100 companies. At the end of the performance period, the TSR performance of Qantas and each comparator company is determined based on their average closing share price over the final six months of the performance period. Qantas' Financial Framework also targets top quartile TSR performance relative to global airline peers and ASX100 companies. Therefore, relative TSR performance against these peer groups has been chosen as the performance measure for the LTIP for alignment. The peer groups selected provide a comparison of relative shareholder returns relevant to most Qantas investors: – The global airline peer group was chosen for relevance to investors, including investors based outside Australia, with a primary interest in the aviation industry sector – The ASX100 peer group was chosen for relevance to investors with a primary interest in the equity market for major Australian listed companies (of which Qantas is one). The vesting scale for both the ASX100 and the global listed airline peer groups is as follows:

Qantas' TSR Performance Relative to Each Peer Group	Vesting Scale
Below 50th percentile	Nil vesting
50th to 75th percentile	Linear scale: 50 per cent to 100 per cent vesting
Above 75th percentile	100 per cent vesting

	The ASX100 peer group comprises those companies that make up the S&P/ASX100 Index at the commencement of the performance period. The global listed airline peer group has been selected with regard to its representation of Qantas' key markets, full-service and value-based airlines and the level of government involvement. For each of the 2017–2019 LTIP, 2018-2020 LTIP and 2019-2021 LTIP, the global listed airline peer group comprised: Air Asia, Air France/KLM, Air New Zealand, All Nippon Airways, American Airlines, Cathay Pacific, Delta Airlines, Deutsche Lufthansa, easyJet, International Consolidated Airlines Group, Japan Airlines, LATAM Airlines Group, Ryanair, Singapore Airlines, Southwest Airlines, United Continental and Virgin Australia.
Review of Performance Conditions	The Remuneration Committee regularly reviews the appropriateness of the performance measures. As part of its 2015/16 and 2018/19 Remuneration Framework reviews, the Remuneration Committee considered a number of other LTIP performance measures including Return on Invested Capital. The Remuneration Committee concluded that the current measures remained the most appropriate. The current measures are aligned with returns achieved for shareholders and are consistent with the Group Financial Framework.
Vesting of LTIP Award	If performance and service conditions are achieved over a 3-year period, Rights vest and convert to Qantas shares.
Holding Lock Period (commencing with 2020-2022 LTIP)	Any shares awarded under the LTIP will be subject to a one-year holding lock period. Shares subject to the holding lock period are not forfeited on cessation of employment but are subject to clawback. The additional holding lock strengthens the ability to clawback vested equity, if required.

Directors’ Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cessation of Employment (current plans)	In general, any Rights which have not vested are forfeited if the Executive ceases employment with the Qantas Group. In limited circumstances approved by the Board (for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement), a deferred cash payment may be made. This payment is determined with regard to the value of the LTIP Rights which would have vested and converted to shares had they not lapsed, and the portion of the performance period that the Executive served prior to cessation of employment. The Board retains discretion to determine otherwise in appropriate circumstances, which may include retaining some or all of the LTIP Rights.
Cessation of Employment (commencing with 2020-2022 LTIP)	In general, when an Executive resigns, is terminated for cause or is terminated in other circumstances involving unacceptable performance or conduct, any Rights which have not vested will be forfeited. For any shares awarded under prior year LTIPs that are now subject to the additional holding lock, the Executive will continue to hold those shares and the additional holding lock continues to apply. That is, forfeiture does not apply to those shares during the holding lock period. These shares are subject to clawback. On cessation of employment, a tax liability arises on shares that are subject to the 1-year holding lock period, notwithstanding that the holding lock continues to apply. Accordingly, a portion of the shares may be released to assist with funding the tax liability that arises for the Executive. In limited circumstances (for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement), Rights will remain on foot on a pro-rata basis and may vest at the end of the performance period, subject to the satisfaction of the relevant performance and service conditions of the LTIP. Any shares allocated following vesting of the LTIP will be subject to the holding lock.
Allocation Methodology	The number of Rights granted to the CEO and Executive Management under the LTIP is calculated on a face value basis. This number of Rights is the maximum that may vest at the end of the performance period. The ‘Target’ LTIP opportunity for the CEO and other Executive KMP is provided on a face value basis in the Summary of Key Contract Terms on page 49. Prior to 1 July 2017, a fair value methodology was used to determine the number of Rights awarded to the CEO and Executive Management.
Allocation Methodology Used in 2018/19 Award to the CEO	At each year’s AGM, Qantas seeks shareholder approval for any award of Rights to the CEO. At the 2018 AGM, shareholders approved an award of 651,000 Rights to the CEO (under the 2019–2021 LTIP), being the maximum number of Rights that may vest and convert to shares. The Notice of Meeting for the 2018 AGM set out the proposed number of LTIP Rights to be granted to the CEO on a face value basis as follows: **Number of Rights awarded** = $\frac{\text{Base Pay x 'Target' LTIP Opportunity}}{\text{Face Value (Share Price) as at 30 June 2018}}$ **651,000 Rights awarded** = $\frac{\$2,170,000 \text{ x } 185\%}{\$6.16}$
Change of Control	In the event of a change of control, the Board determines whether the LTIP Rights vest or otherwise.
Disclosure	In addition to the required statutory disclosures, Qantas chooses to disclose the full value of LTIP awards that vest during the year, as follows: – The LTIP vesting amount shown in the Remuneration Outcomes Tables on page 38 is equal to the number of Rights vested, multiplied by the Qantas share price at the start of the performance period – The LTIP share price growth amount shown in the Remuneration Outcomes Table on page 38 is equal to the number of Rights vested, multiplied by the increase in the Qantas share price over the 3-year performance period. The statutory remuneration disclosure amortises the accounting value of LTIP awards over the relevant performance and service period as per the accounting standards. The accounting value for the LTIP awards does not have regard to whether performance conditions were achieved.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other Benefits	
Non-Cash Benefits	Non-cash benefits, as disclosed in the remuneration tables, include travel entitlements while employed and other minor benefits.
Travel	Travel concessions are provided to permanent Qantas employees, consistent with practice in the airline industry. Travel at concessionary prices is on a sub-load basis; that is, subject to considerable restrictions and limits on availability. The policy includes specified direct family members or a nominated travel companion. In addition to this and consistent with practice in the airline industry, the CEO and Executive Management and their eligible beneficiaries are entitled to a number of trips for personal purposes at no cost to the individual. Post-employment travel concessions are also available to all permanent Qantas employees who qualify by achieving a service condition. The CEO and Executive Management and their eligible beneficiaries are also entitled to a number of free trips for personal purposes after ceasing employment. An estimated present value of these entitlements accrues over the service period of the individual and is disclosed as a post-employment benefit.
Superannuation	Superannuation includes statutory and salary sacrifice superannuation contributions and is disclosed as a post-employment benefit.
Other Long-Term Benefits	The movement in accrual of annual leave and long service leave is included in Other Long-Term Benefits. The accounting value of other long-term benefits may be negative, for example, where an Executive's annual leave balance decreases as a result of taking more annual leave than they accrued during the year.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

6 ANNUAL INCENTIVE OUTCOME 2018/19 STIP

For 2018/19, the Board considered the following key measures of financial, safety, customer and operational performance and the associated targets to be key indicators of performance and drivers of shareholder value. The performance outcomes for these measures are reflected in the CEO's and Executive Management's remuneration outcomes. The table below summarises performance versus target against each scorecard category under the 2018/19 STIP.

Scorecard Category/ Strategic Objective	Measures	Scorecard Weighting 'Target' (Range of Outcomes)	Actual Outcome	Comment
Group Profitability	Underlying Profit Before Tax (PBT)	50% (0-100%)		The Underlying PBT result of $1,302 million for 2018/19 exceeded the profit threshold, but was less than the target set by the Board. This resulted in a partial contribution to the STIP Scorecard under this measure.
Workplace and Operational Safety	Workplace Safety measures	15% (0-22.5%)		The Qantas Group overall did not achieve its Workplace Safety stretch targets for the year. Within the Group, a number of reporting entities achieved their targets and/or delivered strong year-on-year improvements. For example: Regional Airlines; the Australian Airports and Freight departments of Qantas Airlines; and Jetstar Airways regarding lost-work-day case rates. Overall, there was a nil contribution under the Workplace Safety measure.
	Board's assessment of Operational Safety			Operational Safety performance continued to remain strong. The Group maintains a positive reporting culture. Technical Dispatch Reliability across the Group remained strong and there were no on-going or unresolved adverse flight data trends across any Group airline for key operational performance indicators. Therefore, there was an above target contribution under the Operational Safety measure.
				Overall, there was a partial contribution to the STIP Scorecard under the Workplace and Operational Safety measure.
Customer	Net Promoter Score (NPS)	15% (0-22.5%)		Target or threshold NPS performance was achieved or exceeded by Qantas International, Qantas Domestic, QantasLink, Qantas Frequent Flyer and Jetstar Australia Domestic. However, Jetstar Australia Long-Haul's NPS performance was below threshold.
	Punctuality			Qantas Domestic/Qantas Link on-time performance was below threshold.
				Overall, there was a partial contribution to the STIP Scorecard under the Customer measure.
Australian Domestic Market Position	Combined Qantas Domestic and Jetstar Domestic Profit Margin: EBIT per ASK	10% (0-15%)		Executive Management's continued focus on maximising our leading domestic position through the dual brand strategy has enabled a strong margin advantage over our competitors. The combined Qantas Domestic and Jetstar Domestic Profit Margin outcome was above the threshold but below target and therefore a partial contribution to the STIP Scorecard resulted.
	Domestic network advantage			Qantas Domestic and Jetstar maintained the Group's network advantage in the Australian domestic market with a target contribution to the STIP Scorecard under this measure.
Transformation and Growth	Transformation benefits	10% (0-15%)		Executive Management's continued focus on transformation delivered $452 million of benefits during 2018/19, exceeding the $400 million target.
	Jetstar Japan Underlying EBIT			Jetstar Japan exceeded its Underlying EBIT target, delivering a record AUD profit share.
	Qantas Loyalty Underlying EBIT			Qantas Loyalty achieved its Underlying EBIT target, delivering an 8.4 per cent profit growth relative to prior year.
				Overall, there was an above target contribution to the STIP Scorecard under this measure.
2018/19 STIP Scorecard Outcome		**100% (0-175%)**	**81%**	

KEY: Above target achievement; Full achievement against targets; Partial achievement against targets; No achievement against targets

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Annual Incentive – Executive Management's Contribution to the 2018/19 STIP Outcome:

In determining outcomes under the 2018/19 STIP, the Board assessed performance against financial, safety and other key business measures as part of a balanced scorecard, as outlined on page 46, as well as determining individual contributions (via the IPF).

The following summarises how Executive Management contributed to these results:

Maximising our leading domestic position through the dual brand strategy:
- Maintained advantage over competitors
- Sophisticated, disciplined approach to managing capacity to optimise earnings in high fuel cost environment
- Enhanced distribution via the Qantas Distribution Platform
- Jetstar driving direct sales (via Jetstar.com) and ancillary revenue growth, while maintaining commitment to low fares
- Redirected network to growing resources sector in Western Australia
- Extended the regional Resident Fares program and removed change fee.

Building a more resilient Qantas International:
- Fleet renewal continued with the expansion of the 789 Dreamliners fleet, delivering network leading customer advocacy (NPS) on Dreamliner routes and facilitating the retirement of the Boeing 747 aircraft
- Commenced reconfiguration of the A380 fleet
- Full-year contribution from the Network and Hub evolution, with London flight hubs through Singapore and Perth (with the introduction of the direct Perth-London route)
- Continued expansion of international network through partnerships and codeshares
- Received approval for Anti-Trust Immunity for the joint business arrangement with American Airlines.

Diversification and Growth at Qantas Loyalty:
- Achieved another record profit, consistent with commitments to market
- On track to achieve 2021/22 EBIT target of $500-600 million
- Completed biggest overhaul of the Loyalty program in 32 years to drive increased member engagement and improve life time value
- Launched new products in financial services
- Qantas Business Rewards member and partner growth supported airline SME share growth
- Diversification of EBIT growth through the new business portfolio.

Investing in Customer, Brand and Digital, driving improved NPS:
- Continued roll-out of free Wi-Fi on Qantas Domestic fleet
- Continued investment in lounge program
- Completed Jetstar cabin enhancement roll-out on A320/A321 fleet
- Invested in cabin upgrades for the turbo prop fleet.

Meeting objectives of the Financial Framework:
- Group ROIC of 18.4 per cent, delivering ROIC>WACC
- Net debt reduced to $4.7 billion, below the net debt target range and providing significant financial flexibility
- Continued strong operating cash flow of $2.8 billion
- $1 billion returned to shareholders through dividends and on-market buy-backs
- Approach to fuel hedging contained 2018/19 fuel cost increase to $614 million or 19 per cent, while market AUD Jet Fuel prices increased on average ~28 per cent compared to prior year effective hedged prices
- Extended the maturation of our debt book and reduced refinancing risk by accessing a diverse range of funding sources
- Delivery of $452 million of transformation benefits in 2018/19, exceeding the $400 million target.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional Descriptions of 2018/19 STIP Scorecard Measures

Group Profitability	Underlying PBT is the primary financial performance measure for the Qantas Group and is therefore the primary performance measure under the STIP. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of the Group. The Underlying PBT target is based on the annual financial budget. For reasons of commercial sensitivity, the annual Underlying PBT target is not disclosed. Underlying PBT is derived by adjusting Statutory PBT for items which do not represent the underlying performance of the business (such as transformational/restructuring initiatives, transactions involving investments, impairment of assets and other transactions outside the ordinary course of business). The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period. These items are excluded both when setting the STIP profit target and when determining the profit outcome. As a result, Executives are neither advantaged or disadvantaged as a result of these items being excluded.
Workplace and Operational Safety	As safety is always our first priority, the STIP Scorecard includes an assessment of both Workplace and Operational safety. In addition, the Board retains an overriding discretion to scale down the STIP (or reduce it to zero) in the event of a material aviation safety incident. This is in addition to the Board's overall discretion over STIP awards. Any such decision would be made in light of the specific circumstances and following the recommendation of the Safety, Health, Environment and Security Committee. The Safety, Health, Environment and Security Committee performs an assessment of both Workplace Safety performance and Operational Safety performance. The objective of the Workplace Safety targets is to reduce employee injuries and targets were therefore set across: – Total Recordable Injury Frequency Rate – Lost Work Case Frequency Rate. Operational Safety performance is assessed against outcome-based measures (including operational occurrences that pose a significant threat to the safety of employees and customers) and risk-based lead indicators commonly associated with aviation industry accidents, such as flight data trends, Technical Dispatch Reliability and reporting rates.
Customer	Customer service is measured against NPS targets. This is a survey-based measure of how strongly our customers promote the services of our businesses. Individual NPS targets are set for Qantas International, Qantas Domestic, QantasLink, Qantas Frequent Flyer, Jetstar Australia Domestic and Jetstar Australia Long-Haul. On-time departures for Qantas Domestic and QantasLink continue to be a particular area of focus and is therefore included as a STIP measure. As agreed with and reported to the Bureau of Infrastructure, Transport and Regional Economics (BITRE), punctuality is measured as the number of flights operating on-time (on an on-time departure basis) as a percentage of the total number of flights operated.
Australian Domestic Market Position	Maintaining a market-leading Australian Domestic profit margin is core to Qantas' success. Therefore, a combined Qantas Domestic and Jetstar Domestic Profit Margin measured as EBIT per ASK was selected as a STIP Scorecard measure. This focuses on profitability irrespective of capacity levels. Maintaining our Australian domestic network advantage balances the long-term domestic network advantage with short-term profitability. This measure aligns maintaining the leading premium domestic network, the leading price-sensitive domestic network via measures of peak-hour frequency and capacity positions across key routes and ports. For reasons of commercial sensitivity, these targets are not disclosed.
Transformation and Growth	Continuing to transform the business remains a strategic priority. Therefore, a transformation benefit target is included as a performance measure. Growing in Asia and profitably growing Jetstar Japan are key areas of focus. Therefore, a target measuring Jetstar Japan's Underlying EBIT through this growth period is included as a STIP measure. To support the strategic initiative of growing diversified earnings, a STIP target was set to grow Qantas Loyalty EBIT.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

7 LONG TERM INCENTIVE OUTCOME 2017-2019 LTIP

Qantas TSR Performance[1]	Qantas TSR Rank vs ASX100	Qantas TSR Rank vs Airlines	Vesting of 2017-2019 LTIP
+121%	**7th**	**1st**	**100%**

Executive Management continues to deliver on commitments made to shareholders. The structural changes to the Company and ongoing focus on transformation continue to deliver strong earnings across the portfolio of businesses. The Financial Framework continues to provide balance sheet strength and sustainable returns to shareholders. The business is responding to emerging global forces and strategic priorities remain clear.

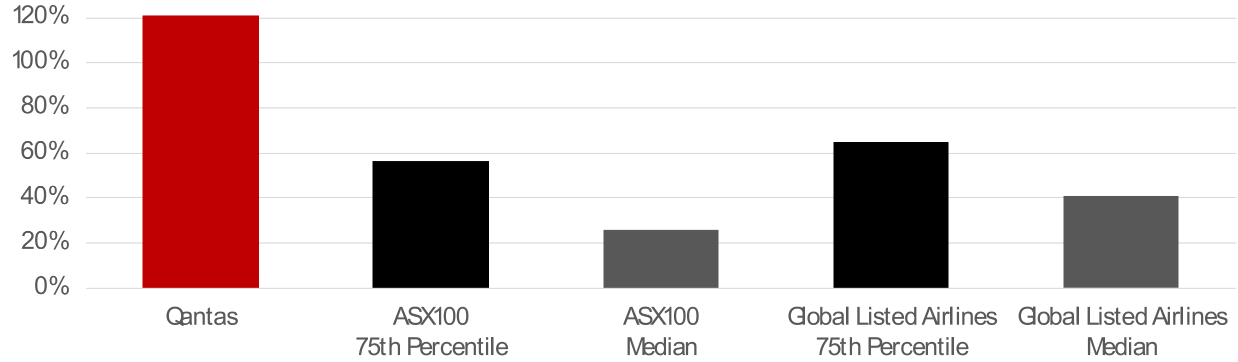
These achievements have been recognised via the share price appreciation over the past three years. For the 2017-2019 LTIP, the Qantas share price grew from $2.82 at 30 June 2016 to $5.40 at 30 June 2019, and together with dividends paid to shareholders delivered a TSR[1] performance of +121 per cent.

The 3-year performance measures under the 2017–2019 LTIP are Qantas' TSR compared to:
– A global airline peer group
– ASX100 companies

Qantas' TSR performance over the past three years ranked in the top quartile of companies in the global airline peer group, and top quartile of ASX100 companies. Based on this performance, 100 per cent of Rights vested and converted to Qantas shares.

Qantas has now achieved top quartile TSR performance over multiple consecutive rolling 3-year periods, with the top quartile TSR performance being achieved off higher starting share prices.

Qantas 3-Year TSR Performance[1] vs Peer Groups (%)



1. TSR performance, applying the LTIP performance test methodology (which applies the average closing share price over the six months preceding the test date of 30 June 2019).

8 SUMMARY OF KEY CONTRACT TERMS AS AT 30 JUNE 2019

Contract Details	Alan Joyce[3]	Tino La Spina[4]	Andrew David[4]	Gareth Evans[4]	Olivia Wirth[4]
Base Pay	$2,170,000	$1,020,000	$1,020,000	$1,081,000	$867,000
Pay Mix:					
STIP 'Target'[1]	100%	80%	80%	80%	80%
LTIP 'Target'[1,2]	185%	95%	95%	95%	95%
	An annual benefit of trips for these Executives and eligible beneficiaries during employment,[5] at no cost to the individual, is as follows:				
	4 long-haul 12 short-haul	2 long-haul 6 short-haul	2 long-haul 6 short-haul	2 long-haul 6 short-haul	2 long-haul 6 short-haul
	The same benefit is provided for use post-employment, based on the period of service in an Executive Management role within the Qantas Group.				
Notice	Employment may be terminated by either the Executive or Qantas by providing six months' written notice.[6] Each Executive's contract includes a provision that limits any termination payment to the statutory limit prescribed under the *Corporations Act 2001*.				
Severance	A severance payment of six months' Base Pay applies where termination is initiated by Qantas.[6]				

1. Opportunity expressed as a percentage of Base Pay.
2. Rights awarded on a face value basis.
3. Target Remuneration Mix for the CEO for 2018/19 was Base Pay 26%, Annual Incentive 26% and Long Term Incentive (on a face value basis) 48%. With Long Term Incentive valued on a fair value basis, the pay mix was Base Pay 33%, Annual Incentive 33%, Long Term Incentive 33%.
4. Target Remuneration Mix for Other Executive KMP for 2018/19 was Base Pay 36%, Annual Incentive 29% and Long Term Incentive (on a face value basis) 35%. With Long Term Incentive valued on a fair value basis, the pay mix was Base Pay 43%, Annual Incentive 35%, Long Term Incentive 22%.
5. These benefits are not cumulative and lapse if they are not used during the calendar year in which the entitlements arise.
6. Other than for misconduct or unsatisfactory performance

Directors' Report continued

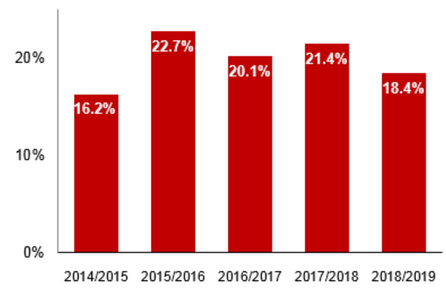
For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

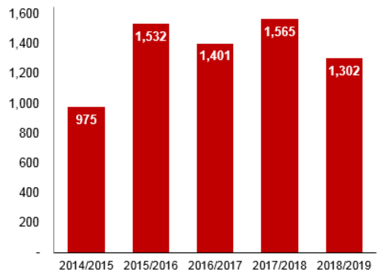
9 QANTAS FINANCIAL PERFORMANCE HISTORY

To provide further context on Qantas' performance, the following graphs outline a 5-year history of key financial metrics.

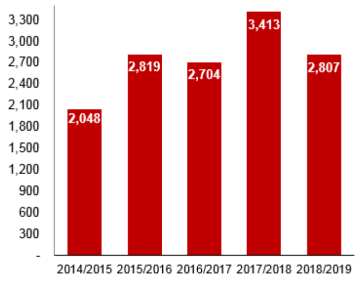
Return on Invested Capital[1] (ROIC%)



Underlying Profit before Tax[1,2] ($M)



Operating Cash Flow ($M)



1. The Group adopted AASB 15 Revenue from Contracts with Customers effective 1 July 2018 using the full retrospective method of adoption. 2018 has been restated. Refer to Note 29 of the Financial Report.
2. Underlying Profit Before Tax (PBT) is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. Statutory Profit After Tax for 2018/19 was $891 million (Restated 2018: $953 million; 2017: $853 million; 2016: $1,029 million and 2015: $560 million).

Qantas 5-Year TSR Performance

10 EQUITY INSTRUMENTS

The following tables set out the holdings of equity instruments granted as remuneration.

Shares Awarded Under the Short Term Incentive Plan

The following table details shares awarded under the Short Term Incentive Plan that are subject to a deferral period.

Short Term Incentive Plan		Number of Shares 1 July 2018	Commenced as KMP	Granted[1,2]	Vested and Transferred	Forfeited	30 June 2019
Alan Joyce	**2019**	**837,750**	-	**154,118**	**(490,738)**	-	**501,130**
	2018	748,800	-	347,012	(258,062)	-	837,750
Tino La Spina	**2019**	**217,947**	-	**52,584**	**(125,411)**	-	**145,120**
	2018	160,721	-	92,536	(35,310)	-	217,947
Andrew David	**2019**	**212,493**	-	**50,080**	**(119,957)**	-	**142,616**
	2018	157,568	-	92,536	(37,611)	-	212,493
Gareth Evans	**2019**	**266,089**	-	**58,706**	**(153,957)**	-	**170,838**
	2018	226,689	-	112,132	(72,732)	-	266,089
Olivia Wirth[3]	**2019**	**187,494**		**43,057**	**(105,845)**	-	**124,706**
	2018	n/a	187,494	-	-	-	187,494
Alison Webster[4]	**2019**	**-**	**-**	**29,026**	**-**	**(29,026)**	**-**
ceased as KMP 11 April 2019	2018	-	-	-	-	-	-

1. Shares awarded under the 2016/17 STIP award (granted 1 September 2017 for Other Executives and 11 September for the CEO) were delivered to participants in deferred shares that are subject to a 2-year deferral period. The deferral period on these shares applied throughout 2018/19.
2. Shares awarded under the 2017/18 STIP awards (granted 31 August 2018) were delivered to participants in deferred shares that are subject to a 2-year deferral period. The deferral period on these shares applied throughout 2018/19.
3. Ms Wirth commenced as a KMP on 12 February 2018.
4. Ms Webster (Former CEO Qantas International from 1 November 2017 to 11 April 2019) resigned during 2018/19. Ms Webster ceased as a KMP on 11 April 2019 and ceased employment with Qantas on 24 April 2019. All restricted shares were forfeited on cessation of employment.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Rights Awarded Under the Long Term Incentive Plan

The following table details Rights awarded under the Long Term Incentive Plan that are subject to performance hurdles that are yet to be tested and vested Rights that have not yet converted into shares.

		Number of Rights					
Long Term Incentive Plan		1 July 2018	Commenced as KMP	Granted[1,2]	Vested and Transferred[3]	Lapsed/ Forfeited	30 June 2019[4]
Alan Joyce	**2019**	**2,806,000**	**-**	**651,000**	**(947,000)**	**-**	**2,510,000**
	2018	5,367,000	-	687,000	(3,248,000)	-	2,806,000
Tino La Spina	**2019**	**696,000**	**-**	**157,500**	**(237,000)**	**-**	**616,500**
	2018	915,500	-	166,000	(385,500)	-	696,000
Andrew David	**2019**	**696,000**	**-**	**157,500**	**(237,000)**	**-**	**616,500**
	2018	976,000	-	166,000	(446,000)	-	696,000
Gareth Evans	**2019**	**809,500**	**-**	**166,500**	**(278,500)**	**-**	**697,500**
	2018	1,652,500	-	176,000	(1,019,000)	-	809,500
Olivia Wirth	**2019**	**308,500**	**-**	**133,500**	**(104,500)**	**-**	**337,500**
	2018	n/a	308,500	n/a	-	-	308,500
Alison Webster[5]	**2019**	**237,500**	**-**	**118,000**	**(49,000)**	**(306,500)**	**-**
ceased as KMP 11 April 2019	2018	n/a	237,500	n/a	-	-	237,500

1. Rights under the 2019-2021 LTIP were granted on 26 October 2018 to Mr Joyce (following approval by shareholders at the 2018 AGM) and 5 September 2018 for Other Executives and will be tested against the performance hurdles as at 30 June 2021. The number of Rights granted was determined using the face value of a Right on 30 June 2018 of $6.16, being the start of the performance period. The fair value of a Right on the grant date was $2.33 for Mr Joyce and $3.35 per Right for Other Executives.
2. Rights under the 2018-2020 LTIP were granted on 27 October 2017 to Mr Joyce (following approval by shareholders at the 2017 AGM) and 5 September 2017 for Other Executives and will be tested against the performance hurdles as at 30 June 2020. The number of Rights granted was determined using the face value of a Right on 30 June 2017 of $5.72, being the start of the performance period. The fair value of a Right on the grant date was $3.30 for Mr Joyce and $2.98 per Right for Other Executives.
3. 100% of Rights under the 2016-2018 LTIP (granted on 23 October 2015 to Mr Joyce and 1 September 2015 for Other Executives) vested following the testing of performance hurdles as at 30 June 2018 and the Board's approval of the 2016-2018 LTIP vesting outcome on 22 August 2018.
4. Rights under the 2017-2019 LTIP (granted on 21 October 2016 to Mr Joyce and 5 September 2016 for Other Executives) are included in the 30 June 2019 balance. The number of Rights granted was determined using the fair value of a Right on 30 June 2016 of $1.45, being the start of the performance period. The fair value of a Right on the grant date was $1.95 per Right for Mr Joyce and $1.96 for Other Executives. 100% of these Rights vested following the testing of performance hurdles as at 30 June 2019 and the Board's approval of the 2017–2019 LTIP vesting outcome on 21 August 2019.
5. Ms Webster (former CEO Qantas International from 1 November 2017 to 11 April 2019) resigned during 2018/19, ceased as a KMP on 11 April 2019 and ceased employment with Qantas on 24 April 2019. All unvested Rights (355,500) lapsed on termination.

Shares Awarded Under Legacy Incentive Plans

The following table details vested shares awarded under legacy incentive plans.

Performance Share Plan		Number of Shares						
		1 July	Commenced as KMP	Granted	Forfeited	Transferred	Other Changes	30 June
Gareth Evans	**2019**	**29,959**		**-**	**-**	**(29,959)**	**-**	**-**
	2018	34,388		-	-	(4,429)	-	29,959

Equity Holdings and Transactions

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

Key Management Personnel – Executives	Interest in Shares 1 July 2018	Awarded as Remuneration[1]	Rights Converted to Shares	Other Changes[2]	Interest in Shares 30 June 2019
Alan Joyce	**3,566,674**	154,118	947,000	(1,437,738)	**3,230,054**
Tino La Spina	**295,836**	52,584	237,000	(322,411)	**263,009**
Andrew David	**370,348**	50,080	237,000	(157,855)	**499,573**
Gareth Evans	**548,935**	58,706	278,500	(378,500)	**507,641**
Olivia Wirth	**187,494**	43,057	104,500	(210,345)	**124,706**
Alison Webster[3] ceased as KMP 11 April 2019	**57,852**	29,026	49,000	(135,878)	-

1. Shares awarded under the 2016/17 STIP are subject to a deferral period until after the release of the 2018/19 full-year financial results. Shares awarded under the 2017/18 STIP are subject to a deferral period until after the release of the 2019/20 full-year financial results.
2. Other changes include shares purchased, sold, and forfeited; and on cessation as KMP.
3. Alison Webster ceased as a KMP on 11 April 2019 and ceased employment with Qantas on 24 April 2019.

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.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Remuneration Affecting Future Periods

The fair value of share-based payments granted is amortised over the service period and therefore remuneration in respect of these awards may be reported in future years. The following table summarises the maximum value of these awards that will be reported in the statutory remuneration tables in future years, assuming all performance conditions are met. The minimum value of these awards is nil, should performance conditions not be satisfied.

	Future Expense by Plan							Future Expense by Financial Year			
	STIP Awards			LTIP Awards							
Executives	2016/17 $'000	2017/18 $'000	2018/19 $'000	2017–2019 $'000	2018–2020 $'000	2019–2021 $'000	Total $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
Alan Joyce	103	367	401	134	934	1,160	**3,099**	2,073	906	120	**3,099**
Tino La Spina	28	125	143	30	182	360	**868**	553	276	39	**868**
Andrew David	28	119	136	30	182	360	**855**	545	272	38	**855**
Gareth Evans	33	140	160	36	193	381	**943**	604	297	42	**943**
Olivia Wirth	24	103	128	13	82	306	**656**	396	227	33	**656**
Alison Webster	-	-	-	-	-	-	**-**	-	-	-	**-**

11 NON-EXECUTIVE DIRECTOR FEES

Non-Executive Director fees are determined within an aggregate Non-Executive Directors' fee pool limit. An annual total fee pool of $3 million (excluding industry standard travel entitlements received) was approved by shareholders at the 2016 AGM. Total Non-Executive Directors' remuneration (excluding industry standard travel entitlements received and other non-cash benefits) for the year ended 30 June 2019 was $2.67 million (2018: $2.55 million), which is within the approved annual fee pool. Non-Executive Directors' remuneration reflects the responsibilities of Non-Executive Directors. Fees are benchmarked against Non-Executive Director fees of ASX50 companies and revenue-based peer groups. Non-Executive Director fees increased by 3 per cent, effective 1 July 2018.

	Board		Committees[1]	
	Chairman[2]	Member	Chairman	Member
Board Fees	**$610,000**	**$158,000**	**$63,500**	**$31,750**

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

Non-Executive Directors do not receive any performance-related remuneration. Overseas-based Non-Executive Directors are paid a travel allowance when travelling on international journeys of greater than six hours to attend Board and committee meetings or Board-related activities requiring participation of all Directors.

All Non-Executive Directors and eligible beneficiaries receive travel entitlements. The Chairman and eligible beneficiaries are each entitled to four long-haul trips and 12 short-haul trips each calendar year and all other Non-Executive Directors and eligible beneficiaries are each entitled to three long-haul trips and nine short-haul trips each calendar year. These flights are not cumulative and lapse if they are not used during the calendar year in which the entitlement arises.

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

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration for 2018/19 – Non-Executive Directors

$'000		Short-Term Employee Benefits			Post-Employment Benefits			
		Base Pay (Cash)	Non-Cash Benefits	Sub-Total	Superannuation	Travel	Sub-Total	Total
Leigh Clifford[1] Chairman up to 26 October 2018	**2019**	**196**	**13**	**209**	**7**	**18**	**25**	**234**
	2018	575	33	608	20	26	46	654
Richard Goyder[2] Chairman from 26 October 2018	**2019**	**457**	**72**	**529**	**19**	**36**	**55**	**584**
	2018	94	39	133	9	13	22	155
Maxine Brenner Non-Executive Director	**2019**	**202**	**131**	**333**	**19**	**12**	**31**	**364**
	2018	197	84	281	19	13	32	313
Richard Goodmanson[3] Non-Executive Director	**2019**	**283**	**14**	**297**	**-**	**12**	**12**	**309**
	2018	277	28	305	-	13	13	318
Jacqueline Hey Non-Executive Director	**2019**	**173**	**10**	**183**	**16**	**12**	**28**	**211**
	2018	169	36	205	16	13	29	234
Belinda Hutchinson[4] Non-Executive Director	**2019**	**196**	**56**	**252**	**19**	**12**	**31**	**283**
	2018	37	-	37	4	13	17	54
Michael L'Estrange Non-Executive Director	**2019**	**184**	**10**	**194**	**17**	**12**	**29**	**223**
	2018	169	8	177	16	13	29	206
Paul Rayner Non-Executive Director	**2019**	**233**	**51**	**284**	**21**	**12**	**33**	**317**
	2018	227	58	285	20	13	33	318
Todd Sampson Non-Executive Director	**2019**	**173**	**70**	**243**	**16**	**12**	**28**	**271**
	2018	169	76	245	16	13	29	274
Antony Tyler[3,5] Non-Executive Director from 26 October 2018	**2019**	**150**	**-**	**150**	**-**	**12**	**12**	**162**
	2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Barbara Ward Non-Executive Director	**2019**	**264**	**23**	**287**	**21**	**12**	**33**	**320**
	2018	258	21	279	20	13	33	312
Total	**2019**	**2,511**	**452**	**2,963**	**155**	**162**	**317**	**3,280**
	2018	2,172	383	2,555	140	143	283	2,838

1. Mr Clifford retired as a director on 26 October 2018.
2. 2017/18 remuneration reflects the period served by Mr Goyder as a Non-Executive Director from 17 November 2017 to 30 June 2018. 2018/19 remuneration reflects the period served by Mr Goyder as a Non-Executive Director from 1 July 2018 to 25 October 2018 and as Chairman from 26 October 2018 to 30 June 2019.
3. Mr Goodmanson and Mr Tyler each received a travel allowance of $30,000 and $25,000 respectively during 2018/19 (2018: $30,000 for Mr Goodmanson and nil for Mr Tyler). These amounts were included in their Base Pay (Cash).
4. 2017/18 remuneration reflects the period served by Ms Hutchinson as a Non-Executive Director from 12 April 2018 to 30 June 2018.
5. 2018/19 remuneration reflects the period served by Mr Tyler as a Non-Executive Director from 26 October 2018 to 30 June 2019.

Directors' Report continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Equity Holdings and Transactions

Non-Executive Director KMP or their related parties directly, indirectly or beneficially held shares in the Qantas Group as detailed in the table below:

Key Management Personnel – Non-Executive Directors	Interest in Shares as at 30 June 2018	Other Changes[1]	Ceased as Director	Interest in Shares as at 30 June 2019
Leigh Clifford[2]	362,613	-	(362,613)	n/a
Richard Goyder	36,500	93,500	-	130,000
Maxine Brenner	30,065	-	-	30,065
Richard Goodmanson	18,780	-	-	18,870
Jacqueline Hey	38,170	-	-	38,170
Belinda Hutchinson	16,200	-	-	16,200
Michael L'Estrange	12,012	3,000	-	15,012
Paul Rayner	287,909	-	-	287,909
Todd Sampson	7,095	-	-	7,095
Antony Tyler	-	-	-	-
Barbara Ward	44,694	-	-	44,694

1. Other Changes includes shares purchased and sold.
2. Mr Clifford retired as a director on 26 October 2018.

All equity instrument transactions between the Non-Executive Director KMP, including their related parties, and Qantas during the year have been on an arm's length basis.

Loans and Other Transactions with Key Management Personnel

No KMP or their related parties held any loans from the Qantas Group during or at the end of the year ended 30 June 2019 or prior year.

A number of KMPs and their related parties have transactions with the Qantas Group. All transactions are conducted on normal commercial arm's length terms.

Directors' Report continued

For the year ended 30 June 2019

ENVIRONMENTAL OBLIGATIONS

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

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

Following a spill of firefighting foam in Queensland as reported in 2017, Qantas entered into an enforceable undertaking (EU) with the Queensland Government. Under the EU, Qantas provided support to a program of water testing in Queensland to help better understand water quality.

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 and the Company Secretaries listed on pages 24 to 25 and individuals who formerly held any of these positions have the benefit of the indemnity in the Qantas Constitution. Members of Qantas' Executive Management team and certain former members of the Executive Management team have the benefit of an indemnity to the fullest extent permitted by law and as approved by the Board. In respect of non-audit services, KPMG, Qantas' auditor, has the benefit of an indemnity to the extent KPMG reasonably relies on any information provided by Qantas which is false, misleading or incomplete. No amount has been paid under any of these indemnities during 2018/2019 or to the date of this Report.

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

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

NON-AUDIT SERVICES

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

a. The non-audit services provided during 2018/2019 by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*

b. Any non-audit services provided during 2018/2019 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 has been reported to the Board to ensure complete transparency in relation to the services provided
   - The declaration required by section 307C of the *Corporations Act 2001* confirming independence has been received from KPMG

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 56.

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

Directors' Report continued

For the year ended 30 June 2019

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 of Qantas Airways Limited for the financial year ended 30 June 2019 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG
Sydney

30 August 2019

Andrew Yates
Partner

Rounding

Qantas is a company of a kind referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, 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:

Richard Goyder
Chairman

30 August 2019

Alan Joyce
Chief Executive Officer

30 August 2019

Financial Report

For the year ended 30 June 2019

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Consolidated Income Statement

For the year ended 30 June 2019

	Notes	2019 $M	2018 (restated)[1] $M
REVENUE AND OTHER INCOME			
Net passenger revenue		15,696	14,944
Net freight revenue		971	895
Other revenue and income	2(B)	1,299	1,289
Revenue and other income		**17,966**	**17,128**
EXPENDITURE			
Manpower and staff-related		4,268	4,291
Aircraft operating variable		3,995	3,653
Fuel		3,846	3,232
Depreciation and amortisation		1,665	1,528
Non-cancellable aircraft operating lease rentals		264	272
Share of net profit of investments accounted for under the equity method		(22)	(15)
Other	3	2,500	2,633
Expenditure		**16,516**	**15,594**
Statutory profit before income tax expense and net finance costs		**1,450**	**1,534**
Finance income	4	47	48
Finance costs	4	(232)	(230)
Net finance costs	**4**	**(185)**	**(182)**
Statutory profit before income tax expense		**1,265**	**1,352**
Income tax expense	5	(374)	(399)
Statutory profit for the year		**891**	**953**
Attributable to:			
Members of Qantas		891	953
Non-controlling interests		-	-
Statutory profit for the year		**891**	**953**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic earnings per share (cents)	**6(D)**	**54.6**	**54.4**
Diluted earnings per share (cents)	**6(D)**	**54.4**	**54.0**

1. The Group adopted AASB 15 *Revenue from Contracts with Customers* effective 1 July 2017 using the full retrospective method of adoption. The comparative period presented above has been restated. Refer to Note 29 for further information.

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 $M	2018 (restated)[1] $M
Statutory profit for the year		**891**	**953**
Items that are or may be subsequently reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges, net of tax		51	559
Transfer of hedging (gains) from hedge reserve to the Consolidated Income Statement, net of tax[2]		(249)	(230)
Recognition of effective cash flow hedges on capitalised assets, net of tax		(13)	16
Net changes in hedge reserve for time value of options, net of tax		(47)	51
Foreign currency translation of controlled entities		5	3
Foreign currency translation of investments accounted for under the equity method		13	(3)
Share of other comprehensive (loss)/income of investments accounted for under the equity method		(6)	4
Items that will not subsequently be reclassified to profit or loss			
Defined benefit actuarial (losses)/gains, net of tax		(121)	84
Fair value gains on investments, net of tax		4	1
Other comprehensive (loss)/income for the year		**(363)**	**485**
Total comprehensive income for the year		**528**	**1,438**
Attributable to:			
Members of Qantas		528	1,438
Non-controlling interests		–	–
Total comprehensive income for the year		**528**	**1,438**

1. The Group adopted AASB 15 *Revenue from Contracts with Customers* effective 1 July 2017 using the full retrospective method of adoption. The comparative period presented above has been restated. Refer to Note 29 for further information.
2. These amounts were allocated to fuel expenditure of $(356) million (2018: $(329) million), and income tax expense of $107 million (2018: $99 million) in the Consolidated Income Statement.

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

Consolidated Balance Sheet

For the year ended 30 June 2019

	Notes	2019 $M	2018 (restated)[1] $M
CURRENT ASSETS			
Cash and cash equivalents	15(A)	2,157	1,694
Receivables	8	1,101	840
Other financial assets	20(C)	334	474
Inventories		364	351
Assets classified as held for sale	9	1	118
Other	13	236	161
Total current assets		**4,193**	**3,638**
NON-CURRENT ASSETS			
Receivables	8	77	110
Other financial assets	20(B), (C)	184	112
Investments accounted for under the equity method		272	222
Property, plant and equipment	10	12,977	12,851
Intangible assets	11	1,225	1,113
Other	13	449	601
Total non-current assets		**15,184**	**15,009**
Total assets		**19,377**	**18,647**
CURRENT LIABILITIES			
Payables		2,470	2,220
Revenue received in advance	14	4,315	4,018
Interest-bearing liabilities	15(B)	635	404
Other financial liabilities	20(C)	89	34
Provisions	16	954	853
Income tax liabilities	5(D)	113	7
Liabilities classified as held for sale	9	–	64
Total current liabilities		**8,576**	**7,600**
NON-CURRENT LIABILITIES			
Revenue received in advance	14	1,466	1,446
Interest-bearing liabilities	15(B)	4,589	4,344
Other financial liabilities	20(C)	48	25
Provisions	16	415	367
Deferred tax liabilities	12	847	910
Total non-current liabilities		**7,365**	**7,092**
Total liabilities		**15,941**	**14,692**
Net assets		**3,436**	**3,955**
EQUITY			
Issued capital	17(A)	1,871	2,508
Treasury shares	17(B)	(152)	(115)
Reserves	29(O)	111	479
Retained earnings		1,603	1,080
Equity attributable to members of Qantas		**3,433**	**3,952**
Non-controlling interests		3	3
Total equity		**3,436**	**3,955**

1. The Group adopted AASB 15 *Revenue from Contracts with Customers* effective 1 July 2017 using the full retrospective method of adoption. The comparative period presented above has been restated. Refer to Note 29 for further information.

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

30 June 2019 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[1]	Retained Earnings (restated)[2]	Non-controlling Interests	Total Equity (restated)[2]
Balance as at 1 July 2018	**2,508**	**(115)**	**106**	**300**	**(16)**	**89**	**1,080**	**3**	**3,955**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR									
Statutory profit for the year	–	–	–	–	–	–	891	–	891
Other comprehensive income/(loss)									
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	51	–	–	–	–	51
Transfer of hedging (gains) from hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	(249)	–	–	–	–	(249)
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	(13)	–	–	–	–	(13)
Net changes in hedge reserve for time value of options, net of tax	–	–	–	(47)	–	–	–	–	(47)
Defined benefit actuarial losses, net of tax	–	–	–	–	–	(121)	–	–	(121)
Foreign currency translation of controlled entities	–	–	–	–	5	–	–	–	5
Foreign currency translation of investments accounted for under the equity method	–	–	–	–	13	–	–	–	13
Fair value gains on investments, net of tax	–	–	–	–	–	4	–	–	4
Share of other comprehensive loss of investments accounted for under the equity method	–	–	–	(6)	–	–	–	–	(6)
Total other comprehensive (loss)/income	**–**	**–**	**–**	**(264)**	**18**	**(117)**	**–**	**–**	**(363)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(264)**	**18**	**(117)**	**891**	**–**	**528**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(637)	–	–	–	–	–	–	–	(637)
Dividend paid	–	–	–	–	–	–	(363)	–	(363)
Treasury shares acquired	–	(98)	–	–	–	–	–	–	(98)
Share-based payments	–	–	49	–	–	–	–	–	49
Shares vested and transferred to employees	–	61	(54)	–	–	–	(5)	–	2
Total contributions by and distributions to owners	**(637)**	**(37)**	**(5)**	**–**	**–**	**–**	**(368)**	**–**	**(1,047)**
Total transactions with owners	**(637)**	**(37)**	**(5)**	**–**	**–**	**–**	**(368)**	**–**	**(1,047)**
Balance as at 30 June 2019	**1,871**	**(152)**	**101**	**36**	**2**	**(28)**	**1,603**	**3**	**3,436**

1. Other reserves as at 30 June 2019 includes the Defined Benefit Reserve of ($33 million) and the Fair Value Reserve of $5 million.
2. The Group adopted AASB 15 *Revenue from Contracts with Customers* effective 1 July 2017 using the full retrospective method of adoption. The comparative period presented above has been restated. Refer to Note 29 for further information.

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

Consolidated Statement of Changes in Equity continued

For the year ended 30 June 2019

30 June 2018 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[1]	Retained Earnings (restated)[2]	Non-controlling Interests	Total Equity (restated)[2]
Balance as at 1 July 2017	**3,259**	**(206)**	**124**	**(100)**	**(16)**	**4**	**495**	**3**	**3,563**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR									
Statutory profit for the year	–	–	–	–	–	–	953	–	953
Other comprehensive income/(loss)									
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	559	–	–	–	–	559
Transfer of hedging (gains) from hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	(230)	–	–	–	–	(230)
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	16	–	–	–	–	16
Net changes in hedge reserve for time value of options, net of tax	–	–	–	51	–	–	–	–	51
Defined benefit actuarial gains, net of tax	–	–	–	–	–	84	–	–	84
Foreign currency translation of controlled entities	–	–	–	–	3	–	–	–	3
Foreign currency translation of investments accounted for under the equity method	–	–	–	–	(3)	–	–	–	(3)
Fair value gains on investments, net of tax	–	–	–	–	–	1	–	–	1
Share of other comprehensive income of investments accounted for under the equity method	–	–	–	4	–	–	–	–	4
Total other comprehensive income	**–**	**–**	**–**	**400**	**–**	**85**	**–**	**–**	**485**
Total comprehensive income for the year	**–**	**–**	**–**	**400**	**–**	**85**	**953**	**–**	**1,438**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(751)	–	–	–	–	–	–	–	(751)
Dividend paid	–	–	–	–	–	–	(249)	–	(249)
Treasury shares acquired	–	(162)	–	–	–	–	–	–	(162)
Share-based payments	–	–	64	–	–	–	–	–	64
Shares vested and transferred to employees	–	253	(82)	–	–	–	(119)	–	52
Total contributions by and distributions to owners	**(751)**	**91**	**(18)**	**–**	**–**	**–**	**(368)**	**–**	**(1,046)**
Total transactions with owners	**(751)**	**91**	**(18)**	**–**	**–**	**–**	**(368)**	**–**	**(1,046)**
Balance as at 30 June 2018	**2,508**	**(115)**	**106**	**300**	**(16)**	**89**	**1,080**	**3**	**3,955**

1. Other reserves as at 30 June 2018 includes the Defined Benefit Reserve of $88 million and the Fair Value Reserve of $1 million.
2. The Group adopted AASB 15 *Revenue from Contracts with Customers* effective 1 July 2017 using the full retrospective method of adoption. The comparative period presented above has been restated. Refer to Note 29 for further information.

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

Consolidated Cash Flow Statement

For the year ended 30 June 2019

	Notes	2019 $M	2018 (restated)[1] $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		19,050	18,107
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs and discretionary bonus payments to non-executive employees)		(15,876)	(14,461)
Cash generated from operations		**3,174**	**3,646**
Cash payments to employees for redundancies and related costs		(58)	(42)
Discretionary bonus payments to non-executive employees		(25)	(74)
Interest received		41	41
Interest paid		(168)	(161)
Dividends received from investments accounted for under the equity method		11	6
Australian income taxes paid		(156)	–
Foreign income taxes paid		(12)	(3)
Net cash from operating activities	**21(A)**	**2,807**	**3,413**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		(1,944)	(1,959)
Interest paid and capitalised on qualifying assets	4	(42)	(44)
Payments for investments held at fair value		(60)	(2)
Proceeds from disposal of property, plant and equipment		333	17
Proceeds from disposal of a controlled entity		139	17
Proceeds from disposal of shares in associate		11	–
Net cash used in investing activities (excluding aircraft operating lease refinancing)		(1,563)	(1,971)
Aircraft operating lease refinancing		(88)	(230)
Net cash used in investing activities		**(1,651)**	**(2,201)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share buy-back		(637)	(751)
Payments for treasury shares		(98)	(162)
Proceeds from borrowings		1,137	668
Repayments of borrowings		(744)	(802)
Dividends paid to shareholders		(363)	(249)
Net cash used in financing activities		**(705)**	**(1,296)**
Net increase/(decrease) in cash and cash equivalents held		**451**	**(84)**
Cash and cash equivalents at the beginning of the year		1,694	1,775
Effects of exchange rate changes on cash and cash equivalents		12	3
Cash and cash equivalents at the end of the year	**15(A)**	**2,157**	**1,694**

1. The Group adopted AASB 15 *Revenue from Contracts with Customers* effective 1 July 2017 using the full retrospective method of adoption. The comparative period presented above has been restated. Refer to Note 29 for further information. The adoption of AASB 15 had no impact to cash flow from operations, cash flow from investing activities, cash flow from financing flows or net movements in cash. Reclassifications between 'cash receipts from customers' and 'cash payment to suppliers and employees' have resulted from reclassifications between income and expenditure in the Consolidated Income Statement.

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

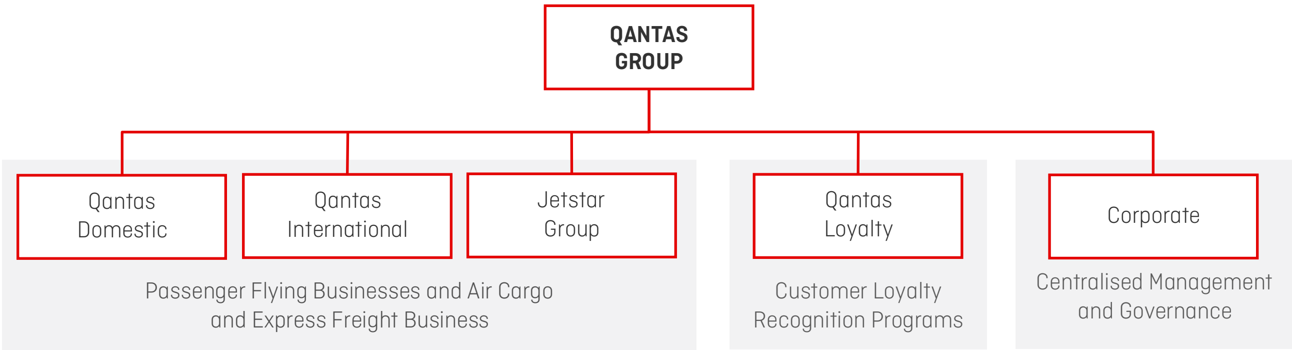
Notes to the Financial Statements

For the year ended 30 June 2019

1 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL

(A) OPERATING SEGMENTS

The Qantas Group comprises the following operating segments:



i. Underlying EBIT

Underlying EBIT is the primary reporting measure used by the Qantas Group's Chief Operating Decision-making Bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of Qantas Domestic, Qantas International, Jetstar Group, and Qantas Loyalty operating segments. The primary reporting measure of the Corporate segment is Underlying PBT, as net finance costs are managed centrally and are not allocated to the Qantas Domestic, Qantas International, Jetstar Group or Qantas Loyalty operating segments.

Underlying EBIT is calculated using a consistent methodology as Underlying PBT as outlined below (refer to section B) but excluding the impact of net finance costs.

ii. Analysis by Operating Segment

2019 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	5,708	7,093	3,823	1,488	4	(150)	17,966
Inter-segment revenue and other income	398	332	138	166	–	(1,034)	–
Total segment revenue and other income	**6,106**	**7,425**	**3,961**	**1,654**	**4**	**(1,184)**	**17,966**
Share of net profit of investments accounted for under the equity method[2]	8	9	5	–	–	–	22
Underlying EBITDAR[3]	**1,444**	**933**	**827**	**411**	**(160)**	**(99)**	**3,356**
Non-cancellable aircraft operating lease rentals	(78)	(48)	(138)	–	–	–	(264)
Depreciation and amortisation[4]	(626)	(600)	(319)	(37)	(14)	(9)	(1,605)
Underlying EBIT	**740**	**285**	**370**	**374**	**(174)**	**(108)**	**1,487**
Net finance costs					(185)		(185)
Underlying PBT					**(359)**		**1,302**
ROIC %[5]							**18.4%**

1. Unallocated/Eliminations represents unallocated and other businesses of the Qantas Group which are not considered to be reportable segments including consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 3) and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation.
2. Share of net profit of investments accounted for under the equity method as reported by Qantas Domestic and Qantas International before rounding is $8.5 million and $8.5 million respectively.
3. Underlying EBITDAR represents underlying earnings before income tax expense, depreciation, amortisation, non-cancellable aircraft operating lease rentals and net finance costs.
4. Depreciation and amortisation differs from the depreciation and amortisation recognised in the Consolidated Income Statement due to items not included in Underlying PBT (refer to Note 1(B)).
5. ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital (refer to Note 1(C)).

Notes to the Financial Statements continued

For the year ended 30 June 2019

1 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(A) OPERATING SEGMENTS (CONTINUED)

2018 (restated)[1] $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[2]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	5,562	6,602	3,674	1,359	18	(87)	17,128
Inter-segment revenue and other income	383	323	121	160	–	(987)	–
Total segment revenue and other income	**5,945**	**6,925**	**3,795**	**1,519**	**18**	**(1,074)**	**17,128**
Share of net profit of investments accounted for under the equity method	4	4	7	–	–	–	15
Underlying EBITDAR[3]	**1,470**	**1,004**	**886**	**375**	**(182)**	**(17)**	**3,536**
Non-cancellable aircraft operating lease rentals	(76)	(64)	(132)	–	–	–	(272)
Depreciation and amortisation[4]	(629)	(542)	(297)	(30)	(13)	(6)	(1,517)
Underlying EBIT	**765**	**398**	**457**	**345**	**(195)**	**(23)**	**1,747**
Net finance costs					(182)		(182)
Underlying PBT					**(377)**		**1,565**
ROIC %[5]							**21.4%**

1. The Group adopted AASB 15 *Revenue from Contracts from Customers* effective 1 July 2017 using the full retrospective method of adoption. The comparative period presented above has been restated (refer to Note 29).
2. Unallocated/Eliminations represents unallocated and other businesses of the Qantas Group which are not considered to be reportable segments including consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 3) and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation.
3. Underlying EBITDAR represents underlying earnings before income tax expense, depreciation, amortisation, non-cancellable aircraft operating lease rentals and net finance costs.
4. Depreciation and amortisation differs from the depreciation and amortisation recognised in the Consolidated Income Statement due to items not included in Underlying PBT (refer to Note 1(B)).
5. ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital (refer to Note 1(C)).

Passenger revenue primarily arises within the Qantas Domestic, Qantas International and Jetstar Group segments. Freight revenue primarily arises within Qantas International, except when bellyspace is utilised in Qantas Domestic and Jetstar Group.

Marketing revenue and redemption revenue in relation to the issuance and redemption of Qantas Points is recognised within the Qantas Loyalty segment. Marketing revenue on inter-segment Qantas Point issuances is eliminated on consolidation. Redemption revenue arising from Qantas Group flight redemptions is recognised within Net Passenger Revenue on consolidation. The inter-segment arrangements with Qantas Loyalty are not designed to derive a net profit from inter-segment Qantas Point issuances and redemptions.

Redemption revenue in relation to products provided by suppliers outside the Group, such as Qantas Store redemptions and other carrier redemptions is recognised in the Income Statement net of related costs, as the Group is an agent. For the purposes of segment reporting, the Qantas Loyalty segment reports these redemptions on a gross basis. Adjustments are made within consolidation eliminations to present these redemptions on a net basis at a Group level within Other Revenue and Income.

(B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY PROFIT BEFORE TAX

Underlying PBT is a non-statutory measure and is the primary reporting measure used by the CODM for the purpose of assessing the performance of the Group. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of each operating segment and the Qantas Group.

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX	2019 $M	2018 (restated) $M
Underlying PBT	**1,302**	**1,565**
Items not included in Underlying PBT		
– Transformation costs	(218)	(162)
– Discretionary bonus payments to non-executive employees	(27)	(53)
– Net gain on disposal of a controlled entity	39	12
– Net gain on disposal of Airport Terminal assets	141	-
– Net gain on disposal/reversal of impairment of associate	43	-
– Other	(15)	(10)
Total items not included in Underlying PBT	**(37)**	**(213)**
Statutory Profit Before Income Tax Expense	**1,265**	**1,352**

Notes to the Financial Statements continued

For the year ended 30 June 2019

1 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY PROFIT BEFORE TAX (CONTINUED)

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

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

In the 2019 financial year these included:

- Transformation costs of $218 million included redundancy and related costs of $65 million, fleet restructuring costs of $107 million (primarily related to costs for the introduction of the 789 Dreamliners and retirement of the 747 fleet) and other upfront costs of $46 million directly incurred to enable the delivery of transformation benefits. Included in fleet restructuring costs are $68 million of non-cash accelerated depreciation and inventory write-downs
- Discretionary bonuses to non-executive employees of $27 million will be paid to non-executive employees after the employees post wage freeze collective agreement is voted upon and approved
- The net gain on disposal of a controlled entity of $39 million arose from the sale of the Qantas Catering business, which was completed during the year
- The net gain on disposal of Airport Terminal assets of $141 million primarily relates to the gain on disposal of Melbourne Domestic Terminal assets
- The net gain on disposal/reversal of impairment of associate of $43 million relates to the Group's investment in Helloworld Travel Limited. The Group sold 2 million shares for $5.50 per share in September 2018 and reversed previously recognised impairment. The reversal of the impairment has been recognised as an item outside of Underlying PBT consistent with the treatment of the original impairment.

(C) RETURN ON INVESTED CAPITAL

Return on Invested Capital (ROIC %) is a non-statutory measure and is the primary financial return measure of the Group. ROIC % is calculated as Return on Invested Capital EBIT (ROIC EBIT) divided by Average Invested Capital.

i. ROIC EBIT

ROIC EBIT is derived by adjusting Underlying EBIT to exclude non-cancellable aircraft operating lease rentals and include Notional Depreciation for these aircraft to account for them as if they were owned aircraft.

The objective of this adjustment is to show an EBIT result which is indifferent to the financing or ownership structure of aircraft assets. ROIC EBIT therefore excludes the finance costs implicitly embedded in operating lease rental payments.

ROIC EBIT	2019 $M	2018 (restated) $M
Underlying EBIT	**1,487**	**1,747**
Add back: Non-cancellable aircraft lease rentals	264	272
Less: Notional depreciation[1]	(107)	(124)
ROIC EBIT	**1,644**	**1,895**

1. For calculating ROIC, capitalised operating leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) of the aircraft at the date of commencing operations at the prevailing AUD/USD rate. This value is notionally depreciated in accordance with the Group's accounting policies, with the calculated depreciation reported above known as Notional Depreciation.

Notes to the Financial Statements continued

For the year ended 30 June 2019

1 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(C) RETURN ON INVESTED CAPITAL (CONTINUED)

ii. Average Invested Capital

Invested Capital includes the net assets of the business other than cash, debt, other financial assets/(liabilities) and tax balances. Invested Capital is also adjusted to include an amount representing the capitalised value of operating leased aircraft assets as if they were owned aircraft. The objective of this adjustment is to show Invested Capital which is indifferent to financing or ownership structures of aircraft assets. Invested Capital therefore includes the capital held in operating leased aircraft, which is a non-statutory adjustment. In accordance with Australian Accounting Standards, these assets are not recognised on the balance sheet.

Average Invested Capital is equal to the average of the monthly Invested Capital for the year.

INVESTED CAPITAL	2019 $M	2018 (restated) $M
Receivables (current and non-current)	1,178	950
Inventories	364	351
Other assets (current and non-current)	685	762
Investments accounted for under the equity method	272	222
Property, plant and equipment	12,977	12,851
Intangible assets	1,225	1,113
Assets classified as held for sale	1	118
Payables	(2,470)	(2,220)
Provisions (current and non-current)	(1,369)	(1,220)
Revenue received in advance (current and non-current)	(5,781)	(5,464)
Liabilities classified as held for sale	–	(64)
Capitalised operating leased assets[1]	1,390	1,510
Invested Capital as at 30 June	**8,472**	**8,909**
Average Invested Capital for the year ended 30 June	**8,936**	**8,863**

1. For calculating ROIC, capitalised operating leased aircraft assets are included in the Group's Invested Capital at the AUD market value (referencing AVAC) of the aircraft at the date of commencing operations at the prevailing AUD/USD rate. This value is notionally depreciated in accordance with the Group's accounting policies, with the calculated depreciation reported above known as Notional Depreciation. The carrying value (AUD market value less accumulated Notional Depreciation) is reported within Invested Capital as capitalised operating leased aircraft assets.

iii. ROIC %

	2019 %	2018 (restated) %
ROIC %[1]	**18.4**	**21.4**

1. ROIC % is calculated as Return on Invested Capital EBIT (ROIC EBIT) divided by Average Invested Capital for the year.

iv. Underlying Earnings per share

	2019 cents	2018 (restated) cents
Underlying Earnings per share[1]	**56.2**	**63.0**

1. Underlying Earnings per share is calculated as Underlying PBT less tax expense (based on the Group's effective tax rate of 29.6% (2018: 29.5%) divided by the weighted average number of shares outstanding during the year.

Notes to the Financial Statements continued

For the year ended 30 June 2019

2 REVENUE AND OTHER INCOME

The Group's operations and main revenue streams are consistent with those described in the Group's annual consolidated financial statements for the year ended 30 June 2018. The nature and effect of initially applying AASB 15 on the Group's financial statements are disclosed in Note 29(R).

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREA

	2019 $M	2018 (restated) $M
Net passenger and freight revenue		
Australia	11,897	11,454
Overseas	4,770	4,385
Total net passenger and freight revenue	**16,667**	**15,839**
Other revenue and income	1,299	1,289
Total revenue and other income	**17,966**	**17,128**

Net passenger and freight revenue is attributed to a geographic region based on the point of sale and where not directly available, on a pro-rata basis. Other revenue and income are not allocated to a geographic region as it is impractical to do so.

(B) OTHER REVENUE AND INCOME

	2019 $M	2018 (restated) $M
Frequent Flyer marketing revenue and other Qantas Loyalty businesses	441	405
Qantas Store and other redemption revenue[1,2]	149	136
Third Party services revenue	340	423
Other income	369	325
Total other revenue and income	**1,299**	**1,289**

1. Frequent Flyer redemption revenue excludes redemptions on Qantas Group flights which are reported as Net Passenger Revenue in the Consolidated Income Statement.
2. Where the Group acts as an agent for redemptions, an adjustment is made within consolidation eliminations to present these redemptions on a net basis.

3 OTHER EXPENDITURE

	2019 $M	2018 (restated) $M
Commissions and other selling costs	733	713
Computer and communication	514	477
Capacity hire	312	280
Non-aircraft operating lease rentals	226	228
Property	218	244
Marketing and advertising	199	208
Discount rate changes impact on provisions	92	2
Redundancies and related costs	65	43
Discretionary bonus payments to non-executive employees	27	53
Net gain on disposal of property, plant and equipment	(174)	(5)
Net gain on disposal/reversal of impairment of associate	(43)	–
Net gain on disposal of a controlled entity	(39)	(12)
Other	370	402
Total other expenditure	**2,500**	**2,633**

Notes to the Financial Statements continued

For the year ended 30 June 2019

4 NET FINANCE COSTS

	2019 $M	2018 $M
FINANCE INCOME		
Interest income on financial assets measured at amortised cost	42	42
Unwind of discount on receivables	5	6
Total finance income	**47**	**48**
FINANCE COSTS		
Interest expense on financial liabilities measured at amortised cost	(241)	(236)
Interest paid and capitalised on qualifying assets[1]	42	44
Total finance costs on financial liabilities	**(199)**	**(192)**
Unwind of discount on provisions and other liabilities		
Employee benefits	(20)	(22)
Other liabilities and provisions	(13)	(16)
Total unwind of discount on other liabilities and provisions	**(33)**	**(38)**
Total finance costs	**(232)**	**(230)**
Net finance costs	**(185)**	**(182)**

1. The borrowing costs are capitalised using the average interest rate for the year applicable to the Qantas Group's debt facilities throughout the year, being 5.5 per cent (2018: 6.0 per cent).

5 INCOME TAX EXPENSE

(A) INCOME TAX RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

	2019 $M	2018 (restated) $M
Current income tax expense		
Current income tax – Australia	(253)	(4)
Current income tax – foreign	(5)	(3)
Total current income tax expense	**(258)**	**(7)**
Deferred income tax expense		
Origination and reversal of temporary differences	(97)	(106)
Utilisation of tax losses	(3)	(282)
Current year deferred income tax expense	**(100)**	**(388)**
Adjustments for the prior year	(16)	(4)
Total deferred income tax expense	**(116)**	**(392)**
Total income tax expense in the Consolidated Income Statement	**(374)**	**(399)**

(B) RECONCILIATION BETWEEN INCOME TAX EXPENSE AND STATUTORY PROFIT BEFORE INCOME TAX

	2019 $M	2018 (restated) $M
Statutory profit before income tax expense	**1,265**	**1,352**
Income tax expense using the domestic corporate tax rate of 30 per cent	(380)	(406)
Adjusted for:		
Non-assessable dividends from controlled entities	–	1
Differences in income from investments accounted for under the equity method	3	5
(Non-deductible) losses for foreign branches and controlled entities	(9)	(6)
Utilisation of previously unrecognised foreign branch and controlled entity losses/ (non-recognition) of foreign branch and controlled entity losses	(8)	3
Non-assessable gain on property, plant and equipment	27	–
Other net (non-deductible)/non-assessable items	9	7
(Under) provision from prior periods	(16)	(3)
Income tax expense	**(374)**	**(399)**

Notes to the Financial Statements continued

For the year ended 30 June 2019

5 INCOME TAX EXPENSE (CONTINUED)

(C) INCOME TAX RECOGNISED DIRECTLY IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019 $M	2018 $M
Income tax on:		
Cash flow hedges	111	(170)
Defined benefit actuarial losses/(gains)	52	(36)
Fair value gains on investments	(2)	(1)
Income tax benefit/(expense) recognised directly in the Consolidated Statement of Comprehensive Income	**161**	**(207)**

(D) RECONCILIATION OF INCOME TAX EXPENSE TO INCOME TAX PAYABLE

	2019 $M	2018 (restated) $M
Income tax expense	**(374)**	**(399)**
Adjusted for temporary differences		
Receivables	(4)	(7)
Inventories	(5)	(10)
Property, plant and equipment and intangible assets	131	97
Payables	25	(43)
Revenue received in advance	(17)	(18)
Interest-bearing liabilities	70	(10)
Other financial assets/(liabilities)	(72)	92
Provisions	(30)	(13)
Other items	(1)	18
Temporary differences	**97**	**106**
Adjustments for the prior year	16	4
Tax on taxable income	**(261)**	**(289)**
Tax losses utilised (Australian)	3	282
Tax instalments paid[1]	145	–
Income tax payable	**(113)**	**(7)**

1. Australian income tax payments in the Consolidated Cash Flow Statement total $156 million, comprising $145 million Australian income tax instalments referable to 2018/19 and a $11 million final Australian tax payment referable to 2017/18. In addition, the Group paid $12 million in foreign income taxes.

Income tax paid and payable was less than 30 per cent of the Qantas Group's Statutory Profit Before Tax due to temporary differences of $97 million (2018: $106 million) that result in differences between Taxable Income, and Statutory Profit Before Tax which will reverse in future periods, such as accelerated tax depreciation on aircraft (timing differences due to the Qantas Group making a significant investment in renewing its fleet in recent years, which will reverse in future tax periods).

Notes to the Financial Statements continued

For the year ended 30 June 2019

6 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

	Amount per Ordinary Share cents	Franked Amount per Ordinary Share cents	Dividend Declared $M	Payment Date
2019 final dividend	13.0	13.0	204	September 2019
2019 interim dividend	12.0	12.0	195	March 2019
2018 final dividend	10.0	10.0	168	October 2018

(A) DIVIDENDS DECLARED AND PAID

In August 2019, the Directors declared a fully franked final dividend of 13 cents per ordinary share totalling $204 million. The record date for determining entitlements to the final dividend is 3 September 2019. The dividend will be paid on 23 September 2019.

During the year ended 30 June 2019, the Group paid two fully franked dividends of 10 and 12 cents per ordinary share totalling $363 million ($168 million on 10 October 2018 and $195 million on 28 March 2019).

(B) OTHER SHAREHOLDER DISTRIBUTIONS

In August 2019, the Directors announced an off-market share buy-back. The Qantas Group has the ability to purchase a maximum of 79.7 million shares.

Under the buy-back, the Qantas Group has the ability to buy back up to 79.7 million of its shares without shareholder approval. The Group will determine the size of the buy-back at the end of the tender period, depending on relevant factors such as the market price of shares at the relevant time, shareholder demand, market conditions, Group's forecast earnings and capital requirements and the requirements of its Constitution and applicable laws. For illustrative purposes, assuming a buy-back Price of $4.85 (being a 14 per cent discount to an assumed Market Price of $5.64, as at 19 August 2019), the total spend by the Group would be $387 million. The Group can vary the size of the buy-back, or decide not to buy back any shares, at its discretion. Refer to the buy-back booklet for further information.

During the year ended 30 June 2019, the Group completed the on-market share buy-back of $332 million announced in August 2018, and the on-market share buy-back of $305 million announced in February 2019. The Group purchased a total of 113 million ordinary shares for $637 million at a weighted average share price of $5.63.

(C) FRANKING ACCOUNT

	2019 $M	2018 $M
Total franking account balance at 30 per cent[1]	113	5

1. The franking account balance for the Group as at 30 June 2019 is $113 million (which comprises $5 million closing balance as at 30 June 2019, adjusted for Australian income tax payable of $108 million).

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

- Franking credits that will arise from the payment of income tax payable for the current year
- Franking credits that will arise from the receipt of dividends recognised as receivables at the year end
- Franking credits that may be prevented from being distributed in subsequent years.

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

(D) EARNINGS PER SHARE

	2019 cents	2018 (restated) cents
Basic earnings per share	**54.6**	**54.4**
Diluted earnings per share	**54.4**	**54.0**
	$M	$M
Statutory profit attributable to members of Qantas	**891**	**953**
NUMBER OF SHARES	Number M	Number M
Issued shares as at 1 July	1,684	1,809
Shares bought back and cancelled	(113)	(125)
Issued shares as at 30 June	**1,571**	**1,684**
Weighted average number of shares for the year[1]	**1,634**	**1,756**

1. Weighted average number of shares (basic) of 1,631 million (2018: 1,751 million) excludes unallocated treasury shares in the calculation of basic earnings per share. Weighted average number of shares (diluted) of 1,639 million (2018: 1,766 million) excludes unallocated treasury shares and includes the effect of share rights expected to vest (using the treasury stock method) in the calculation of diluted earnings per share.

Notes to the Financial Statements continued

For the year ended 30 June 2019

7 AUDITOR'S REMUNERATION

	2019 $'000	2018 $'000
AUDIT AND AUDIT-RELATED SERVICES		
– Audit and review of Financial Report	3,214	3,306
– Other assurance and regulatory audit services	439	417
Total audit and audit-related services	**3,653**	**3,723**
OTHER SERVICES		
– Taxation and due diligence services	496	440
– Other non-audit services[1]	1,014	2,062
Total other services	**1,510**	**2,502**
Total auditor's remuneration	**5,163**	**6,225**

1. Other non-audit services includes fees of $995,000 (2018: $2,048,000) related to KPMG's acquisition of a service provider to the Group in 2017 with services continuing into 2019. These services have discontinued from 1 July 2019.

8 RECEIVABLES

	2019 $M			2018 (restated) $M		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	975	–	975	717	–	717
Less provision for impairment losses	(4)	–	(4)	(2)	–	(2)
Total trade receivables	**971**	**–**	**971**	**715**	**–**	**715**
Sundry receivables	130	77	207	125	110	235
Total receivables	**1,101**	**77**	**1,178**	**840**	**110**	**950**

	2019 $M	2018 (restated) $M
The ageing of trade receivables, net of provision for impairment losses, at 30 June was:		
Not past due	863	647
Past due 1–30 days	56	49
Past due 31–120 days	36	11
Past due 121 days or more	16	8
Total trade receivables	**971**	**715**

9 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

	2019 $M	2018 $M
Aircraft and engines	1	1
Assets of the Catering Business disposal group	–	117
Total assets classified as held for sale	**1**	**118**

	2019 $M	2018 $M
Liabilities of the Catering Business disposal group	–	(64)
Total liabilities classified as held for sale	**–**	**(64)**

The fair value measurement for property, plant and equipment classified as held for sale has been categorised under the fair value hierarchy as Level 2. Refer to Note 29(E) for a definition of the fair value hierarchy.

Notes to the Financial Statements continued

For the year ended 30 June 2019

10 PROPERTY, PLANT AND EQUIPMENT

	2019 $M			2018 $M		
$M	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Freehold land	49	–	49	49	–	49
Buildings	289	(212)	77	295	(216)	79
Leasehold improvements	1,078	(856)	222	1,392	(990)	402
Plant and equipment	1,540	(1,122)	418	1,511	(1,099)	412
Aircraft and engines	23,215	(12,296)	10,919	22,713	(11,964)	10,749
Aircraft spare parts	896	(387)	509	909	(414)	495
Aircraft deposits	783	–	783	665	–	665
Total property, plant and equipment	**27,850**	**(14,873)**	**12,977**	**27,534**	**(14,683)**	**12,851**

2019 $M	Opening Net Book Value	Cash Additions[1]	Aircraft Operating Lease Refinancing	Disposals	Transfers[2]	Transferred (to)/from Assets Classified as Held for Sale	Depreciation	Other[3]	Closing Net Book Value[5]
Freehold land	49	–	–	–	–	–	–	–	49
Buildings	79	–	–	–	–	–	(4)	2	77
Leasehold improvements	402	37	–	(91)	(10)	–	(41)	(75)	222
Plant and equipment	412	107	–	(45)	8	–	(61)	(3)	418
Aircraft and engines[4]	10,749	1,114	88	(4)	244	–	(1,350)	78	10,919
Aircraft spare parts	495	86	–	(1)	–	–	(45)	(26)	509
Aircraft deposits	665	380	–	–	(246)	–	–	(16)	783
Total property, plant and equipment	**12,851**	**1,724**	**88**	**(141)**	**(4)**	**–**	**(1,501)**	**(40)**	**12,977**

2018 (restated[6]) $M	Opening Net Book Value	Cash Additions[1]	Aircraft Operating Lease Refinancing	Disposals	Transfers[2]	Transferred (to)/from Assets Classified as Held for Sale	Depreciation	Other[3]	Closing Net Book Value[5]
Freehold land	50	–	–	–	–	(1)	–	–	49
Buildings	109	–	–	–	3	(28)	(3)	(2)	79
Leasehold improvements	447	39	–	–	(18)	(13)	(50)	(3)	402
Plant and equipment	433	81	–	(7)	14	(34)	(76)	1	412
Aircraft and engines[4]	10,032	1,182	230	–	397	5	(1,228)	131	10,749
Aircraft spare parts	430	95	–	–	–	–	(44)	14	495
Aircraft deposits	752	289	–	–	(397)	–	–	21	665
Total property, plant and equipment	**12,253**	**1,686**	**230**	**(7)**	**(1)**	**(71)**	**(1,401)**	**162**	**12,851**

1. Additions includes capitalised interest of $37 million (2018: $39 million).
2. Transfers includes transfers between categories of property, plant and equipment and transfers from/(to) other balance sheet accounts.
3. Other includes foreign exchange movements (including those relating to assets which are designated in fair value hedging arrangements (2019: $50m, 2018: $16m)), non-cash movements (including those relating to finance leases), movements in accrued payments for property, plant and equipment (2019: $15m, 2018: $148m), disposals where the proceeds have not yet been received (2019: ($78m), 2018: $nil) and impairments of property, plant and equipment.
4. Aircraft and engines includes finance-leased assets with a net book value of $966 million (2018: $1,053 million).
5. Total fair value change of assets designated in fair value hedging arrangements within closing net book value is $150m (2018: $108m).
6. The balances in cash additions and other have been reclassified to align with current year presentation.

(A) AIRCRAFT BY GEOGRAPHIC AREA

Aircraft supporting the Group's global operations are primarily located in Australia.

(B) SECURED ASSETS

Certain aircraft and engines act as security against related financing facilities. Under the terms of certain financing facilities entered into by the Qantas Group, the underwriters to these agreements have a fixed charge over certain aircraft and engines to the extent that debt has been issued directly to those underwriters. The total carrying amount of assets under pledge is $5,277 million (2018: $3,966 million).

Notes to the Financial Statements continued

For the year ended 30 June 2019

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(C) CAPITAL EXPENDITURE COMMITMENTS

The Group's capital expenditure commitments as at 30 June 2019 are $9,550 million (2018: $12,478 million). The Group has certain rights within its aircraft purchase contracts which can defer the capital expenditure commitments.

The Group's capital expenditure commitments are predominantly denominated in US dollars. Commitments reported above are translated to the Group's Australian dollar presentational currency at the 30 June 2019 closing exchange rate of $0.69 (30 June 2018: $0.74).

11 INTANGIBLE ASSETS

	2019 $M			2018 $M		
	At Cost	Accumulated Amortisation and Impairment	Net Book Value	At Cost	Accumulated Amortisation and Impairment	Net Book Value
Goodwill	209	–	209	207	–	207
Airport landing slots	35	–	35	35	–	35
Software	1,907	(1,081)	826	1,681	(924)	757
Brand names and trademarks	28	–	28	26	–	26
Customer contracts/relationships	4	(3)	1	4	(3)	1
Contract intangible assets	126	–	126	87	–	87
Total intangible assets	**2,309**	**(1,084)**	**1,225**	**2,040**	**(927)**	**1,113**

2019 $M	Opening Net Book Value	Cash Additions[1]	Disposals of Controlled Entity	Transfers[2]	Transferred (to)/from Assets Classified as Held for Sale	Amortisation	Other[3]	Closing Net Book Value
Goodwill	207	–	–	–	–	–	2	209
Airport landing slots	35	–	–	–	–	–	–	35
Software	757	240	–	(7)	–	(164)	–	826
Brand names and trademarks	26	–	–	–	–	–	2	28
Customer contracts/relationships	1	–	–	–	–	–	–	1
Contract intangible assets	87	39	–	–	–	–	–	126
Total intangible assets	**1,113**	**279**	**–**	**(7)**	**–**	**(164)**	**4**	**1,225**

2018 $M	Opening Net Book Value	Cash Additions[1]	Disposals of Controlled Entity	Transfers[2]	Transferred (to)/from Assets Classified as Held for Sale	Amortisation	Other[3]	Closing Net Book Value
Goodwill	207	–	(1)	–	–	–	1	207
Airport landing slots	35	–	–	–	–	–	–	35
Software	699	200	(7)	1	(9)	(127)	–	757
Brand names and trademarks	25	–	–	–	–	–	1	26
Customer contracts/relationships	1	–	–	–	–	–	–	1
Contract intangible assets	58	29	–	–	–	–	–	87
Total intangible assets	**1,025**	**229**	**(8)**	**1**	**(9)**	**(127)**	**2**	**1,113**

1. Additions includes capitalised interest of $5 million (2018: $5 million).
2. Transfers includes transfers between categories of intangible assets and transfers from/(to) other balance sheet accounts.
3. Other includes foreign exchange movements, movements in accrued payments for intangible assets and impairments of intangible assets.

Notes to the Financial Statements continued

For the year ended 30 June 2019

12 DEFERRED TAX LIABILITIES

	2019 $M	2018 (restated) $M
Deferred tax liabilities	**(847)**	**(910)**

(A) RECONCILIATION OF DEFERRED TAX ASSETS/(LIABILITIES)

2019 $M	Opening Balance (restated)	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Recognised in Retained Earnings	Transfer to Assets/ Liabilities Classified as Held for Sale	Closing Balance
Receivables	(33)	4	–	–	–	(29)
Inventories	(20)	5	–	–	–	(15)
Property, plant and equipment and intangible assets	(1,597)	(131)	–	–	–	(1,728)
Payables	75	(25)	–	–	–	50
Revenue received in advance	768	17	–	–	–	785
Interest-bearing liabilities	(46)	(70)	–	–	–	(116)
Other financial assets/(liabilities)	(280)	72	111	–	–	(97)
Provisions	351	30	–	–	–	381
Other items	(131)	1	50	2	–	(78)
Tax value of recognised tax losses	3	(3)	–	–	–	–
Total deferred tax (liabilities)/assets	**(910)**	**(100)**	**161**	**2**	**–**	**(847)**

2018 (restated) $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Recognised in Retained Earnings	Transfer to Assets/ Liabilities Classified as Held for Sale	Closing Balance
Receivables	(40)	7	–	–	–	(33)
Inventories	(30)	10	–	–	–	(20)
Property, plant and equipment and intangible assets	(1,505)	(97)	–	–	5	(1,597)
Payables	32	43	–	–	–	75
Revenue received in advance	750	18	–	–	–	768
Interest-bearing liabilities	(56)	10	–	–	–	(46)
Other financial assets/(liabilities)	(18)	(92)	(170)	–	–	(280)
Provisions	345	13	–	–	(7)	351
Other items	(128)	(18)	(37)	52	–	(131)
Tax value of recognised tax losses	285	(282)	–	–	–	3
Total deferred tax assets/(liabilities)	**(365)**	**(388)**	**(207)**	**52**	**(2)**	**(910)**

(B) QANTAS GROUP CARRIED FORWARD TAX LOSSES

	2019 $M	2018 $M
Tax losses available to be utilised in current year	(10)	(941)
Tax losses available to be utilised in future years	–	(10)
Total tax losses brought forward	**(10)**	**(951)**
Tax losses utilised against current taxable income	10	941
Tax losses carried forward to be utilised in future years	**–**	**(10)**

Notes to the Financial Statements continued

For the year ended 30 June 2019

12 DEFERRED TAX LIABILITIES (CONTINUED)

(C) UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised with respect to the following items:

	2019 $M	2018 $M
Tax losses – New Zealand	21	17
Tax losses – Singapore	18	15
Tax losses – Hong Kong	12	12
Total unrecognised deferred tax assets	**51**	**44**

13 OTHER ASSETS

		2019 $M			2018 (restated) $M		
	Notes	Current	Non-current	Total	Current	Non-current	Total
Prepayments		161	166	327	121	209	330
Net defined benefit asset	23(B)	–	107	107	–	292	292
Other assets		75	176	251	40	100	140
Total other assets		**236**	**449**	**685**	**161**	**601**	**762**

14 REVENUE RECEIVED IN ADVANCE

	2019 $M			2018 (restated) $M		
	Current	Non-current	Total	Current	Non-current	Total
Unavailed passenger revenue	3,068	–	3,068	2,901	–	2,901
Unredeemed Frequent Flyer revenue	1,060	1,402	2,462	917	1,409	2,326
Other revenue received in advance	187	64	251	200	37	237
Total revenue received in advance	**4,315**	**1,466**	**5,781**	**4,018**	**1,446**	**5,464**

Unredeemed passenger revenue relates to sales to passengers in advance of the date of passenger travel. These tickets expire within 12 months after the planned travel date, if they are not used within that time period. Depending on the terms and conditions, these tickets may expire if not utilised on the date of planned travel. Unredeemed passenger revenue is classified as current on the basis that these tickets are expected to be utilised or expire in the next 12 months. At the time of travel, revenue is also recognised in respect of tickets that are not expected to be used. Unused tickets are recognised as revenue using estimates based on the terms and conditions of the ticket, experience, historical and expected future trends.

Unredeemed Frequent Flyer revenue relates to performance obligations associated with Qantas Points which have been issued, but not redeemed. Qantas Points are issued by the Group as part of the Qantas Frequent Flyer program or are sold to third parties such as credit cards providers, who issue them as part of their loyalty programs. Other movements include Qantas Points issued as incentives, expiry of points balances and changes in breakage assumptions. Unredeemed Frequent Flyer revenue is classified as either current or non-current based on the Group's expectation of redemption patterns by members within the next 12 months. The non-current amount of Unredeemed Frequent Flyer revenue will be materially recognised as revenue over seven years, with the majority recognised within two to three years from issuance. Significant changes in Qantas Points expected to expire unredeemed are recognised as revenue using estimates based on the terms and conditions of the Frequent Flyer program, experience, historical and expected future trends.

Other revenue received in advance primarily relates to prepaid Qantas Club revenue, revenue collected on behalf of other airlines and unavailed cargo revenue. Other revenue is classified as current where it is expected to be recognised or transferred to another carrier within the next 12 months.

The amount of $4,018 million recognised in the total revenue received in advance at the beginning of the period has been recognised as revenue for the period ended 30 June 2019.

Notes to the Financial Statements continued

For the year ended 30 June 2019

15 NET ON BALANCE SHEET DEBT

(A) CASH AND CASH EQUIVALENTS

	2019 $M	2018 $M
Cash balances	318	264
Cash at call	309	100
Short-term money market securities and term deposits	1,530	1,330
Total cash and cash equivalents	**2,157**	**1,694**

Cash and cash equivalents comprise cash at bank and on hand, cash at call and short-term money market securities and term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Short-term money market securities of $234 million (2018: $158 million) held by the Qantas Group are pledged as collateral under the terms of certain operational financing facilities when underlying unsecured limits are exceeded. The collateral cannot be sold or repledged in the absence of default by the Qantas Group.

(B) INTEREST-BEARING LIABILITIES

		2019 $M			2018 $M		
	Notes	Current	Non-current	Total	Current	Non-current	Total
Bank loans – secured		259	867	1,126	287	1,124	1,411
Bank loans – unsecured		–	318	318	–	321	321
Other loans – secured		–	1,167	1,167	–	347	347
Other loans – unsecured		247	1,125	1,372	8	1,373	1,381
Lease and hire purchase liabilities – secured	22(A)	129	1,112	1,241	109	1,179	1,288
Total interest-bearing liabilities		**635**	**4,589**	**5,224**	**404**	**4,344**	**4,748**

Certain current and non-current interest-bearing liabilities relate to specific financing of aircraft and engines and are secured by the aircraft to which they relate (refer to Note 10). During the year, there were non-cash financing activities relating to additions of property, plant and equipment under finance leases of $nil million (2018: $1 million).

(C) ANALYSIS OF CHANGES IN NET ON BALANCE SHEET DEBT

2019 $M	Opening Balance	Debt Repayment	Aircraft Operating Lease Refinancing	Debt Drawdown	Foreign Exchange	Mark to Market & Non-cash Movement	Shareholder Distributions	Treasury Shares	Other Net Cash Movement	Closing Balance
Interest-bearing liabilities	4,748	(744)	–	1,137	59	24	–	–	–	5,224
Fair value of hedges related to debt	–	–	–	–	–	–	–	–	–	–
Cash	(1,694)	744	88	(1,137)	(12)	–	1,000	98	(1,244)	(2,157)
Net on balance sheet debt	**3,054**	**–**	**88**	**–**	**47**	**24**	**1,000**	**98**	**(1,244)**	**3,067**

2018 $M	Opening Balance	Debt Repayment	Aircraft Operating Lease Refinancing	Debt Drawdown	Foreign Exchange	Mark to Market & Non-cash Movement	Shareholder Distributions	Treasury Shares	Other Net Cash Movement	Closing Balance
Interest-bearing liabilities	4,838	(802)	–	668	18	25	–	–	1	4,748
Fair value of hedges related to debt	(1)	–	–	–	–	–	–	–	1	–
Cash	(1,775)	802	230	(668)	(3)	–	1,000	162	(1,442)	(1,694)
Net on balance sheet debt	**3,062**	**–**	**230**	**–**	**15**	**25**	**1,000**	**162**	**(1,440)**	**3,054**

Notes to the Financial Statements continued

For the year ended 30 June 2019

16 PROVISIONS

	2019 $M			2018 $M		
	Current	Non-current	Total	Current	Non-current	Total
Annual leave	348	–	348	298	–	298
Long service leave	410	49	459	355	43	398
Redundancies and other employee benefits	140	–	140	183	–	183
Total employee benefits	**898**	**49**	**947**	**836**	**43**	**879**
Onerous contracts	–	2	2	–	2	2
Make good on leased assets	2	204	206	2	165	167
Insurance, legal and other	54	160	214	15	157	172
Total other provisions	**56**	**366**	**422**	**17**	**324**	**341**
Total provisions	**954**	**415**	**1,369**	**853**	**367**	**1,220**

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

2019 $M	Opening Balance	Provisions Made	Provisions Utilised	Unwind of Discount	Other	Closing Balance
Onerous contracts	2	–	–	–	–	2
Make good on leased assets	167	27	(6)	6	12	206
Insurance, legal and other	172	61	(29)	3	7	214
Total other provisions	**341**	**88**	**(35)**	**9**	**19**	**422**

17 CAPITAL

(A) ISSUED CAPITAL

	2019 $M	2018 $M
Opening balance: 1,683,567,880 (2018: 1,808,226,377) ordinary shares, fully paid	2,508	3,259
Shares bought back during the period: 113,061,941 (2018: 124,658,497) ordinary shares	(637)	(751)
Closing balance: 1,570,505,939 (2018: 1,683,567,880) ordinary shares	**1,871**	**2,508**

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.

(B) TREASURY SHARES

Treasury shares consist of shares held in trust for Qantas employees in relation to equity compensation plans. As at 30 June 2019, 24,609,551 (2018: 23,393,257) shares were held in trust and classified as treasury shares.

(C) CAPITAL MANAGEMENT

The Qantas Group's Financial Framework is designed to achieve top quartile Total Shareholder Return relative to the ASX100 and global airline peers. The Framework's key elements are to:

- Maintain an optimal capital structure that minimises the cost of capital, by holding an appropriate level of net debt (including off balance sheet aircraft operating leases). The appropriate level of net debt reflects the Qantas Group's size, measured by Invested Capital. This is consistent with investment grade credit metrics
- Deliver ROIC that exceeds the weighted average cost of capital through the cycle
- Make disciplined capital allocation decisions between reinvestment, debt reduction and distribution of surplus capital to shareholders while maintaining an optimal capital structure.

Surplus capital is determined on a forward basis, being the difference between the projected net debt position and the target net debt position whilst ROIC remains above 10 per cent.

The Qantas Group maintains access to a broad range of debt markets, both secured and unsecured. The Qantas Group maintains a prudent liquidity policy that ensures adequate coverage of liquidity requirements while considering a range of adverse scenarios.

Notes to the Financial Statements continued

For the year ended 30 June 2019

17 CAPITAL (CONTINUED)

	Metric	2019	2018 (restated)
Net debt[1]	$5.2B to $6.5B[2]	$4.7B	$4.9B
Debt/EBITDA[3]	<3.5 times	2.3 times	2.0 times
Return on Invested Capital (%)	ROIC > WACC	18.4 per cent	21.4 per cent
Net capital expenditure[4]		$1.61B	$1.97B
Shareholder distributions		$1.0B	$1.0B

1. Net debt is a non-statutory measure which includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group's Financial Framework. Capitalised aircraft operating lease liabilities are measured at fair value at the lease commencement date and remeasured over the lease term on a principal and interest basis akin to a finance lease. The residual value of the capitalised aircraft lease liability denominated in a foreign currency is translated at the long-term exchange rate.
2. Target net debt range of $5.2 billion to $6.5 billion is based on the Average Invested Capital of $8.9 billion (2018: target debt range of $5.1 to $6.3 billion). The Group is targeting the bottom end of the range.
3. Debt/EBITDA is a non-statutory measure which is Management's estimate based on Moody's methodology.
4. Net capital expenditure is a non-statutory measure which is equal to net investing cash flows included in the Consolidated Cash Flow Statement of $1.56 billion (2018: $1.97 billion) (which excludes aircraft operating lease refinancing) plus implied capital expenditure for new leases of $0.05 billion (2018: $nil).

In August 2019, the Board declared a fully franked 13 cents per share final ordinary dividend of $204 million and announced an off-market share buy-back to purchase a maximum of 79.7 million shares.

18 IMPAIRMENT TESTING OF CASH GENERATING UNITS

Identification of an asset's Cash Generating Unit (CGU) involves judgement based on how Management monitors the Qantas Group's operations and how decisions to acquire and dispose of the Qantas Group's assets and operations are made. Management has identified the lowest identifiable group of assets that generates largely independent cash inflows as being Qantas International, Qantas Domestic, Qantas Freight, Qantas Loyalty and the Jetstar Group CGUs.

The value in use was determined by discounting the future cash flows forecast to be generated from the continuing use of the units and was based on the following assumptions:

Assumption	How Determined
Cash flows	Cash flows were projected based on the approved Financial Plan. Cash flows to determine a terminal value were extrapolated using a constant growth rate of 2.5 per cent per annum, which does not exceed the long-term average growth rate for the industry. Cash outflows include capital expenditure for the purchase of aircraft and other property, plant and equipment. These cash outflows do not include capital expenditure that enhances the current performance of assets and related cash flows have been treated consistently.
Discount rate	A pre-tax discount rate of 10 per cent per annum has been used in discounting the projected cash flows of the CGUs, reflecting a market estimate of the weighted average cost of capital of the Qantas Group (2018: 10 per cent per annum).

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

	2019 $M	2018 $M
Goodwill		
Qantas Domestic	10	10
Qantas Loyalty	12	12
Qantas Freight	49	49
Jetstar Group	138	136
Total goodwill	**209**	**207**
Other intangible assets with indefinite useful lives		
Qantas International	35	35
Jetstar Group	28	26
Total other intangible assets with indefinite useful lives	**63**	**61**

No impairment was recognised for the identified CGUs during the year ended 30 June 2019 (2018: nil).

Notes to the Financial Statements continued

For the year ended 30 June 2019

19 SHARE-BASED PAYMENTS

The Group provides benefits to Executives of the Group in the form of share-based payments, whereby Executives render services in exchange for Rights over shares. The total equity-settled share-based payment expense for the year was $49 million (2018: $64 million). The total cash-settled share-based payment expense for the year was $3 million (2018: $8 million). Further details regarding the operation of equity plans for Executives are outlined in the Remuneration Report from pages 28 to 54.

(A) LONG TERM INCENTIVE PLAN (LTIP)

Generally, participation in the LTIP is limited to Senior Executives of the Qantas Group in key roles or other participants who have been identified as high potential Executives. All Rights are redeemable on a one-for-one basis for Qantas shares, subject to the achievement of performance hurdles. Dividends are not payable on the Rights. For more information on the operation of the LTIP, see pages 42 to 44.

	2019	2018
Performance Rights Reconciliation	**Number of Rights**	**Number of Rights**
Rights outstanding as at 1 July	15,121,500	64,752,500
Rights granted during the year	3,602,500	3,976,000
Rights forfeited during the year	(1,278,263)	(3,954,047)
Rights exercised during the year	(4,746,237)	(49,652,953)
Rights outstanding as at 30 June	**12,699,500**	**15,121,500**
Rights exercisable as at 30 June	–	–

The Rights outstanding as at 30 June 2019 included 6,030,000 Rights under the 2017–2019 LTIP. 6,003,175 Rights vested and converted to shares and 26,825 Rights forfeited following the testing of performance hurdles as at 30 June 2019 and after applying service conditions and the Board's approval of the 2017–2019 LTIP vesting outcome on 21 August 2019.

The Rights outstanding as at 30 June 2018 included 4,864,500 Rights under the 2016–2018 LTIP. 4,746,237 Rights vested and converted to shares and 118,263 Rights forfeited following the testing of performance hurdles as at 30 June 2018 and the Board's approval of the 2016–2018 LTIP vesting outcome on 22 August 2018.

i. Fair Value Calculation

The estimated value of Rights granted was determined at grant date using a Monte Carlo model. The weighted average fair value of Rights granted during the year was $3.14 (2018: $3.02).

	2019		2018	
Inputs into the Models	**26 October 2018**	**5 September 2018**	**27 October 2017**	**5 September 2017**
Rights granted	726,000	2,876,500	763,500	3,212,500
Weighted average share value	$5.23	$6.25	$5.96	$5.63
Expected volatility	25.0%	25.0%	25.0%	25.0%
Dividend yield	4.2%	3.6%	2.8%	3.0%
Risk-free interest rate	2.0%	2.0%	2.6%	2.6%

The expected volatility was determined having regard to the historical 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 useful lives of the plans. The yield is converted into a continuously compounded rate in the model. The expected life assumes immediate exercise after vesting.

(B) SHORT TERM INCENTIVE PLAN (STIP)

For details on the operation of the STIP see pages 40 to 42. There were 613,888 awards of Qantas shares made under the 2017/18 STIP during the year ended 30 June 2019 (2018: 1,221,466 awards under the 2016/17 STIP).

(C) MANAGER INCENTIVE PLAN (MIP)

The MIP is the annual incentive plan for the broader Management group. Each year, to the extent that the plan's performance conditions are achieved, this group may receive an award that is a combination of cash and restricted shares. The scorecard performance outcomes are the same as those for STIP. For scorecard performance outcomes, refer to the details of the operation of the STIP on pages 40 to 42. The CEO retains discretion over any awards made under the MIP. There were 5,992,430 awards of Qantas shares made under the 2017/18 MIP during the year ended 30 June 2019 (2018: 10,891,916 awards under the 2016/17 MIP).

Notes to the Financial Statements continued

For the year ended 30 June 2019

20 FINANCIAL RISK MANAGEMENT

(A) RISKS

The Qantas Group is subject to financial risks which are an inherent part of the operations of an airline. The Qantas Group manages these risk exposures using various financial instruments, governed by a set of policies approved by the Board. The Qantas Group's policy is not to enter into, issue or hold derivative financial instruments for speculative trading purposes.

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

Risk	Nature of Risk	Management of Risk
Liquidity risk	Difficulty in meeting financial liability obligations.	Remaining within optimal capital structure, targeting a minimum liquidity level, ensuring long-term commitments are managed, maintaining access to a variety of additional funding sources and managing maturity profiles.
Interest rate risk	Fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates.	Floating versus fixed rate debt framework, interest rate swaps, forward rate agreements and options.
Foreign exchange risk	Fluctuations in the fair value of future cash flows or assets/liabilities denominated in a currency other than AUD because of changes in foreign exchange rates.	Forward foreign exchange contracts, currency options, cross-currency swaps and fair value designation of non-derivative foreign currency assets and liabilities in a hedge relationship.
Fuel price risk	Exposure of future AUD fuel to unfavourable USD-denominated price movements and foreign exchange movements.	USD price – options and swaps on jet kerosene, gasoil and crude oil. Foreign exchange risk – foreign exchange contracts and currency options.
Credit risk	Potential loss from a transaction in the event of a default by a counterparty during the term or on settlement of a transaction.	Trade Debtor counterparties – stringent credit policies and accreditation of travel agents through industry programs. Other financial asset counterparties – transact only with counterparties that have acceptable credit ratings and counterparty limits.

i. Liquidity Risk

Nature of the Risk:
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

Liquidity Risk Management:
The Qantas Group manages liquidity risk by targeting a minimum liquidity level, ensuring long-term commitments are managed with respect to forecast available cash inflows, maintaining access to a variety of additional funding sources, including commercial paper and standby facilities, and managing maturity profiles. Qantas may from time to time seek to purchase and retire outstanding debt through cash purchases in open market transactions, privately negotiated transactions or otherwise. Any such repurchases would depend on prevailing market conditions, liquidity requirements and possibly other factors.

Notes to the Financial Statements continued

For the year ended 30 June 2019

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

2019 $M	Less Than 1 Year	1 to 5 Years	More Than 5 Years	Total
Financial liabilities				
Payables	2,470	–	–	2,470
Bank loans – secured[1]	295	856	72	1,223
Bank loans – unsecured[1]	9	36	334	379
Other loans – secured[1]	340	1,102	196	1,638
Other loans – unsecured[1]	36	144	1,341	1,521
Lease and hire purchase liabilities[1]	159	1,175	59	1,393
Derivatives – inflows	(6)	(3)	–	(9)
Derivatives – outflows	16	7	–	23
Net other financial assets/liabilities – inflows	(256)	(47)	–	(303)
Total financial liabilities	**3,063**	**3,270**	**2,002**	**8,335**

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

2018 (restated[1]) $M	Less Than 1 Year	1 to 5 Years	More Than 5 Years	Total
Financial liabilities				
Payables	2,220	–	–	2,220
Bank loans – secured[2]	333	959	268	1,560
Bank loans – unsecured[2]	11	367	–	378
Other loans – secured[2]	13	50	381	444
Other loans – unsecured[2]	102	1,178	460	1,740
Lease and hire purchase liabilities[2]	147	934	405	1,486
Derivatives – inflows	(11)	(9)	–	(20)
Derivatives – outflows	26	22	–	48
Net other financial assets/liabilities – inflows	(454)	(98)	–	(552)
Total financial liabilities	**2,387**	**3,403**	**1,514**	**7,304**

1. The 30 June 2018 balances have been reclassified to reflect the contractual timing of cash flows.
2. Recognised financial liability maturity values are shown pre-hedging.

ii. Interest Rate Risk

Nature of the 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, which are predominantly in AUD and USD currencies. These principally include corporate debt, leases and cash.

Management of Interest Rate Risk:
The Qantas Group manages interest rate risk by using a floating versus fixed rate debt framework. The relative mix of fixed and floating interest rate funding is managed by using interest rate swaps, forward rate agreements and options. For the year ended 30 June 2019, interest-bearing liabilities amounted to $5,224 million (2018: $4,748 million). The fixed/floating split is 56 per cent and 44 per cent respectively (2018: 53 per cent and 47 per cent). For the year ended 30 June 2019, other financial assets and liabilities included derivative financial instruments relating to debt obligations and future interest payments totalling $17 million (liability) (2018: $26 million (liability)). These are recognised at fair value.

Notes to the Financial Statements continued

For the year ended 30 June 2019

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity to Interest Rate Risk:

	Profit Before Tax		Equity (Before Tax)	
$M	**2019**	**2018**	**2019**	**2018**
100bps increase in interest rates[1]				
Variable rate interest-bearing instruments (net of cash)	(5)	(7)	–	–
Derivatives designated in a cash flow hedge relationship	–	–	2	7
100bps decrease in interest rates[1]				
Variable rate interest-bearing instruments (net of cash)	5	7	–	–
Derivatives designated in a cash flow hedge relationship	–	–	(2)	(8)

1. Sensitivity analysis assumes hedge designations as at 30 June 2019 remain unchanged and that all designations are effective.

iii. Foreign Exchange Risk

Nature of the Risk:

Foreign exchange risk is the risk that the fair value of future cash flows of assets and liabilities will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arises from operations, capital expenditure and translation risk.

Management of Foreign Exchange Risk:

Forward foreign exchange contracts and currency options are used to hedge a portion of net foreign currency exposures in accordance with Qantas Group policy. Non-derivative financial liabilities are designated in a fair value hedge relationship used to hedge foreign currency exposures within property, plant and equipment. Net foreign currency exposures, including foreign currency purchases and disposals of property, plant and equipment, may be hedged out to two years within specific parameters. Any hedging outside these parameters requires approval by the Board. For the year ended 30 June 2019, other financial assets and liabilities included derivative financial instruments relating to the hedging of future capital expenditure payments totalling $16 million (net asset) (2018: $13 million (net asset)). These are recognised at fair value.

Sensitivity to Foreign Exchange Risk:

	Profit Before Tax		Equity (Before Tax)	
$M	**2019**	**2018**	**2019**	**2018**
20% movement in Foreign Exchange Risk[1]				
20% (2018: 20%) USD depreciation	–	–	(114)	(31)
20% (2018: 20%) USD appreciation	–	–	156	84

1. Sensitivity analysis assumes hedge designations as at 30 June 2019 remain unchanged and that all designations are effective. Sensitivity analysis on foreign currency pairs of 20 per cent represent recent volatile market conditions.

iv. Fuel Price Risk

Nature of the Risk:

Exposure of future AUD fuel costs to unfavourable USD-denominated price and foreign exchange movements.

Management of Future AUD Fuel Costs Risk:

The Qantas Group uses options and swaps on jet kerosene, gasoil and crude oil to hedge exposure to movements in the USD price of aviation fuel. Qantas considers the crude component to be a separately identifiable and measurable component of aviation fuel. The foreign exchange risk in the total fuel cost is separately hedged using foreign exchange contracts and currency options. Hedging is conducted in accordance with Qantas Group policy. Fuel consumption out to two years may be hedged within specific parameters, with any hedging outside these parameters requiring approval by the Board. For the year ended 30 June 2019, other financial assets and liabilities included fuel and foreign exchange derivatives totalling $286 million (net asset) (2018: $540 million (net asset)). These are recognised at fair value.

Sensitivity to Foreign Exchange and Fuel Price Risk:

	Profit Before Tax		Equity (Before Tax)	
$M	**2019**	**2018**	**2019**	**2018**
20% movement in AUD fuel costs[1]				
20% (2018: 20%) USD depreciation, 20% (2018: 20%) increase per barrel in fuel indices	–	–	322	282
20% (2018: 20%) USD appreciation, 20% (2018: 20%) decrease per barrel in fuel indices	–	–	93	7

1. Sensitivity analysis assumes hedge designations as at 30 June 2019 remain unchanged and that all designations are effective. Sensitivity analysis on foreign currency pairs and fuel indices of 20 per cent represent recent volatile market conditions. Sensitivity analysis assumes an offset between USD and fuel price indices based on observed market movements.

Notes to the Financial Statements continued

For the year ended 30 June 2019

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

v. Credit Risk

Nature of the 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.

Management of Credit Risk:

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

– **Trade debtor counterparties:** The credit risk is the recognised amount, net of any impairment losses. As at 30 June 2019, trade debtors amounted to $971 million (2018: $715 million). The Qantas Group has credit risk associated with travel agents, industry settlement organisations and credit provided to direct customers. The Qantas Group minimises this credit risk through the application of stringent credit policies and accreditation of travel agents through industry programs

– **Other financial asset counterparties:** The Qantas Group restricts its dealings to counterparties that have acceptable credit ratings. Should the rating of a counterparty fall below certain levels, internal policy dictates that approval by the Board is required to maintain the level of the counterparty exposure. Alternatively, Management may consider closing out positions with the counterparty or novate open positions to another counterparty with acceptable credit ratings

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 2019, the credit risk of the Qantas Group to counterparties in relation to other financial assets, cash and cash equivalents, and other financial liabilities amounted to $2,125 million (2018: $1,958 million). Refer to Note 20(C) for offsetting disclosures of contractual arrangements. The Qantas Group's credit exposure in relation to these assets is with counterparties that have a minimum credit rating of A-/A3, unless individually approved by the Board.

(B) 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. 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 investments and derivative financial instruments recognised on the Consolidated Balance Sheet. Refer to Note 29(E) for a definition of the fair value hierarchy.

	June 2019				June 2018 (restated)			
	Carrying Amount Held at				Carrying Amount Held at			
$M	Fair Value Through Profit And Loss	Fair Value Through Other Comprehensive Income	Amortised Cost	Fair Value	Fair Value Through Profit And Loss	Fair Value Through Other Comprehensive Income	Amortised Cost	Fair Value
Financial assets								
Cash and cash equivalents	–	–	2,157	2,162	–	–	1,694	1,699
Receivables	–	–	1,178	1,178	–	–	950	950
Other financial assets[1]	422	96	–	518	586	–	–	586
Financial liabilities								
Payables	–	–	2,470	2,470	–	–	2,220	2,220
Interest-bearing liabilities	–	–	5,224	5,722	–	–	4,748	5,079
Other financial liabilities[1]	137	–	–	137	59	–	–	59

1. Other financial assets and liabilities represent the fair value of equity investments and derivative financial instruments recognised on the Consolidated Balance Sheet. Derivative financial instruments have been measured at fair value using Level 2 inputs in estimating their fair values. Equity instruments have been measured at fair value using Level 1 or Level 2 inputs in estimating their fair value.

Notes to the Financial Statements continued

For the year ended 30 June 2019

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) DERIVATIVES AND HEDGING INSTRUMENTS

The following section summarises derivative financial instruments in the Consolidated Financial Statements:

Type of Hedge	Description	Derivative
Cash flow hedges	A derivative or financial instrument to hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.	Exchange derivative contracts to hedge future AUD fuel costs and foreign currency operational payments (forwards, swaps or options). Interest rate derivative contracts to hedge future interest payments (forwards, swaps or options). Foreign exchange derivative contracts to hedge future capital expenditure payments (forwards or options).
Fair value hedges	A derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability.	Contracts to hedge the fair value movement of designated assets.

The Group's derivative assets and liabilities as at 30 June 2019 are detailed below:

	2019			2018		
$M	Current	Non-current[1]	Total	Current	Non-current	Total
Derivative assets						
Designated as cash flow hedges	334	88	422	474	112	586
Total other financial assets	**334**	**88**	**422**	**474**	**112**	**586**
Derivative liabilities						
Designated as cash flow hedges	(89)	(48)	(137)	(34)	(25)	(59)
Total other financial liabilities	**(89)**	**(48)**	**(137)**	**(34)**	**(25)**	**(59)**
Net other financial assets/(liabilities)	**245**	**40**	**285**	**440**	**87**	**527**

1. Other financial assets in the balance sheet also includes investments in equity instruments of $96 million recognised at fair value through other comprehensive income (refer to note 20(B)).

i. Offsetting

The Group enters into contractual arrangements such as the International Swaps and Derivatives Association (ISDA) Master Agreement where, upon the occurrence of a credit event (such as default), a termination value is calculated and only a single net amount is payable in settlement of all transactions that are capable of offset under the contractual terms. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet and consequently, financial assets and liabilities are recognised gross. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events. The amounts shown as financial assets and financial liabilities would each have been $119 million lower (2018: $33 million lower) in the event of the right to offset being currently enforceable.

ii. Hedge Reserve

The effective portion of the cumulative net change in the fair value of derivative financial instruments designated as a cash flow hedge and the cumulative change in fair value arising from the time value of options are included in the hedge reserve. These options relate entirely to transaction-related hedged items. For further information on accounting for derivative financial instruments as cash flow hedges, refer to Note 29(E). For the year ended 30 June 2019, $41 million (2018: $251 million) of the related cash flows are expected to occur within one year and $(5) million (2018: $50 million) after one year. Other financial assets and liabilities represent the fair value of derivative financial instruments recognised on the Consolidated Balance Sheet. Refer to Note 29(E) for a definition of the fair value hierarchy.

Notes to the Financial Statements continued

For the year ended 30 June 2019

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) HEDGE ACCOUNTING

As at 30 June 2019	Nominal Amount of Hedging Instrument and Hedged Item M		Hedge Rates $M	Carrying Amount of the Hedging Instrument[1,2] Assets $M	Carrying Amount of the Hedging Instrument[1,2] Liabilities $M	Change in Value of the Hedging Instrument Used for Calculating Hedge Ineffectiveness $M	Change in Value of the Hedged Item used for Calculating Hedge Ineffectiveness $M	Change in Value of the Hedging Instrument Recognised in Other Comprehensive Income $M	Hedge Ineffectiveness Recognised in Profit or Loss $M	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss $M
Cash flow hedges										
AUD fuel costs (up to 2 years)	40	Barrels	AUD/Barrel 75–120	402	(116)	29	(29)	29	–	356
Capital expenditure (up to 2 years)	826	AUD	AUD/USD 0.69–0.73	20	(4)	35	(35)	35	–	–
Interest (up to 6 years)	488	AUD	Fixed 4.40%–5.99%	–	(17)	10	(10)	10	–	–
Fair value hedges										
USD FX risk in assets	517	USD	Floating n/a	–	(517)	(50)	50	–	–	–

1. Cash flow hedging instruments are located within the Other Financial Assets and Other Financial Liabilities on the Consolidated Balance Sheet and include costs of hedging. The carrying amount of the hedging instrument is presented in AUD where the hedged item equals the nominal amount of the hedging instrument.
2. The carrying amount of the fair value hedging instrument is presented in USD where the hedged item equals the nominal amount of the hedging instrument.

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

$M	Notes	2019	2018 (restated)
Statutory profit for the year		**891**	**953**
Adjusted for:			
Depreciation and amortisation		1,665	1,528
Share-based payments	19	49	64
Amortisation of deferred financing fees and lease benefits		14	16
Net gain on disposal of controlled entity	3	(39)	(12)
Net gain on disposal of property, plant and equipment	3	(174)	(5)
Net gain on disposal/reversal of impairment of associate	3	(43)	–
Share of net (profit) of investments accounted for under the equity method		(22)	(15)
Discount rate changes impact on provisions	3	92	2
Other items		8	24
Hedging-related activities		(89)	16
Dividends received from investments accounted for under the equity method		11	6
Changes in other items:			
– Receivables		(177)	(51)
– Inventories		(55)	(66)
– Other assets		(136)	(107)
– Payables		203	267
– Revenue received in advance		384	356
– Provisions		20	31
– Deferred tax assets/liabilities and tax provision		205	406
Net cash from operating activities		**2,807**	**3,413**

Notes to the Financial Statements continued

For the year ended 30 June 2019

22 COMMITMENTS

(A) FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

AS LESSEE	2019 $M	2018 $M
Finance lease and hire purchase liabilities (included in the Consolidated Balance Sheet)		
Aircraft and engines – payable:		
Not later than one year	159	147
Later than one year but not later than five years	1,183	944
Later than five years	59	404
Total aircraft and engines	**1,401**	**1,495**
Less: future lease and hire purchase finance charges and deferred lease benefits	(160)	(207)
Total finance lease and hire purchase liabilities	**1,241**	**1,288**

	Notes	2019 $M	2018 $M
Finance lease and hire purchase liabilities (included in the Consolidated Balance Sheet)			
Current liabilities	15(B)	129	109
Non-current liabilities	15(B)	1,112	1,179
Total finance lease and hire purchase liabilities		**1,241**	**1,288**

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

(B) OPERATING LEASE COMMITMENTS

AS LESSEE	2019 $M	2018 $M
Non-cancellable operating lease commitments		
Aircraft and engines – payable:		
Not later than one year	259	249
Later than one year but not later than five years	551	634
Later than five years	21	58
Total aircraft and engines	**831**	**941**
Non-aircraft – payable:		
Not later than one year	164	162
Later than one year but not later than five years	482	395
Later than five years but not later than 10 years	291	290
Later than 10 years	171	272
Less: provision for potential under-recovery of rentals on unused premises available for sub-lease (included in onerous contract provision)	(2)	(2)
Total non-aircraft	**1,106**	**1,117**
Total non-cancellable operating lease commitments	**1,937**	**2,058**

Notes to the Financial Statements continued

For the year ended 30 June 2019

23 SUPERANNUATION

The Qantas Superannuation Plan (QSP) is a hybrid defined benefit/defined contribution fund with multiple divisions that commenced operation in June 1939. In addition to the QSP, there are a number of small overseas defined benefit plans. The Qantas Group makes contributions to defined benefit 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 defined benefit plans are legally separated from the Qantas Group. Responsibility for governance of the plans, including investment decisions and plan rules, rests solely with the Trustee of the plan. The Trustee of the QSP is a corporate trustee which has a Board comprising five company-appointed Directors and five member-elected Directors.

The QSP's defined benefit plan exposes the Group to a number of risks, the most significant of which are detailed below:

- **Investment risk:** The investment strategy of the QSP's defined benefit plan is to progressively de-risk the defined benefit investment portfolio as the plan's funding position improves over time. If the plan assets underperform expectations, the Group may be required to provide additional funding to the plan.
- **Interest rate risk:** Changes in bond yields, such as a decrease in corporate bond yields, will increase defined benefit liabilities through the discount rate assumed.
- **Inflation risk:** The defined benefit liabilities are linked to salary inflation, and higher inflation will lead to higher liabilities.

(A) FUNDING

Employer contributions to the defined benefit plans are based on recommendations by the plans' actuaries. It is estimated that $82 million of normal employer contributions will be paid by the Qantas Group to its defined benefit plans in 2019/20 (2018/19: $82 million).

(B) MOVEMENT IN NET DEFINED BENEFIT (ASSET)/LIABILITY

	Present Value of Obligation $M		Fair Value of Plan Assets $M		Net Defined Benefit (Asset)/Liability[1] $M	
	2019	2018	2019	2018	2019	2018
Balance as at 1 July	**2,176**	**2,234**	**(2,468)**	**(2,427)**	**(292)**	**(193)**
Included in the Consolidated Income Statement						
Current service cost	119	123	–	–	119	123
Past service cost	1	–	–	–	1	–
Interest expense/(income)	88	89	(95)	(93)	(7)	(4)
Contributions by plan participants	–	–	(22)	(22)	(22)	(22)
Losses/(gains) on curtailments	3	–	–	–	3	–
Total amount included in manpower and staff-related expenditure	**211**	**212**	**(117)**	**(115)**	**94**	**97**
Included in the Consolidated Statement of Comprehensive Income						
– Return on plan assets, excluding interest income	–	–	(52)	(56)	(52)	(56)
– (Gains) from change in demographic assumptions	–	(4)	–	–	–	(4)
– (Gains)/losses from change in financial assumptions	216	(22)	–	–	216	(22)
– Experience (gain)/loss	9	(38)	–	–	9	(38)
– Exchange differences on foreign plans	4	6	(4)	(6)	–	–
Total amount recognised in other comprehensive income	**229**	**(58)**	**(56)**	**(62)**	**173**	**(120)**
Contributions by employer	–	–	(82)	(83)	(82)	(83)
Benefit payments	(152)	(180)	152	180	–	–
Assets distributed/liabilities extinguished on settlements	(72)	(32)	72	32	–	–
Asset transfers to employer and other plans[2]	–	–	–	7	–	7
Balance as at 30 June	**2,392**	**2,176**	**(2,499)**	**(2,468)**	**(107)**	**(292)**

1. The net defined benefit asset is included in non-current other assets (refer to Note 13).
2. Plan surplus on termination net of excess tax on reversion and distributions to other plans.

Notes to the Financial Statements continued

For the year ended 30 June 2019

23 SUPERANNUATION (CONTINUED)

(C) PLAN ASSETS

The major categories of plan assets as a percentage of total plan assets of the Group's defined benefit plans are as follows:

	2019 %	2018 %
Australian equity[1]	14	13
Global equity[1]		
– *United States*	11	13
– *Europe*	4	4
– *Japan*	2	2
– *Other*	3	5
Private equity	4	3
Fixed interest[1]		
– *Government bonds*	13	14
– *Other*	7	8
Credit[1]		
– *Corporate debt*	8	7
– *Other*	4	2
Hedge funds	10	9
Property and infrastructure	5	7
Timberland	2	2
Cash and cash equivalents[1]	13	11
Total	**100**	**100**

1. The majority of these plan assets have a quoted market price in an active market.

The Trustee of the QSP is responsible for setting the investment strategy and objectives for the QSP's assets to support the defined benefit liabilities. The QSP does not use any asset-liability matching strategies. It utilises traditional investment management techniques to manage the defined benefit assets.

(D) ACTUARIAL ASSUMPTIONS AND SENSITIVITY

The significant actuarial assumptions (expressed as weighted averages per annum) were as follows:

	2019 %	2018 %
Discount rate	3	4
Future salary increases[1]	3	3

1. For the 30 June 2019 actuarial calculation, salary increases of 3 per cent in years 1 to 5 and 2.5 per cent for the remaining duration of the plan were assumed (30 June 2018: salary increases of 2.8 per cent in year 1, and 3 per cent for the remaining duration of the plan were assumed).

The weighted average duration of the QSP's defined benefit obligation as at 30 June 2019 was 10 years (2018: 10 years). The sensitivity of the defined benefit obligation to changes in the significant assumption is as follows:

		Impact on Defined Benefit Obligation			
		30 June 2019		30 June 2018	
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 10.4%	Increase by 12.3%	Decrease by 10.4%	Increase by 12.2%
Future salary increase	1%	Increase by 9.9%	Decrease by 8.7%	Increase by 10.0%	Decrease by 8.7%

Defined Contribution Fund

A defined contribution expense of $196 million has been recognised for the year ended 30 June 2019 (2018: $188 million).

Notes to the Financial Statements continued

For the year ended 30 June 2019

24 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned companies) instrument 2016/785 (Instrument), the wholly-owned entities identified below are relieved from the *Corporations Act 2001* requirements for preparation, audit, distribution and lodgement of Financial Statements and Directors' Reports:

AAL Aviation Limited	Network Aviation Holdings Pty Ltd	Qantas Ground Services Pty Ltd
Airlink Pty Ltd	Network Aviation Pty Ltd	Qantas Group Flight Training (Australia) Pty Ltd
Australian Air Express Pty Ltd	Network Holding Investments Pty Ltd	Qantas Group Flight Training Pty Ltd
Australian Airlines Limited	Network Turbine Solutions Pty Ltd	Qantas Information Technology Limited
Australian Regional Airlines Pty Ltd	Osnet Jets Pty Ltd	Qantas Road Express Pty Ltd
Eastern Australia Airlines Pty Ltd	Q H Tours Limited	Qantas Ventures Limited
Express Freighters Australia (Operations) Pty Ltd	Qantas Asia Investment Company Pty Ltd	QF Cabin Crew Australia Pty Ltd
Express Freighters Australia Pty Ltd	Qantas Courier Limited	Regional Airlines Charter Pty Ltd
Impulse Airlines Holdings Pty Ltd	Qantas Domestic Pty Ltd	Sunstate Airlines (Qld) Pty Ltd
Jetstar Airways Pty Ltd	Qantas Freight Enterprises Limited	The Network Holding Trust
Jetstar Asia Holdings Pty Ltd	Qantas Frequent Flyer Limited	The Network Trust
Jetstar Group Pty Ltd	Qantas Frequent Flyer Operations Pty Ltd	Vii Pty Limited
Jetstar Services Pty Ltd	Qantas Group Accommodation Pty Ltd	

It is a condition of the Instrument that Qantas and each of the controlled entities eligible to obtain relief under the Instrument enter into a Deed of Cross Guarantee (Deed). Under the Deed, Qantas guarantees to each creditor payment in full of any debt upon the winding up under certain provisions of the *Corporations Act 2001* of any of the controlled entities that are party to the Deed. If the winding up occurs under other provisions of the *Corporations Act 2001*, Qantas will only be liable if, six months after a resolution or order for the winding up of the controlled entity, any debt of a creditor of that controlled entity has not been paid in full. Each controlled entity that is party to the Deed has given similar guarantees in the event Qantas is wound up.

Qantas and its eligible controlled entities first entered into a Deed on 4 June 2001. Subsequently, additional controlled entities became party to the Deed by way of Assumption Deeds dated 17 June 2002, 26 June 2006, 29 June 2007, 30 June 2008, 29 June 2009, 16 June 2010, 25 November 2010, 4 April 2011, 13 October 2011, 20 November 2012, 26 November 2015, 26 June 2017 and 2 November 2017.

The Consolidated Condensed Income Statement and Consolidated Condensed Balance Sheet for Qantas and each of its controlled entities that are party to the Deed are set out below. The principles of consolidation are:
- Transactions, balances and unrealised gains and losses on transactions between entities that are party to the Deed are eliminated
- Investments in entities that are not party to the Deed are carried at cost less any accumulated impairment
- Dividends received from entities that are not party to the Deed are recognised as income.

(A) CONSOLIDATED CONDENSED INCOME STATEMENT

	2019 $M	2018 (restated) $M
Revenue and other income	17,414	16,646
Expenditure	(16,026)	(15,117)
Statutory profit before income tax expense and net finance costs	**1,388**	**1,529**
Finance income	18	14
Finance costs	(196)	(187)
Net finance costs	**(178)**	**(173)**
Statutory profit before income tax expense	**1,210**	**1,356**
Income tax expense	(373)	(397)
Statutory profit for the year	**837**	**959**
Retained earnings as at 1 July	958	367
Dividends paid	(363)	(249)
Shares vested and transferred to employees	(5)	(119)
Retained earnings as at 30 June	**1,427**	**958**

Notes to the Financial Statements continued

For the year ended 30 June 2019

24 DEED OF CROSS GUARANTEE (CONTINUED)

(B) CONSOLIDATED CONDENSED BALANCE SHEET

	2019 $M	2018 (restated) $M
CURRENT ASSETS		
Cash and cash equivalents	2,065	1,580
Receivables	1,998	1,569
Other financial assets	340	474
Inventories	364	351
Assets classified as held for sale	1	114
Other	219	154
Total current assets	**4,987**	**4,242**
NON-CURRENT ASSETS		
Receivables	662	870
Other financial assets	179	112
Investments	267	330
Property, plant and equipment	12,908	12,774
Intangible assets	1,129	1,021
Other	446	571
Total non-current assets	**15,591**	**15,678**
Total assets	**20,578**	**19,920**
CURRENT LIABILITIES		
Payables	3,221	2,802
Revenue received in advance	4,216	3,945
Interest-bearing liabilities	826	565
Other financial liabilities	87	34
Provisions	931	841
Income tax liabilities	113	–
Liabilities classified as held for sale	–	64
Total current liabilities	**9,394**	**8,251**
NON-CURRENT LIABILITIES		
Revenue received in advance	1,466	1,445
Interest-bearing liabilities	5,168	5,099
Other financial liabilities	48	25
Provisions	396	353
Deferred tax liabilities	851	912
Total non-current liabilities	**7,929**	**7,834**
Total liabilities	**17,323**	**16,085**
Net assets	**3,255**	**3,835**
EQUITY		
Issued capital	1,871	2,508
Treasury shares	(152)	(115)
Reserves	109	484
Retained earnings	1,427	958
Equity attributable to members of Qantas	**3,255**	**3,835**
Non-controlling interests	–	–
Total equity	**3,255**	**3,835**

Notes to the Financial Statements continued

For the year ended 30 June 2019

25 RELATED PARTIES

(A) REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2019 $'000	2018 $'000
Short-term employee benefits	13,111	14,669
Post-employment benefits	604	638
Other long-term benefits[1]	(454)	(271)
Share-based payments	6,535	6,202
	19,796	**21,238**

1. Other long-term benefits includes movement in annual leave and long service leave balances. The accounting value of other long-term benefits may be negative, for example where an Executive's annual leave balance decreases as a result of taking more than the 20 days' annual leave they accrue during the year.

Further details in relation to the remuneration of KMP are included in the Directors' Report from pages 28 to 54.

(B) OTHER RELATED PARTY TRANSACTIONS – INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Transactions with investments accounted for under the equity method are conducted on normal terms and conditions.

Transactions between the Qantas Group and associates include:

- The Qantas Group provides airline seats on domestic and international routes to Helloworld Ltd for sale through its travel agency network
- The Qantas Group sells Qantas Points to Helloworld Ltd and purchases vouchers from Helloworld Ltd for the Qantas Store
- The Qantas Group established a business service agreement with Jetstar-branded airlines in Japan and Vietnam for the provision of business services to enable the low-cost airline to operate a consistent customer experience for the Jetstar brand.

26 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED

(A) CONDENSED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2019 $M	2018 (restated) $M
Revenue and other income	12,042	11,897
Expenditure	(11,086)	(10,529)
Statutory profit before income tax expense and net finance costs	**956**	**1,368**
Net finance costs	(174)	(169)
Statutory profit before income tax expense	**782**	**1,199**
Income tax expense	(117)	(137)
Statutory profit for the year	**665**	**1,062**

Revenue and other income included $335 million (2018: $665 million) of dividend income from wholly-owned subsidiaries of the Qantas Group.

(B) CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	2019 $M	2018 (restated) $M
Statutory profit for the year	**665**	**1,062**
Effective portion of changes in fair value of cash flow hedges, net of tax	51	559
Transfer of hedging (gains) from hedge reserve to the Condensed Income Statement, net of tax	(249)	(230)
Recognition of effective cash flow hedges on capitalised assets, net of tax	(13)	16
Net changes in hedge reserve for time value of options, net of tax	(47)	51
Fair value gains on investments, net of tax	4	–
Defined benefit actuarial (losses)/gains, net of tax	(121)	84
Total other comprehensive (loss)/income for the year	**(375)**	**480**
Total comprehensive income for the year	**290**	**1,542**

Notes to the Financial Statements continued

For the year ended 30 June 2019

26 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED (CONTINUED)

(C) CONDENSED BALANCE SHEET AS AT 30 JUNE 2019

	2019 $M	2018 (restated) $M
CURRENT ASSETS		
Cash and cash equivalents	2,079	1,576
Receivables	6,729	6,057
Inventories	246	249
Other	532	607
Total current assets	**9,586**	**8,489**
NON-CURRENT ASSETS		
Receivables	661	869
Property, plant and equipment	11,399	11,311
Intangible assets	837	761
Other	1,159	1,241
Total non-current assets	**14,056**	**14,182**
Total assets	**23,642**	**22,671**
CURRENT LIABILITIES		
Payables	7,165	6,224
Revenue received in advance	3,508	3,286
Interest-bearing liabilities	824	563
Other	951	694
Total current liabilities	**12,448**	**10,767**
NON-CURRENT LIABILITIES		
Revenue received in advance	1,453	1,441
Interest-bearing liabilities	5,168	5,099
Other	1,106	1,144
Total non-current liabilities	**7,727**	**7,684**
Total liabilities	**20,175**	**18,451**
Net assets	**3,467**	**4,220**
EQUITY		
Issued capital	1,871	2,508
Treasury shares	(152)	(115)
Other reserves	109	485
Profit reserves	2,935	2,633
Retained losses	(1,296)	(1,291)
Total equity	**3,467**	**4,220**

(D) DIVIDENDS DECLARED AND PAID

The Directors have declared a fully franked final dividend of 13 cents per ordinary share for the current year, totalling $204 million. Dividends are paid from the profit reserves of Qantas Airways Limited, as the parent of the Group.

During the year, Qantas Airways Limited reported a Statutory Profit After Tax of $665 million, which was set aside in a separate profit reserve. For the year ended 30 June 2019, $363 million in dividends (2018: $249 million) were paid to shareholders.

Notes to the Financial Statements continued

For the year ended 30 June 2019

26 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED (CONTINUED)

(E) CAPITAL EXPENDITURE COMMITMENTS

The capital expenditure commitments held by the parent entity are the same as those held by the Group as disclosed in Note 10.

(F) CONTINGENT LIABILITIES

The contingent liabilities held by the parent entity are the same as those held by the Group as disclosed in Note 27.

(G) PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 24.

(H) INTEREST-BEARING LIABILITIES

The parent entity has total interest-bearing liabilities of $5,992 million (2018: $5,662 million), of which $1,666 million (2018: $2,023 million) represent lease and hire purchase liabilities payable to controlled entities. Of the $4,326 million (2018: $3,639 million) payable to other parties, $2,640 million (2018: $1,943 million) represents secured bank loans and lease liabilities, with the remaining balance representing unsecured loans and deferred lease benefits.

27 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 outflow of economic benefits will be required or the amount is not capable of reliable measurement.

(A) GUARANTEES

Qantas has entered into guarantees in the normal course of business to secure a self-insurance licence under the *Safety, Rehabilitation and Compensation Act 1988,* the *New South Wales Workers' Compensation Act,* the *Victorian Accident Compensation Act* and the *Queensland Workers' Compensation Act and Rehabilitation Act*, to support non-aircraft operating lease commitments and other arrangements entered into with third parties. Due to specific self-insurance provisions raised, the Directors are of the opinion that the probability of having to make a payment under these guarantees is remote.

(B) AIRCRAFT FINANCING

As part of the financing arrangements for the acquisition of aircraft, the Qantas Group has provided certain guarantees and indemnities to various parties in aircraft lease transactions. In certain circumstances, including the default of other counterparties, the Qantas Group may be required to make payment under these guarantees and indemnities.

(C) LITIGATION

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

28 POST BALANCE DATE EVENTS

Other than as noted in Note 6 – Dividends and Other Shareholder Distributions, there has not arisen in the interval between 30 June 2019 and the date of this Report any other event that would have had a material effect on the Consolidated Financial Statements as at 30 June 2019.

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) REPORTING ENTITY

Qantas Airways Limited (Qantas) is a for-profit company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and which is subject to the operation of the *Qantas Sale Act 1992*.

The Consolidated Financial Statements for the year ended 30 June 2019 comprise Qantas and its controlled entities (together referred to as the Qantas Group) and the Qantas Group's interest in investments accounted for under the equity method.

Qantas has five subsidiaries that are material to the Qantas Group in 2019 and 2018. The parent has majority voting rights in respect of each of the material subsidiaries. Materiality has been assessed based on the contribution of statutory profit/(loss) to the Qantas Group.

The Consolidated Financial Statements of Qantas for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 30 August 2019.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Material Business Risks

The aviation industry is subject to a number of inherent risks. These include, but are not limited to, exposure to changes in economic conditions, changes in government regulations, fuel and foreign exchange volatility and other exogenous events such as aviation incidents, natural disasters, war or an epidemic. Qantas is exposed to a number of specific business risks which may impact the achievement of the Group's strategy and financial prospects. The Group's focus is on continuously improving the controls to manage these risks as the context of these risks typically does not significantly change compared with the previous year. The Qantas Group continues to operate in a domestic and international environment where elevated political risk for the business will be the norm. The increased level of unpredictability makes it imperative that the Group continues to plan for wide ranges of scenarios and risks to ensure its robustness.

Competitive intensity: Market capacity growth ahead of underlying demand impacts industry profitability.

- Australia's liberal aviation policy settings have attracted offshore competitors to the Australian international aviation market, predominantly state-sponsored airlines. Qantas remains focused on building key strategic airline partnerships with strong global partners and optimising its network. Qantas brings domestic strength and the unrivalled customer offering of Qantas Loyalty. Qantas International continues to build a resilient and sustainable business through transformation.
- The Australian domestic aviation market is highly competitive. The Qantas Group's market-leading domestic position and dual brand strategy allow Qantas to effectively mitigate the impact of market changes. This strategy leverages Qantas Domestic (including QantasLink) to serve business and premium leisure customers and Jetstar to serve price-sensitive customers. Qantas Domestic continues to focus on managing its cost base through sustainable transformation initiatives to ensure it remains competitive, while maintaining a revenue premium. Jetstar is working to maintain its lowest seat cost and yield advantage. These priorities result in Qantas Domestic and Jetstar Domestic delivering the highest Underlying EBITs in their respective markets, enabling the Group to retain Underlying EBIT share in excess of capacity share.

Fuel and foreign exchange volatility: The Qantas Group is subject to fuel and foreign exchange risks. These risks are an inherent part of the operations of an airline. The Qantas Group manages these risks through a comprehensive hedging program. Fuel price is 100 per cent hedged for the remainder of 2019/20. For 2019/20, the Group's hedging profile is positioned such that 2019/20 fuel costs are expected to be $3.95[1] billion with an average 53 per cent participation rate[2] to lower fuel prices. Complementing the hedging program, increased focus on forecasting and the operational agility of our aviation operations are supporting the Group to manage the residual uncertainty.

Cyber security and data governance: The global cyber and privacy landscape is constantly evolving and at the same time, data governance has become an important function for many organisations including the Qantas Group. Qantas remains focused on embedding cyber security, privacy and data governance into business processes, taking a security and privacy by design approach and creating a cybersafe and privacy orientated culture which builds on an established safety culture. The Group is also enhancing its data governance framework to ensure ethical and commercial data risks are managed in addition to data protection and privacy. Qantas has a defined risk and control framework, aligned with industry standards, which is designed to protect the confidentiality, integrity, availability and privacy of data and to maintain compliance with regulatory requirements. The Qantas Group's cyber and privacy controls operate to reduce the likelihood and severity of cyber security and data privacy related incidents and related impacts. The Group's cyber and data privacy risks are continuously monitored by the Group Cyber and Privacy Committee and are subject to independent assurance including for material third party suppliers.

Key business partners and alliances: The Qantas Group has relationships with a number of key business partners. In order to continue to maximise mutual benefit from both a financial and customer proposition perspective, governance structures are in place to track and report performance against common strategic objectives. The Qantas Group continues to proactively build relationships with existing and new industry partners through ongoing dialogue with relevant authorities and stakeholder groups.

Climate change: The Qantas Group is subject to short-term and long-term climate-related physical and transition risks. These risks are an inherent part of the operations of an airline and are managed by undertaking scenario analysis, strengthening governance, technology, operational and market-based controls, including proactive consideration of how changing factors (including global climate policies) impact the proximity of climate-related risks. The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning its 2018/19 corporate disclosures with the Taskforce on Climate-Related Financial Disclosures (TCFD). These disclosures are available on www.qantas.com/au/en/qantas-group/acting-responsibly/our-planet.html.

An overview of the Group Risk Management Framework is contained in the Qantas Group Business Practices Document available on www.qantas.com.au.

1. As at 20 August 2019. 2019/20 assumes forward market rates of Jet Fuel US $74 per barrel and AUD/USD 0.6763. Actual fuel costs for 2019/20 will be impacted by changes in Jet Fuel prices and the AUD/USD.
2. Participation from current market Brent prices down to US $64 per barrel for the remainder of 2019/20.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Statement of Compliance

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

iii. Basis of Preparation

The Consolidated Financial Statements are presented in Australian dollars, which is the functional currency of the Qantas Group, and have been prepared on the basis of historical cost except for the following material items in the Consolidated Balance Sheet:

- Derivatives at fair value through profit and loss and investments at fair value through other comprehensive income are measured at fair value
- Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell
- Net defined benefit asset/(liability) is measured at fair value of plan assets less the present value of the defined benefit obligation.

Qantas is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Instrument, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated. In addition, all financial information presented is representative of the Qantas Group, unless otherwise stated.

(B) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgements made by Management in the application of AASBs, that have a significant effect on the Consolidated Financial Statements and estimates with a significant risk of material adjustment in future periods are included in the following notes:

- Note 16 – Provisions
- Note 23 – Superannuation
- Note 29(F) – Revenue

(C) PRINCIPLES OF CONSOLIDATION

i. Controlled Entities

Controlled entities are entities controlled by the Group. Control exists when the Group is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

ii. Non-Controlling Interests

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

iii. Equity Accounted Investments

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for under the equity accounting method and initially recognised at cost, including transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence ceases. Dividends received reduce the carrying amount of the equity accounted investment.

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

iv. Transactions Eliminated on Consolidation

Intra-group transactions, balances and unrealised gains and losses on transactions between controlled entities are eliminated in the Consolidated Financial Statements. Unrealised gains and losses arising from transactions with investments accounted for under the equity method are eliminated to the extent of the Group's interest in the associate.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) FOREIGN CURRENCY

i. Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group's companies at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transactions. Foreign currency differences are generally recognised in the Consolidated Income Statement.

ii. Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into AUD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into AUD at the exchange rates at the date of the transactions.

Foreign currency differences are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the Foreign Currency Translation Reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the Foreign Currency Translation Reserve related to that foreign operation is reclassified to the Consolidated Income Statement as part of the gain or loss on disposal. If the Group disposes of part of its interests in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the Consolidated Income Statement.

(E) FINANCIAL INSTRUMENTS

Non-Derivative Financial Instruments

i. Recognition and Measurement of Non-Derivative Financial Assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed.

The Group subsequently classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through the Consolidated Income Statement or the Consolidated Statement of Comprehensive Income)
- Those to be measured at amortised cost.

ii. Recognition and Measurement of Non-Derivative Financial Liabilities

At initial recognition, the Group measures a non-derivative financial liability at its fair value, less transaction costs.

The Group subsequently measures non-derivative financial liabilities at amortised cost, with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis. Non-derivative financial liabilities that are designated as hedged items are subject to measurement under the hedge accounting requirements.

Derivative Financial Instruments

Derivative financial instruments are recognised at fair value both initially and on an ongoing basis. The accounting for subsequent changes in fair value depends on whether the derivative is a designated hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. The Group designates derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or as hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transactions, the Qantas Group documents the relationship between hedging instruments and hedged items, including the risk management objective and strategy for undertaking each transaction. The Qantas Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedge transactions have been and will continue to be highly effective.

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

i. Fair Value Hedges

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

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Cash Flow Hedges

Where a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the Consolidated Statement of Comprehensive Income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Consolidated Income Statement.

The amount accumulated in equity is retained in the Consolidated Statement of Comprehensive Income and reclassified to the Consolidated Income Statement in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the Consolidated Income Statement. Where the hedged item is capital in nature, the cumulative gain or loss recognised in the hedge reserve is transferred to the carrying amount of the asset when the asset is recognised.

iii. Cost of Hedging

The time value of an option, the forward element of a forward contract and any foreign currency basis spread is excluded from the designation of a financial instrument and accounted for as a cost of hedging. The fair value changes of these elements are recognised in Other Comprehensive Income and depending on the nature of the hedged item, will either be transferred to the Consolidated Income Statement in the same period that the underlying transaction affects the Consolidated Income Statement or be capitalised into the initial carrying value of the asset or reported as ineffective.

iv. 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 is 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 different methods of estimating the fair value of these items have been defined in the Consolidated Financial Statements as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

v. Financial Guarantee Contracts

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

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

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

(F) REVENUE RECOGNITION

i. Passenger and Freight Revenue

Passenger revenue primarily arises within the Qantas Domestic, Qantas International and Jetstar Group segments. Freight revenue primarily arises within the Qantas International segment except where bellyspace is utilised in Qantas Domestic and the Jetstar Group.

Passenger, freight revenue, capacity hire and air charter revenue are recognised when the travel or service is provided. At the time of travel, revenue is also recognised in respect of tickets that are not expected to be used. Unused tickets are recognised as revenue using estimates based on the terms and conditions of the ticket, experience, historical and expected future trends.

Passenger travel and freight services are generally paid for in advance of travel and are deferred on the balance sheet as revenue received in advance. Revenue recognised on travel is net of sales discounts, passenger and freight interline/IATA commission and Goods and Services Tax.

Where the passenger is also a Qantas Frequent Flyer member and earns Qantas Points on travel, the allocation of revenue is on a proportional basis using relative stand-alone selling prices and the consideration allocated to Qantas Points is deferred as unrecognised redemption revenue.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consideration received in relation to certain ancillary services relating to passenger travel such as credit card fees and change fees are not considered to be distinct from the passenger flight. Revenue relating to these ancillary services is deferred until uplift to align with the related passenger travel. These amounts are included within net passenger revenue.

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

ii. Frequent Flyer Marketing Revenue

Marketing revenue associated with the issuance of Qantas Points is recognised within the Qantas Loyalty segment as the service is performed over time (typically this approximates the timing of the issuance of Qantas Points). Marketing revenue is measured as the difference between the stand-alone selling price of a Qantas Point and the consideration received, using the residual approach. The stand-alone selling price of a Qantas Point is determined using estimation techniques based on the value of redemption options for which Qantas Points could be redeemed and considers the proportion of Qantas Points not expected to be redeemed. The consideration for Qantas Points is typically received within normal credit terms following issuance of points.

Marketing revenue on inter-segment Qantas Point issuances is eliminated on consolidation.

iii. Frequent Flyer Redemption Revenue

The consideration for issuance of Qantas Points is typically received in advance of redemption and is deferred as unrecognised redemption revenue. Redemption revenue is recognised within the Qantas Loyalty segment when Qantas Points are redeemed. Significant changes in Qantas Points expected to expire unredeemed are recognised as revenue using estimates based on terms and conditions of the Frequent Flyer program, experience, historical and expected future trends.

Redemption revenue is measured based on the weighted average value of the points redeemed. Redemption revenue arising from Qantas Group flight redemptions is recognised when the passenger is uplifted and within net passenger revenue on consolidation.

Redemption revenue in relation to products provided by suppliers outside the Group, such as Qantas Store redemptions and other carrier redemptions is recognised in the income statement net of related costs, where the Group is an agent. For the purposes of segment reporting, the Qantas Loyalty segment reports these redemptions on a gross basis. Adjustments are made within consolidation eliminations to present these redemptions on a net basis at a Group level within Other revenue. Obligations for returns or refunds in relation to redemptions from the Qantas Store are recognised where material.

iv. Other Carrier Commissions and Commissions from Third Parties

The Group considers whether it is a principal or agent in relation to services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for services to be provided by a third party, such as another carrier or a third party. Other carrier commission revenue is included within Other revenue and is generally recognised on uplift by the other carrier. Consideration for other carrier commissions is received within normal credit terms through IATA. Commissions from third parties are typically recognised when the underlying good or service has been transferred to the end-customer.

v. Incremental Costs of Obtaining a Contract

The incremental cost of obtaining a contract is capitalised and amortised over the period relevant to the income derived from the customer relationship. The Group recognises the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would have been recognised is one year or less.

(G) TAXES

i. Tax Compliance

The Qantas Group is committed to embedding risk management practices to support the achievement of compliance objectives and fulfil corporate governance obligations. Tax risk management is governed by both the Qantas Group Risk Management Policy and the Qantas Group Tax Risk Management Policy, ensuring corporate governance obligations with respect to tax risks are met. The Qantas Group has paid all taxes that it owes and all tax compliance obligations are up to date. The Australian Taxation Office (ATO) has advised that the Qantas Group is a key taxpayer, continuing to have a 'low' likelihood of non-compliance. The ATO also acknowledged Qantas' continued commitment to engage cooperatively and transparently to mitigate tax risks, including obtaining tax certainty on key transactions through the use of binding Private Rulings and entering into a multi-tax Annual Compliance Arrangement (ACA).

Tax Treaties:
Due to the operation of income tax treaties and specific rules dealing with airlines, the Qantas Group appropriately reports the majority of its income in Australia, with only a small component being reported in foreign jurisdictions (for the purpose of determining liability to company tax). This effectively results in approximately 99 per cent of the Qantas Group's profit being subject to taxation in Australia with an immaterial offset for foreign taxes borne.

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

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- Temporary differences relating to investments in controlled entities and associates and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at reporting date. Qantas provides for income tax in both Australia and overseas jurisdictions where a liability exists.

ii. Income Tax

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

iii. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Consolidated Balance Sheet. 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.

iv. Tax Consolidation

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

(H) IMPAIRMENT

i. Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite lives, recoverable amounts are estimated at the end of each financial year. The recoverable amount of an asset is the greater of its 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 inflows for the CGU. Estimated net cash flows used in determining recoverable amounts are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU. Identification of an asset's CGU requires judgement, as it requires identification of the lowest aggregation of assets that generate largely independent cash inflows. In Management's judgement, the lowest aggregation of assets which give rise to CGUs as defined by AASB 136 *Impairment of Assets* are the Qantas Domestic CGU, Qantas International CGU, Qantas Loyalty CGU, Qantas Freight CGU and the Jetstar Group CGU.

ii. 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. Where necessary, the Group recognises provisions for expected credit loss (ECL) at amortised cost, based on 12-month or lifetime losses depending on whether there has been a significant increase in credit risk since initial recognition. For significant customers, the Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgment. For other customers, ECL is assessed on multitude of factors of common credit risk characteristics. It is then measured based on actual historical credit loss experienced over the past years, along with other factors to reflect differences between the economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) PROPERTY, PLANT AND EQUIPMENT

i. Recognition and Measurement

Items of property, plant and equipment are stated at 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 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 expense in the Consolidated Income Statement. The cost also may include transfers from the hedge reserve of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment in accordance with Note 29(E). Borrowing costs associated with the acquisition, construction or production of qualifying assets are recognised as part of the cost of the asset to which they relate.

ii. Subsequent Expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. Depreciation

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

	Years	Residual Value (%)
Buildings and leasehold improvements	10 – 40	0[1]
Plant and equipment	2.5 – 20	0
Passenger aircraft and engines	2.5 – 20	0 – 10
Freighter aircraft and engines	2.5 – 20	0 – 10
Aircraft spare parts	15 – 20	0 – 10

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

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

iv. Maintenance and Overhaul Costs

Embedded Maintenance:
An element of the cost of an acquired aircraft (owned or finance-leased) is attributed to its service potential, reflecting the maintenance condition of its engines and airframe. This cost is depreciated over the shorter of the period to the next major inspection event, the remaining life of the asset or remaining lease term.

Subsequent Maintenance Expenditure:
The costs of subsequent major cyclical maintenance checks for owned and leased aircraft (including operating leases) are recognised as an asset and depreciated over the shorter of the scheduled usage period to the next major inspection event, the remaining life of the aircraft or lease term (as appropriate to their estimated residual value). Maintenance checks which are covered by third-party maintenance agreements where there is a transfer of risk and legal obligation are expensed on the basis of hours flown. All other maintenance costs are expensed as incurred.

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

v. 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.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) LEASES

i. Determining Whether an Arrangement Contains a Lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

ii. Finance Leased and Hire Purchase Assets

Leased assets under which the Qantas Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases. 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 finance leaseback arrangements are deferred and depreciated over the lease term. Capitalised leased assets are depreciated on a straight-line basis over the period in which benefits are expected to arise from the use of those assets. Lease payments are allocated between the reduction in the principal component of the lease liability and the interest element.

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

iii. Operating Leases

Rental payments under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the term of the lease. With respect to any premises rented under long-term operating leases, which are subject to sub-tenancy agreements, a 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.

(K) INTANGIBLE ASSETS

i. Recognition and Measurement

Goodwill	Goodwill is stated at cost less any accumulated impairment losses. With respect to investments accounted for under the equity method, the carrying amount of goodwill is included in the carrying amount of the investment.
Airport landing slots	Airport landing slots are stated at cost less any accumulated impairment losses.
Software	Software is stated at cost less accumulated amortisation and impairment losses. Software development expenditure, including the cost of materials, direct labour and other direct costs, is only recognised as an asset when the Qantas Group controls future economic benefits as a result of the costs incurred and it is probable that those future economic benefits will eventuate and the costs can be measured reliably.
Brand names and trademarks	Brand names and trademarks are carried at cost less any accumulated impairment losses.
Customer contracts/relationships	Customer contracts/relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.
Contract intangible assets	Contract intangible assets are stated at cost less accumulated amortisation. Amortisation commences when the asset is ready for use.

ii. Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill and brands, is recognised in the Consolidated Income Statement as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Consolidated Income Statement. Goodwill, brand names and trademarks and airport landing slots are indefinite lived intangible assets and are allocated to the relevant CGU. These indefinite lived intangible assets are not amortised but tested annually for impairment. Contract intangible assets are not amortised until such time as the intangible asset is ready for use but are tested annually for impairment.

The principal intangible asset amortisation periods are:

Software	2 – 10 years

(L) 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 expense in the Consolidated Income Statement.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Onerous contracts	An onerous contract is a contract in which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefit expected to be received. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.
Make good on leased assets	**Aircraft:** A provision for return costs to meet expected aircraft return costs at the end of the lease term is recognised over the lease term. **Property and environment:** Where the occupation of property or land gives rise to an obligation for site closure or rehabilitation, the Group recognises a provision for the costs associated with restoration.
Insurance, legal and other	**Insurance:** The Qantas Group self-insures for risks associated with workers' compensation in certain jurisdictions. Qantas has made a provision for all notified assessed workers' compensation liabilities, together with an estimate of liabilities incurred but not reported, based on an independent actuarial assessment. The provision is discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liabilities and which have maturity dates approximating the terms of Qantas' obligations. Workers' compensation for all remaining employees is commercially insured. **Legal and other provisions:** These are recognised where they are incurred as a result of a past event, there is a 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.

(M) NET FINANCE COSTS

Net finance costs comprise interest payable on borrowings calculated using the effective interest method, unwinding of the discount on provisions and receivables, interest receivable on funds invested and gains and losses on mark-to-market movements in fair value hedges. Finance income is recognised in the Consolidated Income Statement as it accrues, using the effective interest method.

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

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) EMPLOYEE BENEFITS

Wages, salaries, annual leave and sick leave	Liabilities for wages, salaries and annual leave vesting to employees are recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as workers' compensation insurance, superannuation and payroll tax. The annual leave provision is discounted using corporate bond rates which most closely match the terms to maturity of the provision. The unwinding of the discount is treated as a finance expense in the Consolidated Income Statement.
Employee share plans	The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market performance conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of equity-based entitlements settled in cash is recognised as an employee expense with a corresponding increase in liability over the period during which employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value. Any changes in the fair value of the liability are recognised as an employee expense in the Consolidated Income Statement.
Long service leave	The liability for long service leave is recognised as a provision for employee benefits and measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on staff turnover history. The provision is discounted using corporate bond rates which most closely match the terms to maturity of the provision. The unwinding of the discount is treated as a finance expense in the Consolidated Income Statement.
Defined contribution superannuation plans	The Qantas Group contributes to employee defined contribution superannuation plans. Contributions to these plans are recognised as an expense in the Consolidated Income Statement as incurred.
Defined benefit superannuation plans	The Qantas Group's net obligation with respect to defined benefit superannuation plans is calculated separately for each plan. The Qantas Superannuation Plan has been split based on the divisions which relate to accumulation members and defined benefit members. Only defined benefit members are included in the Qantas Group's net obligation calculations. The calculation estimates the amount of future benefit that employees have earned in return for their service in the current and prior periods, which is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Consolidated Income Statement. The discount rate used is the corporate bond rate which has a maturity date that approximates the terms of Qantas' obligations. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the Consolidated Income Statement. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
Employee termination benefits	Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) CAPITAL AND RESERVES

i. Ordinary Shares

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

ii. 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.

iii. Treasury Shares

Shares held by the Qantas-sponsored Employee Share Plan Trust are recognised as treasury shares and deducted from equity.

iv. Employee Compensation Reserve

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against treasury shares when the underlying shares vest and transfer to the employee at the fair value. The difference between the fair value at grant date and the cost of treasury shares used is recognised in retained earnings (net of tax).

v. Hedge Reserve

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

vi. 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 investments accounted for under the equity method.

vii. Other Reserves

Other reserves includes the defined benefit reserve comprising the remeasurements of the net defined benefit asset/(liability) which are recognised in other comprehensive income in accordance with AASB 119 *Employee Benefits* and the fair value reserve comprising the fair value gains/(losses) on investments at fair value through Other Comprehensive Income.

(P) COMPARATIVES

Where applicable, various comparative balances have been reclassified to align with current period presentation.

(Q) SEGMENT REPORTING

Underlying EBIT of the Qantas Group's operating segments is prepared and presented on the basis that it reflects the revenue earned and the expenses incurred by each operating segment. The significant accounting policies applied in implementing this basis of preparation are set out below. These accounting policies have been consistently applied to all periods presented in the Consolidated Financial Statements.

Segment Performance Measure	Basis of Preparation
External segment revenue	External segment revenue is reported by operating segments as follows: – Net passenger revenue is reported by the operating segment that operated the relevant flight or provided the relevant service. For Qantas Airlines, where a multi-sector ticket covering international and domestic travel is sold, the revenue is reported by Qantas International and Qantas Domestic on a pro-rata basis using an industry standard allocation process – Other revenue is reported by the operating segment that earned the revenue.
Inter-segment revenue	Inter-segment revenue for Qantas Domestic, Qantas International and Jetstar Group operating segments primarily represents: – Net passenger revenue arising from the redemption of Frequent Flyer points for Qantas Group flights by Qantas Loyalty – Net freight revenue from the utilisation of Qantas Group's aircraft bellyspace. Inter-segment revenue for Qantas Loyalty primarily represents marketing revenue arising from the issuance of Frequent Flyer points to Qantas Domestic, Qantas International and Jetstar Group. Inter-segment revenue transactions, which are eliminated on consolidation, occur in the ordinary course of business at prices that approximate market prices. The inter-segment arrangements with Qantas Loyalty are not designed to derive a net profit from inter-segment Frequent Flyer point issuances and redemptions.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment Performance Measure	Basis of Preparation
Share of net profit/(loss) of investments accounted for under the equity method	Share of net profit/(loss) of investments accounted for under the equity method is reported by the operating segment that is accountable for the management of the investment. The share of net profit/(loss) of investments accounted for under the equity method for Qantas Airlines' investments has been equally shared between Qantas Domestic and Qantas International.
Underlying EBITDAR	The significant expenses impacting Underlying EBITDAR are as follows: – Manpower and staff-related costs are reported by the operating segment that utilises the manpower. Where manpower supports both Qantas Domestic and Qantas International, costs are reported by using an appropriate allocation methodology – Fuel expenditure is reported by the segment that consumes the fuel in its operations – Aircraft operating variable costs are reported by the segment that incurs these costs – All other expenditure is reported by the operating segment to which it is directly attributable or, in the case of Qantas Airlines, between Qantas Domestic and Qantas International using an appropriate allocation methodology. To apply this accounting policy, where necessary, expenditure is recharged between operating segments as a cost recovery.

(R) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments: Impairment (2014)* for the first time for the financial year. The adoption of AASB 9 in relation to impairment had no material impact on the Group's Financial Statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

i. Changes to Accounting Policies as a Result of the Adoption of AASB 15

AASB 15 *Revenue from Contracts with Customers* supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and Interpretation 13 *Customer Loyalty Programmes*. The Group adopted AASB 15 from 1 July 2018.

AASB 15 provides a single, principles-based five-step model that applies to all revenue contracts based on the transfer of control of goods and services to customers. AASB 15 requires separation of distinct performance obligations. Revenue is recognised when the performance obligations associated with the goods and services are satisfied at an amount that reflects the consideration to which the Group expects to be entitled in exchange for goods and services.

The Group adopted AASB 15 using the full retrospective method of adoption. The Group's restated Consolidated Balance Sheet and Consolidated Income Statement, which reflect the adoption of AASB 15, are presented in the following tables.

The Group has identified the following changes to revenue recognition on adoption of the standard:

Allocation of Revenue
AASB 15 requires the allocation of a transaction price to distinct performance obligations based on their relative stand-alone selling prices. As such, the allocation of revenue between passenger travel and Qantas Points changed at a Group level under the new revenue standard. Previously, revenue was allocated using the residual method. Under AASB 15, the allocation changed to a proportional basis based on the relative stand-alone selling prices. This has resulted in a higher allocation to passenger travel at a Group level, which is recognised earlier than the redemption of the Qantas Points earned on that travel.

Net Passenger Revenue – Ancillary Services
AASB 15 requires the identification of distinct performance obligations and where performance obligations are not distinct, an entity shall combine them and account for them as a single performance obligation.

Under AASB 15, revenue associated with certain ancillary services related to passenger travel such as credit card fees and change fees are not considered to be distinct from the passenger flight. Revenue relating to these ancillary services has been deferred from booking until uplift to align with the recognition of revenue from the related passenger travel.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Frequent Flyer Revenue

AASB 15 provides new guidance for the accounting for Qantas Points issued which are expected to expire unredeemed, which results in revenue being recognised earlier than under previous accounting standards. The impact of this change has resulted in an increase in revenue recognised in reporting periods prior to the transition to AASB 15 (recognised as an increase in retained earnings as at 1 July 2017) but a decrease in revenue recognised in reporting periods following the transition to AASB 15. This change is expected to have a declining impact in future periods.

Where the Group provides incentives to customers AASB 15 aligns the pattern of recognition of certain incentives with the principal activity to which the incentive related.

Principal Versus Agent Considerations

AASB 15 provides additional guidance for determining whether the Group is acting as a principal or an agent in an arrangement. As a result, some revenue streams are recognised net of related costs rather than on a gross basis where the Group is acting as an agent. This results in lower revenue and lower expenses being presented, with no net impact on the Group Consolidated Income Statement.

For some other revenue streams such as Freight interline revenue, revenue is presented on a gross basis rather than net of related costs where the Group is acting as a principal. This means there are higher revenues and higher expenses being presented with no net impact on the Group Consolidated Income Statement.

The timing of revenue recognition for some revenue streams where the Group is acting as an agent has changed to align with the principal performance obligations associated with the services provided to the principal. For the purposes of segment reporting, Qantas Loyalty continues to report Frequent Flyer redemptions on a gross basis. Frequent Flyer redemption revenue for Qantas Group flights is recognised within net passenger revenue at a Group level. Additionally, under AASB 15, where the Group acts as an agent for Frequent Flyer redemptions, an adjustment is made within consolidation eliminations to present these redemptions on a net basis within Other revenue and Income.

Other Adjustments

In addition to the adjustments described above, upon adoption of AASB 15, other items of the primary financial statements were adjusted, such as investments in associates and share of profit of associates as a result of the impact of AASB 15 on their results. Deferred taxes and income tax expense were adjusted as necessary as a result of adopting the standard. Together with the adoption of AASB 15, the Group reviewed the presentation of revenue transactions which resulted in some changes to descriptions and classifications, which have no net impact on statutory profit.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Consolidated Balance Sheet Restatement

The impact on the Consolidated Balance Sheet as at 30 June 2017 is:

	30 June 2017 as previously reported $M	Reclassifications $M	Remeasurements $M	30 June 2017 (restated) $M
CURRENT ASSETS				
Cash and cash equivalents	1,775	–	–	1,775
Receivables	784	(29)	7	762
Other financial assets	100	–	–	100
Inventories	351	–	–	351
Assets classified as held for sale	12	–	–	12
Other	97	–	12	109
Total current assets	**3,119**	**(29)**	**19**	**3,109**
NON-CURRENT ASSETS				
Receivables	123	5	–	128
Other financial assets	43	–	–	43
Investments accounted for under the equity method	214	–	(4)	210
Property, plant and equipment	12,253	–	–	12,253
Intangible assets	1,025	–	–	1,025
Other	444	–	30	474
Total non-current assets	**14,102**	**5**	**26**	**14,133**
Total assets	**17,221**	**(24)**	**45**	**17,242**
CURRENT LIABILITIES				
Payables	2,008	(24)	–	1,984
Revenue received in advance[1]	3,744	–	9	3,753
Interest-bearing liabilities	433	–	–	433
Other financial liabilities	69	–	–	69
Provisions	841	–	–	841
Total current liabilities	**7,095**	**(24)**	**9**	**7,080**
NON-CURRENT LIABILITIES				
Revenue received in advance[1]	1,424	–	1	1,425
Interest-bearing liabilities	4,405	–	–	4,405
Other financial liabilities	56	–	–	56
Provisions	348	–	–	348
Deferred tax liabilities[1]	353	–	12	365
Total non-current liabilities	**6,586**	**–**	**13**	**6,599**
Total liabilities	**13,681**	**(24)**	**22**	**13,679**
Net assets	**3,540**	**–**	**23**	**3,563**
EQUITY				
Issued capital	3,259	–	–	3,259
Treasury shares	(206)	–	–	(206)
Reserves	12	–	–	12
Retained earnings[1]	472	–	23	495
Equity attributable to members of Qantas	**3,537**	**–**	**23**	**3,560**
Non-controlling interests	3	–	–	3
Total equity	**3,540**	**–**	**23**	**3,563**

1. The impact of adopting AASB 15 on the Consolidated Balance Sheet as at 30 June 2017 was first presented in the Interim Financial Report for the half year ended 31 December 2018. Subsequent to this, the Group identified a further adjustment relating to Qantas Points issued which are expected to expire unredeemed. This has increased revenue received in advance by $40 million, decreased deferred tax liabilities by $12 million and decreased retained earnings by $28 million at 30 June 2017 upon adoption of AASB 15. There is no impact to the Consolidated Income Statement for 2017/18 or 2018/19.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The impact on the Consolidated Balance Sheet as at 30 June 2018 is:

	30 June 2018 as previously reported $M	Reclassifications $M	Remeasurements $M	30 June 2018 (restated) $M
CURRENT ASSETS				
Cash and cash equivalents	1,694	–	–	1,694
Receivables	908	(85)	17	840
Other financial assets	474	–	–	474
Inventories	351	–	–	351
Assets classified as held for sale	118	–	–	118
Other	167	(22)	16	161
Total current assets	**3,712**	**(107)**	**33**	**3,638**
NON-CURRENT ASSETS				
Receivables	100	10	–	110
Other financial assets	112	–	–	112
Investments accounted for under the equity method	226	–	(4)	222
Property, plant and equipment	12,851	–	–	12,851
Intangible assets	1,113	–	–	1,113
Other	533	22	46	601
Total non-current assets	**14,935**	**32**	**42**	**15,009**
Total assets	**18,647**	**(75)**	**75**	**18,647**
CURRENT LIABILITIES				
Payables	2,295	(75)	–	2,220
Revenue received in advance[1]	3,939	–	79	4,018
Interest-bearing liabilities	404	–	–	404
Other financial liabilities	34	–	–	34
Provisions	853	–	–	853
Income tax liabilities	7	–	–	7
Liabilities held for sale	64	–	–	64
Total current liabilities	**7,596**	**(75)**	**79**	**7,600**
NON-CURRENT LIABILITIES				
Revenue received in advance[1]	1,446	–	–	1,446
Interest-bearing liabilities	4,344	–	–	4,344
Other financial liabilities	25	–	–	25
Provisions	367	–	–	367
Deferred tax liabilities[1]	910	–	–	910
Total non-current liabilities	**7,092**	**–**	**–**	**7,092**
Total liabilities	**14,688**	**(75)**	**79**	**14,692**
Net assets	**3,959**	**–**	**(4)**	**3,955**
EQUITY				
Issued capital	2,508	–	–	2,508
Treasury shares	(115)	–	–	(115)
Reserves	479	–	–	479
Retained earnings[1]	1,084	–	(4)	1,080
Equity attributable to members of Qantas	**3,956**	**–**	**(4)**	**3,952**
Non-controlling interests	3	–	–	3
Total equity	**3,959**	**–**	**(4)**	**3,955**

1. The impact of adopting AASB 15 on the Consolidated Balance Sheet as at 30 June 2018 was first presented in the Interim Financial Report for the half year ended 31 December 2018. Subsequent to this, the Group identified a further adjustment relating to Qantas Points issued which are expected to expire unredeemed. This has increased revenue received in advance by $40 million, decreased deferred tax liabilities by $12 million and decreased retained earnings by $28 million at 30 June 2018 upon adoption of AASB 15. There is no impact to the Consolidated Income Statement for 2017/18 or 2018/19.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii. Consolidated Income Statement Restatement

The impact on the Consolidated Income Statement for the year ended 30 June 2018 is:

	30 June 2018 as previously reported $M	Reclassifications $M	Remeasurements $M	30 June 2018 (restated) $M
REVENUE AND OTHER INCOME				
Net passenger revenue	14,715	238	(9)	14,944
Net freight revenue	862	33	–	895
Other revenue and income	1,483	(164)	(30)	1,289
Revenue and other income	**17,060**	**107**	**(39)**	**17,128**
EXPENDITURE				
Manpower and staff-related	4,300	(9)	–	4,291
Aircraft operating variable	3,596	57	–	3,653
Fuel	3,232	–	–	3,232
Depreciation and amortisation	1,528	–	–	1,528
Non-cancellable aircraft operating lease rentals	272	–	–	272
Share of net profit of investments accounted for under the equity method	(15)	–	–	(15)
Other	2,574	59	–	2,633
Expenditure	**15,487**	**107**	**–**	**15,594**
Statutory profit before income tax expense and net finance costs	**1,573**	**–**	**(39)**	**1,534**
Net finance costs	(182)	–	–	(182)
Income tax expense	(411)	–	12	(399)
Statutory profit for the year	**980**	**–**	**(27)**	**953**

iv. Consolidated Statement of Cash Flows Restatement

The adoption of AASB 15 had no impact on cash flow from operations, cash flow from investing activities, cash flow from financing flows or net movements in cash. Reclassifications between 'cash receipts from customers' and 'cash payment to suppliers and employees' have resulted from reclassifications between income and expenditure in the Consolidated Income Statement.

v. Earnings Per Share Restatement

The impact on basic and diluted EPS is as follows:

	30 June 2018 as previously reported	Remeasurements	30 June 2018 (restated)
Basic earnings per share (cents)	56.0	(1.6)	54.4
Diluted earnings per share (cents)	55.5	(1.5)	54.0

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(S) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following table details the standards, amendments to standards and interpretations that have been identified as those that may impact the Qantas Group in the period of initial application.

Topic	Impact
AASB 16 – *Leases* AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Group will adopt AASB 16 from 1 July 2019.	AASB 16 will replace AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 – *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Currently under AASB 117, operating leases (primarily aircraft and property) are not recognised on the balance sheet. Lessor accounting under AASB 16 is substantially unchanged from current accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases. **Transition to AASB 16** The Group will adopt AASB 16 retrospectively from 1 July 2019. The half-year ending 31 December 2019 and full-year ending 30 June 2020 will be presented in accordance with the new standard, along with a restatement of comparatives. The Group will elect to use the exemptions proposed by the standard on short-term leases and lease contracts for which the underlying asset is of low value. During the year ended 30 June 2019, the Group has performed a detailed impact assessment of AASB 16. The estimated impact of AASB 16 adoption based on the impact assessment to date is summarised below.
	Overview of Significant Changes to the Group on Adoption of AASB 16 Based on the impact assessment completed to date, the Group has identified the following significant changes on adoption of AASB 16:

Area	Description of change
Balance Sheet Recognition	Recognition of a right-of-use asset and a lease liability for operating leases on the Consolidated Balance Sheet. The lease liability and right-of-use asset are initially recognised at the present value of future lease payments, discounted using the interest rate implicit in the lease where available, or if not available, the Group's incremental borrowing rate. Retrospective application will result in a difference between the right-of-use asset and lease liability recognised as an adjustment to opening retained earnings on transition.
Income Statement Recognition	Recognition of depreciation and interest expense instead of operating lease rental expense in the Consolidated Income Statement.
Cash Flow Statement Presentation	The repayment of the principal portion of lease payments will be reported as financing activities in the Consolidated Cash Flow Statement. The interest portion will be reported as operating activities. Under the existing standard, the total operating lease rental payments are reported as operating activities.
Balance Sheet Foreign Exchange Translation	The Group's aircraft lease rental payments are predominantly USD-denominated. The Group manages its exposure to foreign exchange rate fluctuations as part of the overall Group Treasury Risk Management Policy. While the Group's foreign currency cash flow risk for lease rental payments is unchanged, the adoption of AASB 16 will result in foreign currency-denominated lease liabilities recognised on the balance sheet revaluing in response to exchange rate fluctuations in the USD/AUD exchange rate.
Identification of a Lease	The adoption of AASB 16 will result in certain contracts being identified as being or including a lease. These contracts were not identified as a lease under existing accounting standards. The identified leases will be recognised on balance sheet as a lease liability and a right-of-use asset.

Notes to the Financial Statements continued

For the year ended 30 June 2019

29 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Topic	Impact
AASB 16 – *Leases* (continued)	**Estimated quantification of impact**

The effect of applying the standard on a fully retrospective basis will result in the recognition of lease liability, right-of-use asset and related deferred tax balances as at 1 July 2018 with a corresponding net decrease in opening retained earnings.

Based on the assessment of the transition impact completed to date, a summary of the estimated impact on the Consolidated Balance Sheet upon adoption of AASB 16 is as follows:

	1 July 2018	30 June 2019
Right-of-use asset	\$1.4bn to \$1.6bn	\$1.3bn to \$1.5bn
Lease liability and other related liabilities (pre-tax)	\$1.6bn to \$1.8bn	\$1.5bn to \$1.7bn
Equity (after tax)	\$(0.2)bn to \$(0.3)bn	\$(0.2)bn to \$(0.3)bn

The effect of applying the standard on a fully retrospective basis is not expected to have a material impact on Statutory Profit After Tax for the year ended 30 June 2019. However, the presentation of the Consolidated Income Statement will change with a decrease in lease expenses materially offset by increases in depreciation expense and interest expense.

The Group performed a completeness assessment to identify contracts considered to be or to include a lease under AASB 16. To date, the review has identified new embedded leases, including certain capacity hire and IT/service arrangements. The Group's estimated impact includes new embedded leases identified to date and the aircraft and property leases historically recognised as operating leases.

In June 2019, the IFRIC Interpretations Committee issued a tentative agenda decision which may potentially impact the accounting treatment upon adoption of AASB 16 for leases which have expired and are legally cancellable by both the lessor and lessee. The estimated impact of AASB 16 presented above does not include any assessment for the impact of this potential change and does not include expired leases which the Group continues to occupy.

The estimated impact does not include the impact of AASB 16 on the Group's share of profits of investments accounted for under the equity method.

The actual impact of AASB 16 may differ from the estimates above when adopting the standard as of 1 July 2019. The practical implementation of the Group's accounting policies relating to AASB 16 are subject to change until the Group presents its 31 December 2019 Consolidated Interim Financial Report.

The adoption of the new leasing standard has no impact on the cash performance of the Group; nor does it change how the Group makes decisions around the allocation of capital.

Directors' Declaration

For the year ended 30 June 2019

1. In the opinion of the Directors of Qantas Airways Limited (Qantas):
   a. The Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*, including:
      i. Giving a true and fair view of the financial position of the Qantas Group as at 30 June 2019 and of its performance for the financial year ended on that date
      ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*
   b. There are reasonable grounds to believe that Qantas will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that Qantas and the controlled entities 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 Corporations (Wholly-owned companies) instrument 2016/785 (Instrument).
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 2019.
4. The Directors draw attention to Note 29(A) which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a Resolution of the Directors:

Richard Goyder
Chairman

30 August 2019

Alan Joyce
Chief Executive Officer

30 August 2019

Independent Auditor's Report

For the year ended 30 June 2019

To the Shareholders of Qantas Airways Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the **Financial Report** of Qantas Airways Limited (the Company).

In our opinion, the accompanying **Financial Report** of the Company is in accordance with the *Corporations Act 2001*, including;

– giving a true and fair view of the **Group's** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
– complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Group** consists of the Company and the entities it controlled at the year end and from time to time during the financial year.

The **Financial Report** comprises the:

– Consolidated Balance Sheet as at 30 June 2019
– Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Cash Flow Statement for the year then ended
– Notes including a summary of significant accounting policies
– Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

– Frequent Flyer revenue recognition
– Derivative financial instrument accounting
– Passenger revenue recognition

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

For the year ended 30 June 2019

KPMG

Frequent Flyer revenue recognition

Refer to Note 2 and 29(F)(ii) & (iii) to the Financial Report

THE KEY AUDIT MATTER

Recognition of Frequent Flyer revenue is a key audit matter due to the high level of audit effort and judgement required by us in assessing the Group's assumptions underpinning the amount deferred as Unredeemed Frequent Flyer revenue. We focused on the Group's assumptions used in their estimation of the:

- stand-alone selling price of the Qantas Points: this is based on the observable price of available rewards weighted in proportion to the expected redemptions based on historical experience, and impacted by future unpredictable customer behaviour; and
- expected proportion of Qantas Points to be redeemed by members in the future (breakage): the Group uses actuarial experts to estimate the expected proportion of Qantas Points to be redeemed by members in the future, also based on future unpredictable customer behaviour.

In the financial year, the Group adopted AASB 15 *Revenue from Contracts with Customers* (AASB 15). This required the Group to assess their accounting policies against the revenue recognition requirements of this accounting standard and to make certain changes as described in Note 29(R)(i). This required additional audit effort in the current year.

Given the complex judgements, we involved our corporate finance and actuarial specialists to supplement our senior team members in addressing this key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures included:

- with the assistance of our corporate finance specialists, we assessed the Group's methodology used to estimate the stand-alone selling price of the Qantas Points against the requirements of AASB 15 and the Group's accounting policy.
- we tested the integrity of the calculation used to estimate the stand-alone selling price of Qantas Points, including the accuracy of the underlying calculation formulas.
- we assessed the key inputs of the various redemption channels used to estimate the stand-alone selling price of expected future redemptions. We did this by comparing a sample to observable market values, such as comparable market air fares. We compared the weighting used in the calculation to historic redemption patterns, taking into consideration the future impact of changes in the Frequent Flyer program.
- involving our actuarial specialists, we assessed the appropriateness of the Group's breakage calculation by developing an independent model using our understanding of the Frequent Flyer program, accounting standard requirements and comparing it to the Group's calculation.
- involving our actuarial specialists, we assessed key breakage assumptions against historical experience, recent trends and our understanding of changes to the Frequent Flyer program expected to impact future redemptions.
- we checked the accuracy of points activity data used in the calculation of breakage to source Qantas Point's system and reports.

Derivative financial instrument accounting

Refer to Note 20(C) and 29(E) to the Financial Report

THE KEY AUDIT MATTER

Cash flow hedge accounting and valuation of financial instruments is a key audit matter due to:

- the complexity inherent in the Group's estimation of the fair value of derivative financial instruments. The Group uses market standard valuation techniques to determine the fair value of options, swaps and cross-currency swaps not traded in active markets;
- the impact of changes in the underlying market price of fuel and foreign exchange rates which are key inputs to the derivative valuations;
- the complexity in the Group's cash flow hedge accounting relationships driven by an active financial risk management strategy, including the restructuring of specific exposures over time;
- the volume of transactions and counterparties;
- the hedging of a high proportion of forecast future cash flows; and
- the significance of the Group's financial risk management program on the financial results.

In assessing this Key Audit Matter, we involved our valuation specialists and to supplement our senior team members, who understand methods, inputs and assumptions relevant to the Group's derivative portfolio.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures included:

- testing the Group's key internal controls. These included the Group's controls associated with:
  - assessment and approval of the details of trades to counterparty confirmations;
  - assessment of hedge accounting designation; and
  - assessment of the volume of hedged exposures compared to total exposures.
- we compared financial instrument fair values in the Group's accounting records to the records in the treasury risk management system.
- with the assistance of our valuation specialists, we independently estimated the fair values of the Group's financial instruments as at 30 June 2019 using recognised market valuation methodologies and inputs. We adjusted these fair values for the range of acceptable market valuation techniques in estimating fair values of instruments not traded in active markets. We compared the Group's valuations recorded in the general ledger to these fair value ranges.
- we tested a sample of cash-flow hedge accounting designations against the requirements of the accounting standard. This included a sample of the restructured positions involving multiple derivatives.
- we evaluated the appropriateness of the classification and presentation of derivative financial instruments and related financial risk management disclosures against accounting standard requirements.

Independent Auditor's Report continued

For the year ended 30 June 2019

KPMG

Passenger revenue recognition

Refer to Note 2 and 29(F)(i) to the Financial Report

THE KEY AUDIT MATTER

Recognition of passenger revenue is a key audit matter due to:

- its financial significance to the Group;
- the high volume of relatively low value passenger tickets;
- judgement within the estimate for the proportion of unused tickets which are expected to expire (breakage); and
- audit effort arising from a variety of ticket conditions and points of sale.

Given the dependence on IT systems and controls, we involved our IT specialists in addressing this key audit matter.

In the financial year the Group adopted AASB 15 *Revenue from Contracts with Customers* (AASB 15). This required the Group to assess accounting policies against the revenue recognition requirements of this accounting standard. Additional audit effort was required to assess the completeness and accuracy of the Group's conclusions on the impacts of adopting AASB 15.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures included:

- for key revenue streams, we assessed the Group's identification of performance obligations and revenue recognised by comparing to the relevant features of the underlying contracts. We also evaluated the revenue recognition criteria for these contracts against the Group's new or revised accounting policies. We used our knowledge of the Group, its past performance, business and customers, and our industry experience.
- with the assistance of our IT specialists, we analysed the end to end flow of ticket information through multiple passenger revenue IT systems and interfaces to evaluate the recognition of revenue against accounting standards.
- with the assistance of our IT specialists, we tested the key controls restricting access to authorised users and preventing unauthorised changes to the IT systems. We tested key controls within the system relating to ticket validation.
- testing key controls related to management review and approval of manual changes to revenue accounting records where tickets have been identified as exceptions to automated validation.
- assessing the Group's ability to reliably estimate the proportion of tickets which will expire unused by comparing previous estimates to actual outcomes.
- checking the calculation and IT system reports in the Group's expectation of the proportion of tickets which will expire unused. We evaluated the Group's breakage assumptions against historical trends, adjusting for any significant events, and for indicators of bias and inconsistent application, using our industry knowledge.
- checking a sample of passenger revenue transactions to underlying records including evidence of payment and flight records to assess the accuracy of the revenue recognised.
- checking a sample of passenger revenue received in advance to underlying records to assess the completeness of revenue recognised.

Independent Auditor's Report continued

For the year ended 30 June 2019

Other Information

Other Information is financial and non-financial information in Qantas Airways Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Independent Auditor's Report continued

For the year ended 30 June 2019

REPORT ON THE REMUNERATION REPORT

Opinion

In our opinion, the Remuneration Report of Qantas Airways Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

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 RESPONSIBILITIES

We have audited the Remuneration Report included in pages 28 to 54 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Andrew Yates
Partner
Sydney
30 August 2019

Shareholder Information

For the year ended 30 June 2019

The shareholder information set out below was applicable as at 24 July 2019.

TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares Held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	634,729,336	40.42
J P Morgan Nominees Australia Limited	276,556,589	17.61
Citicorp Nominees Pty Limited	154,291,218	9.82
National Nominees Limited	98,725,453	6.29
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	35,500,300	2.26
Pacific Custodians Pty Limited (Emp Share Plan Tst)	26,061,107	1.66
HSBC Custody Nominees (Australia) Limited (NT-CTH S C A/C)	21,768,412	1.39
HSBC Custody Nominees (Australia) Limited – A/C 2	17,370,118	1.11
BNP Paribas Noms Pty Ltd (DRP)	9,870,025	0.63
HSBC Custody Nominees (Australia) Limited-GSCO ECA	8,756,015	0.56
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	8,645,501	0.55
Pacific Custodians Pty Limited	7,871,654	0.50
AMP Life Limited	4,959,424	0.32
CS Third Nominees Pty Limited	2,922,878	0.19
Alan Joyce Pty Ltd	2,728,924	0.17
CS Fourth Nominees Pty Limited	2,311,078	0.15
UBS Nominees Pty Ltd	2,285,596	0.15
Mr Nazmi Ressas	2,000,000	0.13
HSBC Custody Nominees (Australia) Limited	1,952,628	0.12
Mrs Pamela Honora Ditchfield	1,690,200	0.11
Total	**1,320,996,456**	**84.11**

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]	20,037,244	41,910	1.28
1,001–5,000	101,667,292	41,548	6.47
5,001–10,000	39,703,303	5,701	2.53
10,001–100,000	60,741,708	2,940	3.87
100,001 and over	1,348,356,392	123	85.85
Total	**1,570,505,939**	**92,222**	**100.00**

1. 1,342 shareholders hold less than a marketable parcel of shares in Qantas, as at 24 July 2019.

SUBSTANTIAL SHAREHOLDERS

The following shareholders have notified that they are substantial shareholders of Qantas:

Shareholders	Ordinary Shares Held	% of Issued Shares
Pendal Group Limited[1,2]	103,676,780	6.60

1. Substantial shareholder notice dated 5 June 2019.
2. Percentage adjusted for buy-back shares cancelled.

Financial Calendar and Additional Information

2019		2020	
21 February	Half year results announcement	20 February	Half year results announcement
30 June	Year end	3 March	Record date for interim dividend*
3 September	Record date for final dividend	9 April	Interim dividend payable*
23 September	Final dividend payable	30 June	Year end
25 October	Annual General Meeting	20 August	Preliminary final results announcement
		8 September	Record date for final dividend*
		12 October	Final dividend payable*
		23 October	Annual General Meeting

*Subject to a dividend declared by the Board.

2019 ANNUAL GENERAL MEETING

The 2019 AGM of Qantas Airways Limited will be held in Adelaide at 11am ACST (Adelaide time) on Friday 25 October 2019.

Further details are available in the Investors section on the Qantas website investor.qantas.com/home/

COMPANY PUBLICATIONS

In addition to the Annual Report, the following publications can be accessed from www.qantas.com/au/en/qantas-group/acting-responsibly/our-reporting-approach.html

- Code of Conduct and Ethics
- Corporate Governance Statement
- Diversity and Inclusion Policy
- Workplace Gender Equality Reports.

REGISTERED OFFICE

Qantas Airways Limited ABN 16 009 661 901
10 Bourke Road, Mascot NSW 2020 Australia

Telephone +61 2 9691 3636
Facsimile +61 2 9490 1888

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QANTAS SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000 Australia; or
Locked Bag A14, Sydney South NSW 1235 Australia

Telephone 1800 177 747 (toll free within Australia)
International +61 2 8280 7390
Facsimile +61 2 9287 0309

Email registry@qantas.com

SECURITIES EXCHANGE

Australian Securities Exchange
Exchange Centre, 20 Bridge Street,
Sydney NSW 2000 Australia

ADDITIONAL SHAREHOLDER INFORMATION

Using your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode of your registered address, you are able to view your holding online through Qantas' share registry, Link Market Services. Log on at www.linkmarketservices.com.au, where you will have the option to:

- View your holding balance
- Retrieve holding statements
- Review your dividend payment history
- Access shareholder forms.

The Investor Centre also allows you to update or add details to your shareholding, including the following:

- Change or amend your address if you are registered with an SRN
- Nominate or amend your direct credit payment instructions
- Set up or amend your DRP instructions
- Sign up for electronic communications
- Add/change TFN/ABN details.

COMPANY SECRETARIES

Andrew Finch

Debra Smith

Michaela May

An electronic copy of this Annual Report is available at investor.qantas.com/home/

Further information about the Qantas Group can be found on our corporate site at www.qantas.com/qantas-group

The Qantas Annual Report 2019 is printed on ecoStar+ 100% Recycled Uncoated, which is manufactured from 100% recycled post-consumer waste and is made carbon neutral. In 2018, this Report was printed on partially-recycled paper. By the end of 2021, the Qantas Group will be the first airline in the world to reduce its waste to landfill by 75%.

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QANTAS AIRWAYS LIMITED
ABN 16 009 661 901