Qantas Annual Report 2004

ESTABLISHED IN 1920 AS QUEENSLAND AND NORTHERN TERRITORY AERIAL SERVICES LIMITED, THE **QANTAS GROUP** TODAY OPERATES A RANGE OF FLYING BUSINESSES AND A DIVERSE PORTFOLIO OF AIRLINE-RELATED BUSINESSES

The International Flying Businesses are:

- **Qantas International; and**
- **Australian Airlines.**

The Domestic Flying Businesses are:

- **Qantas Domestic;**
- **QantasLink; and**
- **Jetstar.**

The two Flying Services groups that support these Flying Businesses are:

- **Engineering Technical Operations and Maintenance Services; and**
- **Airports and Catering.**

The Qantas Group also operates several associated, airline-related businesses:

- **Qantas Freight;**
- **Qantas Holidays; and**
- **Qantas Defence Services.**

The Qantas Group employs nearly 35,000 people and offers customers nearly 6,000 flights each week – more than 5,000 domestic flights serving 60 city and regional destinations in Australia, approximately 560 international flights from Australia to 81 destinations in 40 other countries and 300 New Zealand domestic services.

The Qantas name and brand are among the most recognised in Australia and the company has a reputation for excellence in safety, operational reliability, engineering and maintenance and customer service.

Report from the Chairman and Chief Executive Officer

Margaret Jackson
Chairman

Geoff Dixon
Chief Executive Officer

QANTAS ACHIEVED A RECORD PROFIT IN 2003/04.
GOING FORWARD, QANTAS WILL STRIVE FOR GREATER EFFICIENCY, CONTINUE TO INVEST IN NEW AIRCRAFT AND PRODUCT AND GROW ITS OPERATIONS AND JOB OPPORTUNITIES.

TO OUR FELLOW SHAREHOLDERS

Qantas achieved a record profit in 2003/04. The Company reported a profit before tax of $964.6 million, an increase of 92 per cent on last year's result of $502.3 million. Net profit after tax was $648.4 million, up 88.8 per cent from last year. Revenue for the year totalled $11.4 billion, a decrease of $21.2 million or 0.2 per cent. Total expenditure, including borrowing costs, fell $483.5 million to $10.4 billion.

This excellent result was achieved in improving, but still difficult, industry conditions.

Capitalising on a gradual recovery in both international and domestic flying, Qantas realised a 92.8 per cent increase in earnings before interest and tax on total international flying to $398.9 million and a 141.8 per cent increase on total domestic flying to $539.3 million. This outcome was supported by substantial investment in product, on-time performance and training that raised service standards across the Company. Frequent Flyer and co-branded credit and charge card areas continued to grow.

Cost and efficiency savings of $512 million offset a flat revenue line still recovering from the effects of the war in Iraq and SARS. Continuation of a successful fuel hedging program partly offset rising jet fuel prices, which were 14.1 per cent higher than the previous year.

The Directors declared a fully franked final dividend of nine cents per share, bringing total fully franked dividends for the year to 17 cents per share.

Strategic Approach

Going forward, Qantas will strive for greater efficiency, continue to invest in new aircraft and product, grow operations and job opportunities and protect its reputation as Australia's national carrier and one of the world's leading airlines. We aim to compete effectively across all sectors of the aviation marketplace and in a growing number of markets.

- The Qantas Group will invest more than $6 billion in additional new aircraft and product over the next three years.
- Fifteen new aircraft were brought into service this year – two Boeing 747-400ERs, three Boeing 737-800s, three Airbus A330-300s and seven Bombardier Dash 8-Q300s. New and more efficient aircraft, including Airbus A330s, will also be deployed on new international routes, such as Australia to London via Hong Kong, Australia to Mumbai and Australia to Shanghai.
- The new $385 million Qantas International Business Class, featuring the award-winning Skybed sleeper seat, was launched in September 2003. Skybed is now available on all services to London, all Boeing 747 and Airbus A330 services to Hong Kong and is being progressively introduced on other services, including to Los Angeles.
- The Group's freight operations will grow, building on new markets in China and Europe and the synergies with Australian air Express and with Star Track Express, which was acquired in December 2003 for $750 million in a joint venture with Australia Post.
- The Group's new low cost domestic carrier, Jetstar, will build on existing and new leisure routes.
- Qantas has taken 49.99 per cent ownership of a new low cost carrier based in Singapore. The airline plans to begin operating before the end of 2004 with three single-aisle Airbus A320 aircraft, flying to a range of Asian cities within five hours of Singapore. The owners will invest a total of S$100 million in the new airline, with Qantas contributing S$50 million. This is a modest investment for Qantas, but an excellent opportunity to participate in the growing intra-Asia travel market.
- Flexibility in both the international and domestic fleets will enable the Group to reduce capacity quickly, and for little cost, in case of a major downturn.

Report from the Chairman and Chief Executive Officer continued

- Qantas will continue to invest in its engineering and maintenance operations. This year, for example, saw the completion of the refurbishment of Hangar 4 at Avalon Airport, used for heavy maintenance.
- The Sustainable Future program aims to reduce costs and provide efficiencies of a further $500 million in 2004/05 and another $500 million in 2005/06.
- Qantas has made a substantial investment in new systems to lower information technology operational costs, reduce dependency on legacy technology and simplify business processes.
- Fuel hedging and a fuel surcharge on fares will substantially, but not fully, offset the continued increase in crude oil prices.

Managing Risks

Risk management is a very significant success factor in aviation.

Strategic decisions made by Qantas drive improved performance but can increase the associated operational and financial risk profile of the business. Investment in new aircraft or routes is susceptible to cyclical downturns, the fluid global airline landscape and many other political, economic and environmental factors. Similarly, implementing the changes necessary to remain competitive is difficult and must be carefully managed to ensure our employees are involved and committed.

Qantas has a formal risk governance structure to address risks and this is embedded within the business culture. Substantial investment has also been made in corporate crisis management strategies that include customer recovery, systems backup, environmental response, financial safeguards and alliance and network support.

Fuel prices continue to be susceptible to a number of factors, including international political and economic circumstances. Qantas uses options and swaps on aviation fuel and crude oil to hedge its exposure to movements in the price of aviation fuel. Qantas also introduced a fuel surcharge on 17 May 2004 (and increased it on 20 August 2004) to partially offset the rising cost of fuel. When prices return to more sustainable levels, Qantas will remove the surcharge.

Qantas is also exposed to foreign exchange fluctuations on the Australian dollar value of foreign currency denominated revenues and expenses. There is also foreign exchange risk on the residual value of the Group's aircraft, on its foreign currency borrowings and on a large proportion of its capital expenditure as aircraft are purchased in US dollars. Qantas seeks to mitigate its foreign currency exposures by using a variety of long-term and short-term hedging instruments.

Qantas' risk management policies restrict dealings with financial institutions to those with certain minimum credit ratings and also limit the maximum exposure to any one counterparty.

Confronting Challenges

Qantas is operating within a very challenging industry environment. After the turbulence of the past few years, the global aviation industry has still not returned to "normal". Crude oil prices are at record highs and annual global traffic numbers are still below those for 2000.

Qantas also continues to compete on an uneven playing field.

Two-thirds of the 40 international airlines that fly to and from Australia each week are government owned or supported and US and Canadian carriers receive legislated bankruptcy protection.

US airlines received US$15 billion in grants and loans after September 11 and also received substantial government support in relation to many security measures for which Qantas is not supported.

Japanese airlines have received significant funding from their government, Air New Zealand has received a NZ$885 million government bail out and the Italian Government has recently stepped in to rescue Alitalia.

Governments and the ruling families in the Middle East are spending tens of billions of dollars on new aircraft and aviation infrastructure as they establish new aviation and tourism industries to reduce their reliance on their finite oil and gas reserves.

By contrast, Australia has one of the most open aviation policies in the world. At the same time, Qantas remains fettered by the Qantas Sale Act – a limitation that restricts the Company's access to global equity capital and so increases its cost of capital.

In light of the substantial challenges facing Qantas, we and the Government must find a mutually acceptable solution to this issue.

Reorganising for Performance

During the year, the Qantas Group was reorganised into 10 businesses supported by a corporate centre. This new structure will enable the Qantas Group to make better investment decisions and improve performance for customers, shareholders and employees. It will increase autonomy, accountability, collaboration and the speed and quality of decision making – as well as increasing returns on assets.

PROVIDED MARKET CONDITIONS DO NOT DETERIORATE, THE QANTAS GROUP BELIEVES IT CAN IMPROVE ON ITS 2003/04 RESULT IN 2004/05 AND PROTECT ITS REPUTATION AS AUSTRALIA'S NATIONAL CARRIER AND ONE OF THE WORLD'S LEADING AIRLINES.

The reorganisation involves three types of business:

International and Domestic Flying Businesses:

- Qantas International;
- Australian Airlines;
- Qantas Domestic;
- QantasLink; and
- Jetstar;

Flying Services Businesses:

- Engineering Technical Operations and Maintenance Services; and
- Airports and Catering; and

Associated Businesses:

- Qantas Freight;
- Qantas Holidays; and
- Qantas Defence Services.

These businesses are supported by Qantas Business Services, whose functions include information technology, property, procurement and aviation health services. Qantas Business Services will also allow businesses across the Qantas Group to gain greater control over the quality and cost of centrally provided services. Savings will be delivered through the streamlining of internal systems.

Enhancing Security

During 2003/04, Qantas spent more than $190 million on securing its passengers, employees and assets. This included significant investment in new passenger, baggage and freight screening equipment such as explosive trace detection technology. An additional $96 million will be spent in 2004/05 to introduce checked baggage screening at Qantas owned and operated terminals.

Recent security initiatives include:

- purchase of state-of-the-art security equipment;
- process and performance improvements at passenger screening points and increased guarding of our aircraft and terminals;
- enhanced staff training;
- installation of security enhanced cockpit doors on all Qantas Group jet aircraft;
- the introduction of random explosive trace detection of passengers and their carry-on luggage;
- the enhanced screening of freight;
- improved threat and risk assessment capabilities; and
- enhanced background checks for staff and the re-issue of identity cards.

Improving Environmental Performance

Qantas is continually seeking to improve its environmental performance.

Environmental due diligence was carried out as part of the acquisition and leasing of new work sites and facilities. Soil and groundwater quality at various locations was regularly monitored and reported. Project development work, such as the design of new facilities, included a focus on energy and water efficiency initiatives and sustainability principles.

Qantas extended its participation in airport noise abatement committees in capital city and major regional ports across Australia and worked closely with international agencies, such as the International Air Transport Association and the Association of Asia Pacific Airlines, on climate change strategies and a balanced approach to noise management.

Data on waste management activities was collected and analysed, which will assist with the development of realistic and achievable targets and objectives in terms of waste minimisation and recycling.

Qantas also became a key partner of Landcare Australia and directly supported revegetation and tree planting projects in a number of regional areas.

Our People

In February 2004, *Air Transport World*, the leading international aviation publication, named Qantas 'Airline of the Year'. We take this opportunity to sincerely thank our staff for their contribution to this year's results and the achievement of this award. Their professionalism and dedication are essential factors in the success of the Qantas Group.

Qantas today is one of Australia's largest employers. Direct employment has grown by more than 10,000 over the past decade. Qantas now employs approximately 35,000 full-time equivalent employees, including 2,800 pilots and other flight crew, 6,900 cabin crew and 25,000 ground and administration staff (which includes sales and support, airports, freight, catering, engineering, technical operations and maintenance services).

More than 33,000 Qantas employees are Australia-based, a high percentage for any Australian company that operates internationally and also high when compared with the "home grown" employment levels of other international airlines (Qantas' five major international competitors employ a total of around 1,000 people in Australia).

In August 2004, Qantas announced that it would pay a $1,000 cash bonus to each eligible staff member in recognition of their contribution to the Group's record 2003/04 profit results.

Report from the Chairman and Chief Executive Officer continued

Qantas also recognises that many staff balance a busy range of work and personal commitments. Qantas has committed $50 million over the next three years to initiatives that will assist staff to balance their work and family life.

From August 2004, Qantas employees in Australia received:

- increased paid maternity leave from six to 10 weeks, with equivalent improvements for those staff groups that have special existing arrangements;
- 10 weeks' paid adoption leave consistent with maternity leave;
- one week paid paternity leave; and
- up to 10 days' carer's leave per annum;

A "keep in touch" program for staff on maternity and adoption leave will also be introduced.

Qantas is also building two new child care centres, one in Melbourne and one in Brisbane, and is evaluating child care needs for staff in other Australian cities where the Company has a significant presence. These will complement the child care centre opened at Qantas' Sydney headquarters in May 2003.

The safety and well-being of our people is a constant priority. Qantas improved workplace safety during the year, reducing lost time injuries (which led to people being absent from work) by 27 per cent. There are now at least 70 fewer lost time injuries per month than when an intensive occupational health and safety initiative focusing on workplace safety began in 2001. A great deal of pain and suffering, as well as millions of dollars associated with rehabilitation, equipment damage, reduced productivity and other incident consequences, have been saved.

Qantas has also introduced a new well-being program for all staff, that will involve a range of health initiatives such as health screening and assessments.

Supporting the Australian Community

Qantas is a major player in the $73 billion Australian tourism industry and purchases over $2 billion of goods and services locally each year.

Qantas continues to play an important role in times of emergency or national crisis and the Qantas Group, through the Sharing the Spirit program, remains a key supporter of community, charity, arts and sporting organisations across Australia (see pages 30 and 31).

Board Changes

Two new Independent Non-Executive Directors were appointed to the Qantas Board during the year – Patricia Cross on 1 January 2004 and James Packer on 1 March 2004. Both appointments filled casual vacancies and further strengthened the diversity of experience and corporate skill that is offered by your Board.

Trevor Kennedy resigned from the Board on 17 November 2003. He had been a Director of Qantas since April 1994, served as a Director of Qantas Superannuation Limited and made a major contribution to Qantas over nearly a decade.

Looking Ahead

The rapid escalation in the price of crude oil is the major factor facing Qantas and the aviation industry worldwide. However, the Group's fuel hedging policy, the imposition of the fuel surcharge in May and the increase in August, will provide a cushion for the Group in 2004/05.

The sharp increase in domestic capacity has added further pressure and, as expected, yields declined by up to 10 per cent during July 2004 compared to the same time last year. Load, however, was not affected in the face of this increased capacity and the Group's domestic flying businesses are performing in line with expectations.

Taking the above into account, and provided market conditions do not deteriorate, the returns for the first few months of 2004/05, forward bookings and a continuation of efficiency gains lead Qantas to believe it can improve on its 2003/04 result in 2004/05.

Margaret Jackson
Chairman

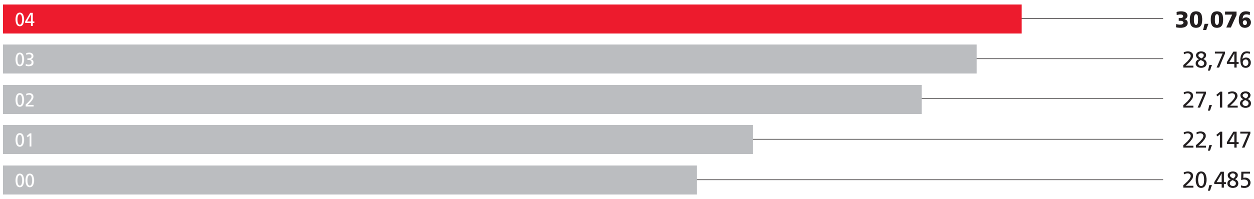
Geoff Dixon
Chief Executive Officer

Key Financial Indicators

Passengers Carried (000)

has increased 4.6 per cent from

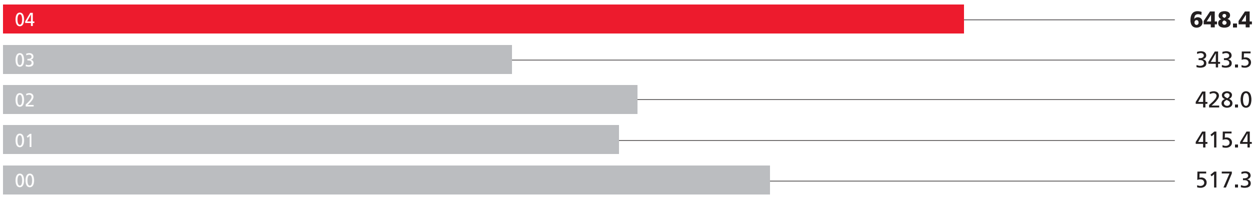
28,746 to 30,076



Net Profit Attributable to Members of the Company ($M)

has increased 88.8 per cent from

343.5 to 648.4



Sales and Operating Revenue ($M)

has decreased 0.2 per cent from

11,374.9 to 11,353.7

Ordinary Dividends per Share* (Cents per Share)

have remained steady at

17¢

Year Ended 30 June		2004	2003	2002	2001	2000
Sales and Operating Revenue	$M	**11,353.7**	11,374.9	10,968.8	10,188.2	9,106.8
Earnings Before Interest and Tax	$M	**1,098.2**	567.0	679.3	695.8	874.0
Profit From Ordinary Activities Before Tax	$M	**964.6**	502.3	631.0	597.1	762.8
Net Profit Attributable to Members of the Company	$M	**648.4**	343.5	428.0	415.4	517.3
Earnings per Share	cents	**35.7**	20.0	29.1	33.0	42.8
Ordinary Dividends per Share*	cents	**17.0**	17.0	17.0	20.0	22.0
Passengers Carried	000	**30,076**	28,746	27,128	22,147	20,485
Available Seat Kilometres	M	**104,200**	99,445	95,944	92,943	85,033
Revenue Passenger Kilometres	M	**81,276**	77,187	75,134	70,540	64,149
Revenue Seat Factor	%	**78.0**	77.6	78.3	75.9	75.4
Aircraft in Service at Balance Date	#	**190**	196	193	178	147

* Excludes special dividends paid

Qantas Group Destinations

WITHIN AUSTRALIA, QANTAS OPERATES MORE THAN 5,000 FLIGHTS EACH WEEK, SERVING 60 CAPITAL CITY AND REGIONAL DESTINATIONS ACROSS THE COUNTRY.

Qantas Group Domestic Network

Domestic Network: Adelaide, Albury, Alice Springs, Armidale, Ayers Rock-Uluru, Avalon, Ballina-Byron Bay, Barcaldine, Barrow Island#, Blackall, Blackwater, Brisbane, Broome, Bundaberg, Burnie, Cairns, Canberra, Charleville, Coffs Harbour, Darwin, Devonport, Dubbo, Emerald, Gladstone, Gold Coast, Gove, Hamilton Island, Hobart, Horn Island, Kalgoorlie, Karratha, Kununurra, Launceston, Leinster#, Longreach, Lord Howe Island, Mackay, Melbourne, Mildura, Moree, Mt Hotham, Mt Isa, Mt Keith#, Narrabri, Newcastle, Newman, Paraburdoo, Perth, Port Hedland, Port Macquarie, Rockhampton, Roma, Sunshine Coast (Maroochydore), Sydney, Tamworth, Tom Price, Townsville, Wagga Wagga, Weipa, Whitsunday Coast (Proserpine).

Charter services.

QANTAS ALSO OFFERS APPROXIMATELY 560 INTERNATIONAL SERVICES EVERY WEEK FROM AUSTRALIA TO 81 DESTINATIONS IN 40 COUNTRIES ACROSS THE ASIA-PACIFIC REGION, THE UK AND EUROPE, NORTH AMERICA, SOUTH AMERICA AND SOUTHERN AFRICA.

Qantas Group International Network

oneworld Partner Airlines

Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia and LAN

International Network: Aberdeen*, Amsterdam*, Apia*, Athens*, Auckland, Bahrain*, Bangkok, Beirut*, Berlin*, Birmingham*, Boston*, Calgary*, Chicago*, Christchurch, Copenhagen*, Dallas-Fort Worth*, Denpasar, Denver*, Dubai*, Dusseldorf*, Edinburgh*, Frankfurt, Fukuoka, Geneva*, Glasgow*, Hamburg*, Helsinki*, Ho Chi Minh City*, Hong Kong, Honolulu, Jakarta, Johannesburg, Kota Kinabalu, Las Vegas*, London, Los Angeles, Lyon*, Manchester*, Manila, Miami*, Montreal*, Mumbai, Munich*, Nadi*, Nagoya, New York, Newcastle-on-Tyne*, Nice*, Norfolk Island*, Noumea, Osaka, Oslo*, Ottawa*, Papeete*, Paris, Port Moresby*, Port Vila*, Portland*, Queenstown, Rome*, Rotorua, San Diego*, San Francisco*, San Jose*, Santiago*, Seattle*, Seoul*, Shanghai*, Singapore, St Louis*, Stockholm*, Suva*, Taipei*, Tokyo, Toronto*, Vancouver*, Vienna*, Warsaw*, Washington DC*, Wellington, Zurich*.

* Services operated by **one**world airlines and other codeshare partner airlines.

Flying Businesses

The Qantas Group's Flying Businesses comprise:

- **Qantas International and Qantas Domestic** – operating Australian domestic and international services;
- **Regional Airlines** – operating Australian regional services as QantasLink and New Zealand domestic and some trans-Tasman services through Jetconnect;
- **Australian Airlines** – the full-service international leisure carrier; and
- **Jetstar** – the new low cost domestic leisure carrier.

Qantas International P10 Qantas Domestic P12 Regional Airlines P14
Australian Airlines P16 Jetstar P17 Qantas Group Fleet P18

Qantas International

THE QANTAS GROUP'S INTERNATIONAL OPERATIONS, INCLUDING AUSTRALIAN AIRLINES, ACHIEVED EARNINGS BEFORE INTEREST AND TAX OF $398.9 MILLION, UP FROM $206.9 MILLION LAST YEAR.

During the year, Qantas continued to expand its international operations.

Highlights included:

- increasing services to Los Angeles from a low of 25 per week during the SARS crisis to a record 37 per week – Qantas now offers more seats to the USA than ever before;
- introducing three direct Brisbane-Los Angeles flights each week from June 2004, the first time any airline has offered non-stop scheduled services on this route;
- purchasing additional landing and take-off slots at London's Heathrow Airport;
- announcing an increase in services to London from 21 to 27 per week from 31 October 2004 with three new Perth-Singapore-London services and three new Sydney-Hong Kong-London services (with a fourth Sydney-Hong Kong-London service to be introduced next year);
- lifting non-stop Hong Kong services to greater than pre-SARS levels, including three new Perth-Hong Kong flights each week, increasing Brisbane-Hong Kong services from three to four a week and increasing Melbourne-Hong Kong services from five to seven a week;
- increasing services from Australia to Tokyo to 31 flights per week, including the restoration of Melbourne-Tokyo services to pre-SARS levels;
- introducing non-stop services to Mumbai, three times a week, from 1 September 2004; and
- announcing that Qantas will begin flying to Shanghai three times a week from December 2004.

In June 2004, Qantas entered into a codeshare partnership with Air France, offering customers daily services to Paris via Singapore from November 2004. Under the air services agreement between Australia and France, Qantas is restricted to operating only three flights to Paris each week and this limited schedule made it difficult to operate the route profitably. Under the new schedule, customers will fly Qantas from Australia to Singapore and then connect to Air France flights between Singapore and Paris.

Investment

Qantas continued its substantial investment in new aircraft (see page 18) and further improved its product offering on international services.

In September 2003, Qantas launched its new International Business Class featuring a self-service Business Class bar and specially-trained, dedicated flight attendants.

Qantas also introduced the celebrated sleeper seat, Skybed. Skybed is two metres (six feet 6.5 inches) long and offers maximum comfort, convenience and flexibility for customers including:

- a fixed cocoon-style seat surround to provide maximum privacy;
- extensive seat adjustment controls to ensure maximum comfort in any position;
- a large 10.4 inch (26.4 centimetre) video screen with multi-channel entertainment; and
- a PC power outlet that allows laptops to be plugged in without the need for adaptor cables.

Skybed has been extremely popular with customers. It won two prestigious design awards during the year – an Australian Design Award and a Good Design Award from the Chicago Athenaeum Museum of Architecture and Design.

The entire fleet of three-class Boeing 747-400 and 747-400ER aircraft will be flying with Skybed by the end of calendar 2004 and new Airbus A330-300 aircraft fitted with Skybed are being progressively added to the international network.

The upgrading of Business Class was accompanied by improvements to the First Class offering. These are being progressively introduced into the Boeing 747-400 and 747-400ER fleet.

Alliances

Qantas continued to maintain a series of strategic alliances with other airlines to create scale and scope for its operations, build stronger feeder traffic, improve fleet utilisation and deliver a better product to customers.

Qantas is a founding member of the **one**world alliance that features seven other airlines: Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia and LAN.

Qantas also continued its separate bilateral alliances with British Airways, American Airlines, Japan Airlines and Air Pacific and codeshare arrangements with these airlines as well as: Aircalin, Air Niugini, Air Tahiti Nui, Air Vanuatu, Alaska Airlines, Asiana, Cathay Pacific, China Eastern, EVA Air, Finnair, Gulf Air, LAN, Norfolk Jet Express, Polynesian Airlines, South African Airways, Swiss International and Vietnam Airlines.

Qantas International

Highlight Qantas continued its substantial investment in new aircraft and further improved its product offering on international services, including the launch of the award-winning Skybed International Business Class sleeper seat.

Qantas Domestic

Highlight The Qantas Group's domestic strategy was successful in providing a co-ordinated network and capacity while delivering a product and airport services to meet the needs of a range of market segments.

Qantas Domestic

THE QANTAS GROUP OPERATES THREE DOMESTIC FLYING BUSINESSES – THE FULL-SERVICE QANTAS DOMESTIC AIRLINE, THE REGIONAL CARRIER QANTASLINK AND THE NEW LOW COST CARRIER JETSTAR.

The Group's domestic strategy is to hold a market share in excess of 65 per cent, maintain a yield premium over Virgin Blue and compete profitably in price sensitive leisure markets.

This strategy has been successful in its aim to provide a co-ordinated network and capacity while delivering the most appropriate product, service and economics for each network segment. The three airlines, including one month of Jetstar operations, achieved earnings before interest and tax of $539.3 million, up 141.8 per cent from $223.0 million last year.

The full-service Qantas Domestic product features:

- two-class aircraft on all routes;
- complimentary inflight meals and entertainment;
- the extensive network of Qantas Club lounges; and
- high frequency City***flyer*** services between Sydney, Melbourne, Brisbane, Canberra, Adelaide and Perth that include:
  - priority departure gates nearest to airport security screening and Qantas Club lounges;
  - free bar service after 4pm during the week;
  - complimentary newspaper for early morning flights on weekdays; and
  - dedicated baggage carousels.

Qantas Domestic introduced a number of new non-stop services during the year, including:

- Canberra-Perth from February 2004, reducing travel time by more than an hour;
- Sydney-Broome from April 2004;
- Perth-Cairns from April 2004; and
- Melbourne-Ayers Rock from June 2004.

In addition, Qantas Domestic:

- increased intra-Western Australia capacity through the use of larger aircraft; and
- introduced seasonal Perth-Kununurra services between May and September 2004.

Investment

Qantas Domestic also continued to invest in new aircraft and product enhancements including:

- the announcement in March 2004 that an additional five Next Generation Boeing 737-800 aircraft would be acquired;
- completion of the refurbishment of the Boeing 737-400 fleet in January 2004;
- completion of an upgraded Qantas Club lounge at the Perth domestic terminal;
- completion of improvements to the Qantas Club lounge at Gold Coast Airport;
- the commencement of the refurbishment of the Qantas Club lounge in Canberra;
- improvements to the QuickCheck self-service check-in product including same day return check-in (within 12 hours of first departure) and the ability to move a booking to an earlier flight;
- trialling of a new, advanced SMS product to provide the quickest check-in option for domestic customers in Australia; and
- launching a new domestic inflight product in late August 2004, featuring improved meal services and greater variety to better meet customer needs.

Frequent Flyer Program and qantas.com

Qantas Frequent Flyer program members redeemed 3.3 million award seats in 2003/04, an increase of six per cent over 2002/03. Program enhancements during the year included more information for members on flight award opportunities and easier navigation at qantas.com.

Members can earn points on more than 5,500 flights offered by Qantas each week, by flying with 26 partner airlines (including **one**world alliance partners) and by using products and services offered by more than 100 non-airline partners including financial products, accommodation and car hire. Members can use points for Award flights with Qantas and partner airlines, upgrades on the Qantas international and domestic networks, hotel stays, car rentals and Qantas Club memberships.

With more than 5.5 million visits each month, qantas.com remained Australia's most popular travel website. More than 30 per cent of domestic bookings are now made via qantas.com and during the year a major infrastructure upgrade was completed to support future growth.

On-Time Performance

A major achievement during the year was the significant improvement in the Group's domestic on-time performance. The Federal Government's Department of Transport and Regional Services began reporting on-time performance statistics for all Australia's domestic airlines in November 2003. Qantas, QantasLink and Jetstar have consistently achieved on-time arrival rates of around 90 per cent (and often better than 90 per cent). This is excellent by world standards.

Regional Airlines

QANTASLINK OPERATES MORE THAN 1,900 SERVICES EACH WEEK TO 49 CAPITAL CITY AND REGIONAL DESTINATIONS ACROSS AUSTRALIA.

During the year, QantasLink continued to develop regional "feeder" markets throughout Australia, connecting the regional business and leisure markets with the major cities.

In what was the largest single investment the Qantas Group has made in the regional fleet, QantasLink placed an order for seven new 50-seat Bombardier Dash 8-Q300 series aircraft – valued at more than $100 million. Together with three Dash 8-Q300 aircraft ordered in the previous year, seven of the new aircraft entered into service during the year and two others in July and August. The tenth aircraft will commence operation in November 2004.

The new 50-seat Dash 8 aircraft replace older and less efficient 36-seat Dash 8s. They have allowed QantasLink to maintain its competitive advantage by increasing capacity at peak times and frequency on services to key ports including: Albury, Armidale, Bundaberg, Burnie, Cairns, Canberra, Coffs Harbour, Devonport, Emerald, Gladstone, Mildura, Port Macquarie, Rockhampton, Townsville and Weipa.

In May 2004, the 14 Boeing 717 aircraft that had previously flown under the QantasLink brand were transferred to the Qantas Group's new domestic low cost airline, Jetstar.

As a result, QantasLink now operates a fleet of two aircraft types – Bombardier Dash 8s and British Aerospace 146 aircraft.

QantasLink employs approximately 1,000 people and has:

- operational bases in Sydney, Melbourne, Brisbane, Cairns and Mildura;
- a Dash 8 heavy maintenance facility and administration centre in Tamworth; and
- Dash 8 line maintenance facilities in Mildura, Sydney, Brisbane and Melbourne.

QantasLink also maintained relationships with a number of smaller regional airlines.

These partnerships extend the regional network available to Qantas customers and give customers of these other airlines access to a range of benefits which include the ability to make bookings via the Qantas global distribution system, seamless through check-in to and from the Qantas network and participation in the Qantas Frequent Flyer program.

Integral to the Regional Airlines business is QantasLink's involvement with the regional communities it serves. QantasLink supports a wide range of rural and regional charities, schools, sporting organisations and events, including:

- Landcare Australia;
- QantasLink National Rugby League Country Clinics, involving more than 45 of the country's best rugby league players travelling to more than 20 regional cities across three states;
- the QantasLink Newcastle Knights;
- the Mildura Mavericks basketball team;
- Ag-Grow Agricultural Field Days in Emerald; and
- Albury-Wodonga's Flying Fruit Fly Circus.

Jetconnect

Qantas' domestic New Zealand operations are operated by Jetconnect, a wholly-owned Qantas subsidiary based in New Zealand which is managed as part of the Group's regional operations.

During 2003/04, Jetconnect's fleet of Boeing 737-300 aircraft grew from five to eight. This allowed for the expansion of the New Zealand domestic schedule to also include the following services:

- Auckland-Queenstown;
- Christchurch-Rotorua; and
- Christchurch-Wellington.

Also during the year:

- the two-class full-service domestic operation was converted to a single, all Economy Class service to provide a more competitive cost base and to better fit market needs on the short sectors involved;
- a new, more flexible fare structure, similar to the one introduced in Australia, was also introduced for domestic New Zealand services; and
- from 1 September 2003, Jetconnect commenced operating some of the Qantas Group's two-class trans-Tasman services from Wellington and Christchurch

Regional Airlines

Highlight QantasLink continued to develop regional “feeder” markets in Australia and ordered seven 50-seat Bombardier Dash 8-Q300 aircraft valued at more than $100 million – the largest single investment the Qantas Group has made in its regional fleet.

Highlight The full-service, single-class international leisure carrier, Australian Airlines, introduced five new destinations in 2003/04 – Sydney, Melbourne, Darwin, Bali and Sabah.

Australian Airlines

Australian Airlines is a full-service, single-class international leisure carrier that began flying in October 2002.

Its principal strategic aim is to maintain a presence for the Qantas Group in markets where Qantas International, with its higher costs, cannot compete.

The airline employs more than 400 people – the majority at its operational base in Cairns. It contributes almost $800 million annually to the Queensland economy.

Over the past 12 months, the airline has almost doubled its route network from seven ports in four countries to 12 ports in six countries. In May 2004, Australian Airlines celebrated flying its one millionth passenger.

Since its launch, Australian Airlines has positioned itself as a holiday airline flying to holiday destinations. The airline's operations have progressed in two phases:

- the first phase focused on carrying tourists inbound to Cairns from Nagoya, Osaka, Fukuoka, Singapore and Hong Kong, with connections from Cairns to the Gold Coast and, later, Sydney; and
- the second phase commenced in June 2003 with the introduction of two new outbound holiday destinations – Sabah in Malaysia and Bali in Indonesia.

Australian Airlines offers the only non-stop flights between Australia and Kota Kinabalu in Sabah and has significantly contributed to an almost threefold increase in Australians travelling to this region.

Bali is once again a popular destination, with Australians returning in greater numbers than before 2002.

Australian Airlines operates services to Bali from Sydney and Melbourne, while Qantas continues to operate services to Bali from Perth and Darwin.

Singapore-Darwin services were added to the network in May 2004 with international connections between Darwin and Cairns. These services complement Qantas flights between Singapore and Darwin, provide more domestic travel options between Darwin and Cairns and boost one-stop connections to the Top End for Japanese travellers.

Australian Airlines plans to begin flying to Sapporo, its fourth Japanese port, on the northern island of Hokkaido, pending government approval. The twice weekly seasonal flights will operate between November 2004 and March 2005 during the Japanese winter to coincide with the peak travel and ski seasons.

This additional flying was made possible by the addition of a fifth Boeing 767-300ER to the Australian Airlines fleet.

Australian Airlines will continue to grow in the year ahead with plans for a sixth aircraft in 2005, providing a 20 per cent increase in capacity for use on existing routes as well as to new ports.

Australian Airlines also worked closely with tourism partners and holiday package wholesalers to offer tailor-made travel options. In September and October 2004, Australian Airlines will operate six non-stop charter flights between Sydney and Phuket in Thailand in conjunction with Qantas Holidays.

Highlight Jetstar operates around 800 flights a week across a network of 14 destinations. Potential new destinations include Adelaide, Alice Springs, Ayers Rock, Darwin, Perth and Townsville.

Jetstar

Jetstar began flying on 25 May 2004, operating a fleet of 14 Boeing 717s and initially employing 650 pilots, engineers, cabin crew and administrative staff.

Jetstar operates around 800 flights a week across a network of 14 destinations between Sydney, Brisbane and Melbourne (Tullamarine and Avalon) and 10 eastern Australian ports – Cairns, Gold Coast, Hamilton Island, Hobart, Launceston, Mackay, Newcastle, Rockhampton, Sunshine Coast (Maroochydore) and Whitsunday Coast (Proserpine).

The decision to operate flights to and from Avalon in Victoria made Jetstar the first Australian commercial carrier to fly scheduled services from a "second city" airport.

Jetstar plans to expand its operations in the coming year, with potential new destinations including Adelaide, Alice Springs, Ayers Rock, Darwin, Perth and Townsville.

The arrival of Jetstar saw the Qantas Group significantly increase capacity on a number of routes, including:

- Hamilton Island by 40 per cent;
- Sunshine Coast by about 40 per cent;
- Hobart and Launceston by nearly 30 per cent; and
- Gold Coast by 20 per cent.

This increased capacity, combined with low fares, has opened up air travel to a growing market of domestic leisure travellers.

Jetstar's aim is the delivery of every day low fares. To achieve this, the airline focuses on efficient aircraft utilisation and turn-around times as well as high levels of direct internet sales.

More than 90 per cent of Jetstar's bookings are made through jetstar.com.

Jetstar also sells food and beverages on-board through Jetshop café, a service provided on a revenue share model with Gate Gourmet, a leading international catering company.

During the year, the Qantas Group decided to acquire 23 177-seat Airbus A320 aircraft for the Jetstar fleet. The A320 is used by many of the world's most successful low cost carriers and offers significant fuel and technology efficiencies operating short-haul domestic routes.

Jetstar has taken delivery of three leased A320s which entered service after 30 June 2004 and will move to an all A320 fleet by mid-2006. The Boeing 717 fleet will be progressively replaced from mid-2005.

Highlights of Jetstar's short history have included:

- the creation of 250 new positions across all areas of operation, taking the total number of staff to more than 900;
- the introduction of new routes for the Qantas Group – Avalon-Brisbane, Avalon-Sydney, Hobart-Brisbane, Mackay-Sydney and Brisbane-Launceston (from December 2004);
- a contract with a new Qantas wholly-owned subsidiary business, Express Ground Handling, to provide ramp and baggage handling services at Sydney, Melbourne, Brisbane and Cairns airports (see also page 24);
- the appointment of leading call centre operator SalesForce to provide the airline's telephone booking services; and
- the introduction of ticketless bookings through mobile phone SMS (JetSMS) – an Australian first, with Jetstar one of only two airlines in the world offering this service.

Qantas Group Fleet

QANTAS REMAINS A WORLD LEADER IN ITS ABILITY TO SELECT NEW AIRCRAFT AND CREATE THE BEST MIX OF AIRCRAFT TYPES TO MEET OPERATIONAL AND COMMERCIAL DEMANDS.

At 30 June 2004, Qantas Group Flying Businesses operated a fleet of 190 aircraft.

Following a significant investment in new aircraft in 2002/03, 15 aircraft were brought into service during 2003/04:

- two Boeing 747-400ERs;
- three Boeing 737-800s;
- three Airbus A330-300s; and
- seven Bombardier Dash 8-Q300s.

Qantas has announced it will acquire an additional 10 Boeing 737-800s for domestic operations in addition to those already on order. By the end of 2005, the 737-800 fleet will total 33.

The Boeing 737-800 features a more spacious cabin, more headroom, larger windows, greater fuel efficiency and other benefits that improve aircraft utilisation, reliability, on-time performance and customer appeal.

Three Airbus A330-300 aircraft were also delivered in June and July 2004. Fitted with the new Business Class product, including Skybed, they are now operating medium-haul international services.

In addition, it was announced that Jetstar would operate a single aircraft fleet of Airbus A320 aircraft – 20 purchased and three leased. The A320s will gradually replace Jetstar's Boeing 717s from mid-2005.

Twenty one aircraft were retired during the year:

- four Boeing 767-200ERs;
- one Boeing 737-400;
- four Boeing 737-300s;
- seven Bombardier Dash 8s; and
- five British Aerospace 146s.

The centrepiece of the future fleet plan remains the Airbus A380.

This twin-deck aircraft will carry more than 500 passengers in a three-class configuration and will provide greater opportunities to expand capacity at slot constrained airports around the world.

Qantas has ordered 12 Airbus A380 aircraft, the first of which is scheduled for delivery at the end of 2006.

Operational Aircraft Fleet (as at 30 June 2004)

Operation	Aircraft Type	Owned, HP and Finance Leases	Other Operating Leases	Total in Service
QANTAS	Boeing 747-400	16	8	24
	Boeing 747-400ER	6		6
	Boeing 747-300	6		6
	Boeing 767-300ER	14	10	24
	Boeing 767-200ER	2		2
	Boeing 737-800	21		21
	Boeing 737-400	21		21
	Boeing 737-300	13	4	17
	Airbus A330-200	4		4
	Airbus A330-300	3		3
QANTASLINK	Bombardier Dash 8	33		33
	British Aerospace 146		10	10
Australian Airlines	Boeing 767-300ER	3	2	5
Jet	Boeing 717-200		14	14
	Total Qantas Group Fleet	**142**	**48**	**190**

Between 30 June 2004 and the date of this report, the following aircraft will have been added to the operational fleet:

- three Airbus A330-300s for Qantas;
- two Boeing 737-800s for Qantas;
- three Airbus A320s for Jetstar; and
- two Bombardier Dash 8-Q300s for QantasLink.

Highlight In keeping with its place as an industry leader in the selection of new aircraft, Qantas will take delivery of the first of 12 Airbus A380s at the end of 2006.

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Qantas Group Fleet

1 Boeing 747-400
2 Boeing 767-300ER
3 Boeing 737-800
4 Airbus A330-200
5 British Aerospace 146
6 Airbus A320
7 Boeing 717-200
8 Bombardier Dash 8

7


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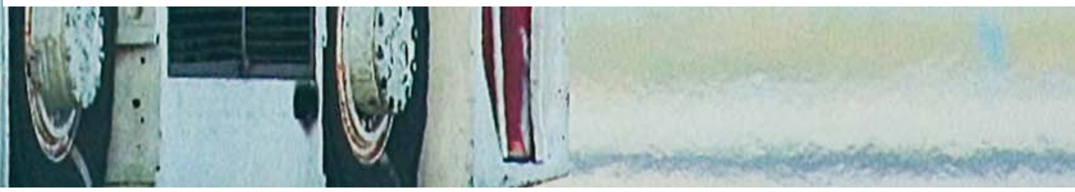
THE SPIR

Flying Services

Two Flying Services groups support the Flying Businesses:

- **Engineering Technical Operations and Maintenance Services** – providing engineering and maintenance services to the Qantas Group airlines and other client airlines; and
- **Airports and Catering** – providing domestic and international airport and catering services to Qantas Group airlines as well as other client airlines.

Engineering Technical Operations and Maintenance Services P22
Airports and Catering P24



Engineering Technical Operations and Maintenance Services

THE QANTAS GROUP OPERATES ONE OF THE LARGEST AIRCRAFT ENGINEERING AND MAINTENANCE ORGANISATIONS IN THE ASIA-PACIFIC REGION.

Qantas Engineering Technical Operations and Maintenance Services (ETOMS) has an established international reputation for operational excellence and safety.

ETOMS employs nearly 6,000 people at major maintenance facilities in Sydney, Melbourne, Brisbane and Avalon as well as at line stations around Australia.

Services include:

- engineering and maintenance services for aircraft engines and components;
- aircraft interior upgrades;
- inventory management; and
- training.

The safety of its people and Qantas Group and other customer aircraft remains the number one priority for ETOMS. A continued focus on occupational health and safety resulted in significant reductions in workplace injuries during the year. ETOMS also worked closely with aviation regulatory bodies, maintaining a total commitment to compliance and safety.

ETOMS is transforming its business to deliver world's best practice for the Qantas Group with a reputation for top quartile industry performance in its chosen operations. Achieving this goal requires a structured continuous improvement program to standardise processes in all business units. The initiatives are underpinned by an employee engagement program as well as investment in leadership and management skills.

The Qantas Group's Sydney ETOMS facilities have traditionally been responsible for handling the bulk of Qantas' Boeing 747 and 767 aircraft fleet maintenance needs, including airframes, avionics, components and large engines. The Melbourne facility carries out the narrow-body Boeing 737 fleet maintenance.

Work continued on an important extension of ETOMS' heavy maintenance operations to a third Australian state – the construction of a new world-class facility at Brisbane. This operation will service the Qantas Group's Boeing 767 aircraft and also have capacity to accept Airbus A330 aircraft. The facility is expected to be completed by the end of 2004, initially employing over 400 people.

In September 2003, a joint venture engine maintenance business was established between Qantas and Patrick Corporation – Jet Turbine Services (JTS). JTS acquired the former Ansett engine maintenance facility near Melbourne's Tullamarine Airport and will become a Centre of Excellence for General Electric engines.

JTS will provide Qantas with high quality maintenance services and world-class turnaround times at competitive costs. The joint venture will also seek to add extra capacity through additional business from other airlines and create additional specialised engine maintenance jobs in Australia.

In November 2003, the refurbishment of Hangar 4 at Avalon Airport was completed, leading to a doubling of capacity and the creation of nearly 160 new jobs (rising to as many as 300 by the end of 2006). ETOMS employs approximately 700 people at Avalon. The prime activity for the year at Avalon was the progressive installation of the new International Business Class Skybed sleeper seat in the Boeing 747-400 fleet and cabin enhancements to other fleets.

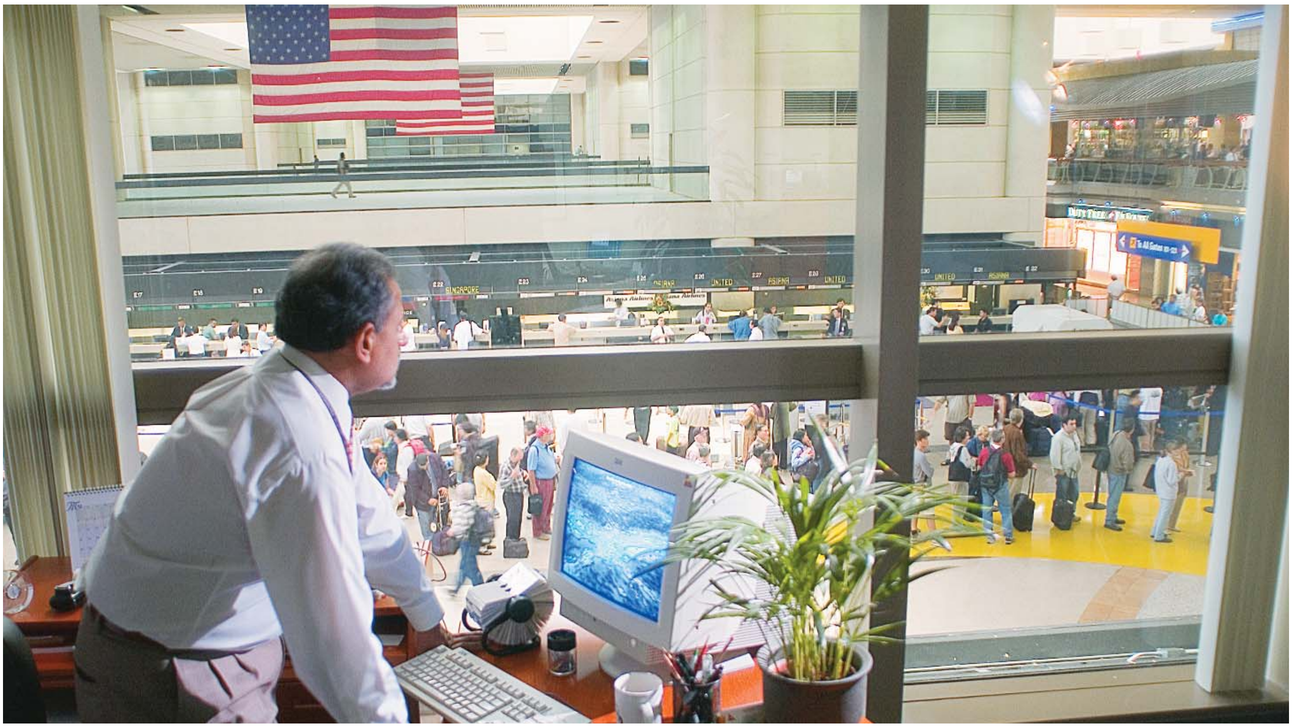
At the Sydney Jetbase, an existing Boeing 747-400 aircraft hangar was upgraded. Using a revolutionary retractable fabric door system, the enclosure of the nose shelter facility will enable the housing of two aircraft at the same time, provide efficiency benefits and an improved work environment for ETOMS staff.

ETOMS also continued its investment in engineering and maintenance training during the year. One hundred and seventy apprentices were employed in the business under a trade program that currently employs nearly 550 maintenance apprentices, ensuring that a well-trained workforce is available to Australian aviation into the future.

As the Qantas Group's fleet expands with new types of aircraft and engines, the commitment to an ongoing apprenticeship program is integral to ensuring the fleet is maintained to the highest standards in terms of reliability and safety.

Engineering Technical Operations and Maintenance Services

Highlight Employing nearly 6,000 people, Qantas ETOMS is one of the Asia-Pacific region's largest aviation engineering and maintenance operations. Major facilities are located in Sydney, Melbourne and Avalon. A new heavy maintenance base is being constructed in Brisbane.



Highlight Qantas Group Flying Businesses operate to 60 city and regional airports in Australia as well as 25 airports overseas. Two new destinations – Mumbai and Shanghai – are being added this year.

Airports

The Qantas Group's domestic and international airport operations provide a range of services to the Qantas Flying Businesses and to other client airlines.

The Group's airlines fly to 60 city and regional airports in Australia and 25 overseas airports across the international and New Zealand domestic network.

Key developments for Qantas International Airports during the year included:

- the opening, with American Airlines, of new First and Business Class lounges at Los Angeles Airport's Terminal 4 in September 2003. This followed the opening of new international Qantas Club lounges in Sydney, Melbourne, Singapore, Bangkok and Honolulu; and
- the establishment of new airport operations in Mumbai and Shanghai in readiness for the commencement of new Qantas services to these ports.

In Australia:

- the Qantas Group established a new wholly-owned subsidiary, Express Ground Handling (EGH), in January 2004. EGH was set up to provide ramp and baggage handling services to meet the cost, aircraft turn-around time and utilisation requirements of Jetstar at Sydney, Melbourne, Brisbane and Cairns airports;
- Qantas confirmed itself as a partner with Adelaide Airport Limited in the construction of a new $240 million integrated passenger terminal in Adelaide. The multi-user terminal will combine domestic, international and regional operations in a new building adjacent to the current international terminal. The project, which will initially include 14 aerobridges, lounge facilities and a retail centre, is currently scheduled for completion in late 2005; and
- Qantas Club lounges at Perth, Gold Coast and Canberra airports were upgraded and improvements were made to the public areas at Gold Coast Airport.

New self-service options have also been introduced to streamline the customer experience before boarding. These include:

- QuickCheck self-service check-in for domestic e-ticket customers travelling from Sydney, Melbourne, Brisbane and Canberra. This can reduce check-in to less than 60 seconds and allows customers to view aircraft seat maps and select available seats; and
- same day return check-in allowing domestic customers with carry-on baggage in Australia or New Zealand to check-in for their return flight if they are returning within 12 hours of their departure flight.

Retail operations at domestic airports – particularly Sydney, Melbourne and Brisbane – have become an integral part of the travel experience for airline customers and airport visitors. Alongside advertising opportunities, they represent an important source of revenue. Qantas offers a range of retail services at airport terminals – for example, the Qantas Sydney Domestic Terminal (T3) features 26 retail outlets. Nine new retail concepts were introduced into domestic terminals in 2003/04.

Highlight **The** Qantas Group's catering businesses – Qantas Flight Catering, Caterair and Snap Fresh – produced more than 50 million meals in 2003/04.

Catering

As a wholly-owned subsidiary of the Qantas Group, Qantas Flight Catering Holdings Limited (QFCH), comprises two of Australia's leading large-scale flight catering businesses:

- Qantas Flight Catering (QFCL); and
- Caterair Airport Services Pty Limited (Caterair).

QFCL operates five catering centres across Australia in Sydney, Melbourne, Brisbane, Adelaide and Perth.

The Caterair business operates catering centres in Cairns and Sydney.

Together, QFCL and Caterair employ more than 3,800 people.

Qantas Catering's EBIT improved by 22.8 per cent to $90.0 million, reflecting capacity growth within the main airline and additional contracts secured from third party airlines.

As the largest flight caterer in Australia, QFCH produced 42 million meals in 2003/04, an increase of 3.8 per cent on the previous year.

These meals were supplied to Qantas and over 30 external customers including other airlines, rail and health care clients.

The year was characterised by increasing competition in the domestic catering market and an increasing prevalence of the "buy on board" catering model. This, combined with the events in the aviation industry over recent years, has made airline clients more aggressive in their negotiations with caterers, increasing the importance of the Company's growth and cost reduction strategies.

Snap Fresh is another wholly-owned Qantas Group subsidiary, specialising in the centralised production of frozen meals.

Snap Fresh opened for business in February 2002 and has clearly established itself as an industry leader in the production of quality catering for airlines. It is working towards building the same reputation in the hospitality and health care industries.

Snap Fresh has a plant capacity of 14 million meals per annum. Current production levels average 160,000 meals per week, or more than eight million meals per year, for Qantas and other clients.

The Snap Fresh workforce has now grown to almost 200 employees.

The business also produces a range of retail products for sale through supermarkets and continues to work directly with key clients in the health care sector developing a total supply solution model in conjunction with other major food service organisations.

Efforts to secure additional contracts with third party airlines and other customers remained a key focus for each of the catering businesses during the year and new revenue streams were also actively pursued.

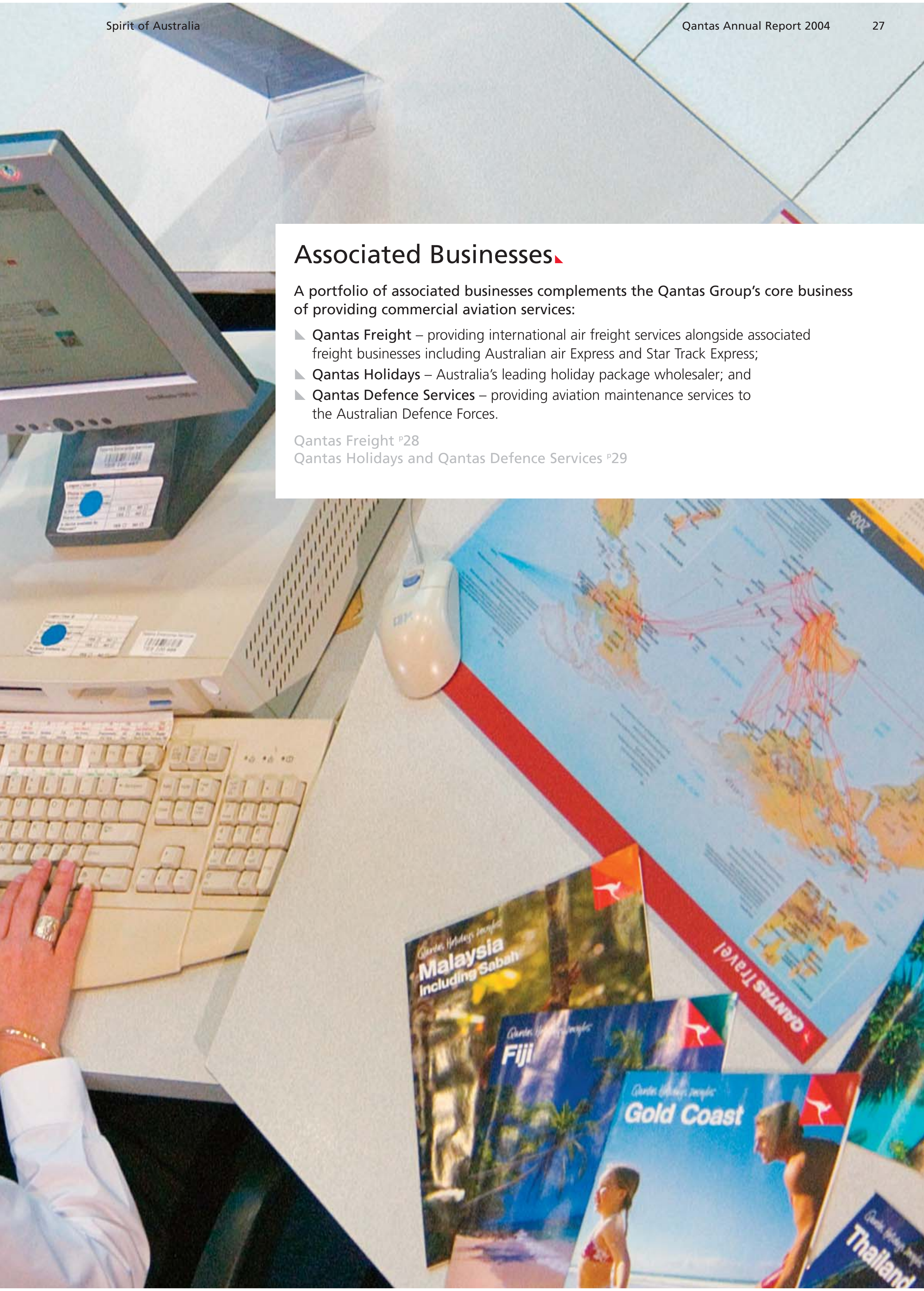

Hawaii
Ski New Zealand
Holidays

Associated Businesses

A portfolio of associated businesses complements the Qantas Group's core business of providing commercial aviation services:

- **Qantas Freight** – providing international air freight services alongside associated freight businesses including Australian air Express and Star Track Express;
- **Qantas Holidays** – Australia's leading holiday package wholesaler; and
- **Qantas Defence Services** – providing aviation maintenance services to the Australian Defence Forces.

Qantas Freight P28
Qantas Holidays and Qantas Defence Services P29



Highlight A major investment for the Qantas Group in 2003/04 was the joint venture purchase with Australia Post of the Australian road freight operator Star Track Express.

Qantas Freight

Qantas Freight carries cargo and mail, utilising the belly space of Qantas international passenger aircraft together with leased freighter aircraft. The division employs approximately 700 people.

Leased Boeing 747 freighter aircraft were introduced in February 2004 and operate on the following routes:

- the USA to Australia;
- Australia to the USA via Singapore and Shanghai;
- the USA to Australia via Shanghai and Singapore; and
- Australia to Hong Kong and return.

To support these new services, Qantas Freight has opened a sales office in Shanghai.

Qantas' international freight operations are likely to be further expanded with a 49 per cent investment in Thai Air Cargo, a start-up intra-Asia freighter operation to be based in Bangkok.

Domestic express air freight operations are conducted by Australian air Express, a 50:50 joint venture with Australia Post. Australian air Express uplifts freight on Qantas domestic passenger services and operates its own fleet of freighter aircraft. The business employs around 1,600 people and is the major air linehaul provider in Australia.

In December 2003, Qantas acquired half of Star Track Express in a further joint venture arrangement with Australia Post. The company is an express road freight operator that distributes packaged goods in the high value, express and time sensitive market. The business employs around 2,400 people.

Star Track Express has an outstanding record of profitable growth. On-time delivery rates exceed 99 per cent, a result assisted by ongoing investment in people, infrastructure and information technology.

Over the past four years, the business has invested more than $150 million in state-of-the-art distribution facilities and sorting equipment for new or expanded depots in Adelaide, Brisbane, Melbourne, Perth and Sydney.

Qantas Freight owns and operates international freight terminal facilities in Brisbane, Los Angeles, Melbourne, Perth and Sydney. The terminals provide handling services (including a customs brokerage service) for Qantas Freight and a number of client airlines. Plans are underway to expand and upgrade the Australia-based freight terminals.

Qantas Freight is a launch partner in Ezycargo.com, an internet-based cargo portal involving a number of key Asia-Pacific airlines. Ezycargo.com offers a range of facilities for customers including the ability to track shipments and book space with multiple carriers on a single site.

Qantas Freight's international business remains a leader in the development and adoption of e-commerce. The majority of bookings are online and a range of services are in place to provide fast and easy access to accurate, real time information on worldwide freight movements 24 hours a day via the internet, email, SMS or fax.

Highlight In April 2004, Qantas Defence Services and EADS were selected as the preferred tenderer to provide and maintain Airbus A330-200 tanker aircraft for the Royal Australian Air Force.

Qantas Holidays and Qantas Defence Services

Qantas Holidays

QH Tours, trading under the brands Qantas Holidays and Viva! Holidays, continues to be Australia's leading wholesaler of domestic and international holidays.

Qantas Holidays employs more than 1,000 staff in Australia and overseas.Through a network of 100 general sales agents, the business has a significant global footprint, with offices located in Australia as well as throughout Asia and in the United Kingdom.

Qantas Holidays increased EBIT by 24.1 per cent to $54.1 million as outbound tourism recovered from the SARS and Iraq crises, domestic demand strengthened and productivity initiatives were implemented.

Qantas Holidays holds a 75 per cent interest in Holiday Tours and Travel Pty Ltd (HTT). Based in Singapore, and with offices in Thailand, Malaysia, Indonesia, Korea, Hong Kong and Taiwan, HTT operates two key brands – 'Holiday Tours and Travel ' and 'Tour East' – and sells wholesale land packages, predominantly to Australia. Tour East provides tours and transfer services throughout Asia.

Qantas Holidays works closely with all of the Qantas Group Flying Businesses to market and sell domestic and international holiday packages. In July 2004, Qantas Holidays entered the charter market for the first time, offering air and land holiday packages to the Thai resort island of Phuket with Australian Airlines.

Also in July 2004, Qantas Holidays introduced a new internet booking service – ReadyRooms.com.au – an instant purchase service providing access to last minute quality hotel accommodation Australia-wide up to 14 days in advance.

Qantas Defence Services

Qantas Defence Services (QDS) employs approximately 350 people in the ACT, NSW and Queensland and provides aviation maintenance services to the Commonwealth Department of Defence and the Australian Defence Forces.

These services include:

- provision and maintenance of the Prime Minister's special purpose aircraft;
- depot maintenance of the Royal Australian Air Force's (RAAF's) C130 Hercules fleet;
- avionics maintenance of the RAAF's F-111 and C130 Hercules fleets;
- overhaul and repair of engines on the RAAF's Hawk 127 fighter, C130 Hercules, Caribou and P-3 Orion fleets; and
- overhaul and repair of engines on the Australian Army's Iroquois helicopter fleet.

In April 2004, QDS and EADS (an Airbus-related company) were selected as the preferred tenderer to acquire, modify and maintain five Airbus A330-200 tanker aircraft for the RAAF to be delivered between 2007 and 2009.

The new business will help to create Australian jobs, with up to 50 new staff to be recruited by QDS to provide customised maintenance and crew training systems and programs to the RAAF. Heavy maintenance on the Airbus A330 tanker will be undertaken at Qantas' new facility at Brisbane Airport due to open later this year.

QDS will continue to actively seek defence contract opportunities.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Our Community

As Australia's national carrier, Qantas has always taken pride in supporting the Australian community.

In 2004, Qantas launched Sharing the Spirit, an extensive program of events and activities aimed at bringing Australian people together – connecting the city with regional Australia and the bush, connecting young people with their futures and connecting Qantas staff and customers with their families and the broader community.

Sharing the Spirit extends the airline's support of charities, arts and sporting organisations by building on existing initiatives and launching new projects such as:

- regional and outback performances by Qantas sponsored arts and performance groups;
- the Qantas Spirit of Youth Awards, a way of nurturing and mentoring talent in a diverse range of creative fields including business, tourism, industrial design, photography, music, writing, film and fashion design; and
- opportunities for Frequent Flyers to attend special functions and events such as the series of fundraising dinners hosted by Qantas Ambassador-at-Large, John Travolta, in May 2004.

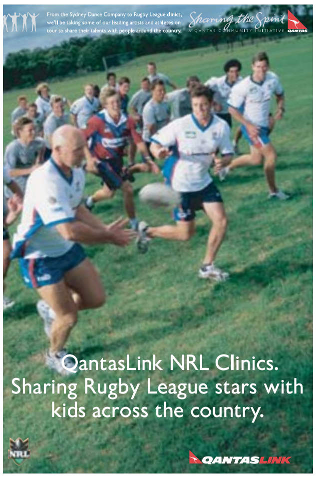
Sharing the Spirit benefits five charitable organisations – CanTeen, CARE Australia, Mission Australia, the Starlight Children's Foundation of Australia and UNICEF – and is a long-term commitment by Qantas to the future of Australia.

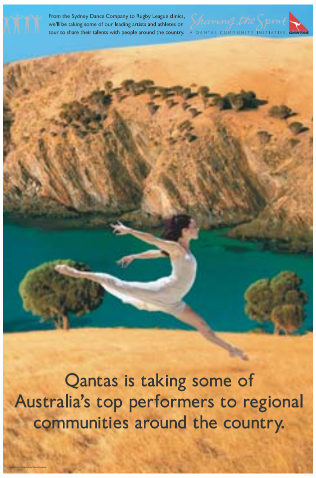
During the year, Qantas continued its support for UNICEF through the Change for Good program, which raises money for the world's poorest children by collecting foreign currency from airline customers. Qantas was the first airline to take part in the program. Change for Good is now the global charity for **one**world alliance airlines and a total of US$40 million is expected to have been raised for the cause by the end of 2004. In June 2004, donations from Qantas customers passed $10 million. Qantas today collects more in one month for Change for Good than was raised in the program's first year.

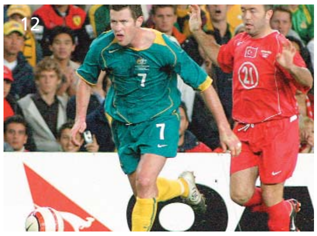
While Qantas customers do so much for UNICEF, Qantas staff also donate their time and efforts to raising funds for a range of causes through groups such as Pathfinders and the Qantas Cabin Crew Team.

In October and November 2003, Qantas fulfilled its role, alongside British Airways, as the Official Airline for one of the world's biggest sporting events – Rugby World Cup 2003. Qantas flew players, officials and tens of thousands of fans into and around Australia in an enormous logistical effort that was crucial to the successful running of the tournament.

Qantas has been the Official Airline of the Australian national rugby team – the Wallabies – for many years and earlier this year the airline extended its support for the game when it became naming rights sponsor of the team up to and including the 2007 Rugby World Cup.







1 Australian Youth Orchestra 2 Australian Ballet 3 CanTeen 4 Australian Swimming 5 Starlight Foundation 6 CARE Australia 7 John Travolta and Sharing the Spirit 8 UNICEF Change for Good 9 Mission Australia 10 Australian Olympic Committee 11 Australian Rugby Union 12 Australian Soccer Association 13 Sydney Dance Company

Qantas is the Official Airline of the Australian Olympic Committee and was a key sponsor of the team that competed in the 2004 Athens Olympic Games.

Qantas also continued its association with Australian soccer, remaining naming rights sponsor for all national soccer teams in a three year arrangement with the new Australian Soccer Association that runs through to the 2006 World Cup. The relationship will help the Association implement long-term plans and development programs at all levels to help the game achieve its full potential in Australia. Qantas is also Official Airline of the National Soccer League.

Organisations and events supported by the Qantas Group include:

Community Organisations

- Bobby Goldsmith Foundation
- Brain Foundation
- CanTeen
- CARE Australia
- Clean Up Australia
- Foodbank Australia
- Garvan Institute of Medical Research
- Juvenile Diabetes Foundation
- Landcare Australia
- Mission Australia
- National Breast Cancer Foundation
- Prime Minister's Disability Awards
- Starlight Children's Foundation of Australia
- Taronga Park Zoo
- UNICEF
- World Vision Australia

The Arts

- Australia Business Arts Foundation
- Australian Ballet
- Australian Brandenburg Orchestra
- Australian Chamber Orchestra
- Australian Youth Orchestra
- Bangarra Dance Theatre
- Bell Shakespeare Company
- Opera Australia
- Sydney Dance Company
- Tropfest

Sport

- Arafura Games
- Athletics Australia
- Australian Basketball
- Australian Football League
- Australian Formula One Grand Prix
- Australian Olympic Committee
- Australian Rugby Union
- Australian Soccer Association
- Australian Swimming
- Cricket Australia
- National Aboriginal Sports Council
- National Rugby League
- Netball Australia
- Royal Life Saving Society of Australia
- Special Olympics Australia
- Sport Australia Hall of Fame
- Tennis Australia

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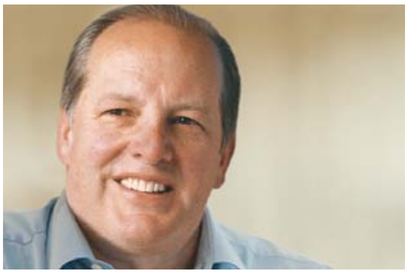

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Board of Directors

01. MARGARET JACKSON, AC
Chairman

Margaret Jackson was appointed to the Qantas Board in July 1992 and as Chairman in August 2000.

Ms Jackson is Deputy Chairman of Southcorp Limited. She is also a Director of Australia and New Zealand Banking Group Limited and Billabong International Limited. She is a Member of the Business Council of Australia Chairman's Panel, a Fellow of The Institute of Chartered Accountants in Australia and a Member of the Foreign Affairs Council. In addition, Ms Jackson is an Executive Committee Member of the Australia Japan Business Co-operation Committee and a Director of the Howard Florey Institute of Experimental Physiology and Medicine.

Ms Jackson was a Partner of KPMG Peat Marwick's Management Consulting Division and National Chairman of the KPMG Micro Economic Reform Group until 30 June 1992, when she resigned to pursue a full-time career as a company director.

In 1982, Ms Jackson completed the final year of her MBA with distinction at Melbourne University.

Ms Jackson was formerly a Director of John Fairfax Holdings Limited, ANZ Grindlays Bank Limited, The Broken Hill Proprietary Company Limited, Pacific Dunlop Limited, Telecom Australia and the Australian Wool Corporation; Chairman of Victoria's Transport Accident Commission, the Victorian State Council of The Institute of Chartered Accountants in Australia, Playbox Theatre Company Pty Limited, Malthouse Pty Limited and a Member of the Pharmaceutical Remuneration Benefits Tribunal and The Asialink Centre.

On 9 June 2003, Ms Jackson was made a Companion of the Order of Australia.

02. GEOFF DIXON
Chief Executive Officer

Geoff Dixon was appointed Chief Executive Officer and Managing Director of Qantas in March 2001. He was Chief Executive Designate from November 2000, after serving as Deputy Chief Executive Officer since November 1998. He was appointed to the Qantas Board in August 2000.

Mr Dixon is a Member of the Safety, Environment & Security Committee, Chairman of a number of controlled entities of the Qantas Group and a Director of a number of Qantas' associated companies, including Star Track Express Holdings Pty Limited and the Singapore-based low cost carrier.

Mr Dixon is also a Director of Leighton Holdings Limited and Air Pacific Limited.

Mr Dixon joined Qantas in 1994 and has had responsibility in the airline for all commercial activities, including worldwide sales and marketing, network development, revenue management, fleet planning, cabin crew, customer service, product development and airline alliances.

Before joining Qantas, Mr Dixon was Director of Marketing and Industry Sales at Ansett Australia and General Manager of Marketing and Corporate Affairs at Australian Airlines. In both positions he was responsible for a wide range of commercial and customer service activities.

Prior to his career in the airline industry, Mr Dixon worked for an arm of the Australian Government Overseas Service (the Australian Information Service) in Australia and on posting for nine years to the Australian Missions in The Hague, New York and San Francisco. He has also worked in the Mining and Media Industries.

Mr Dixon is on the Governing Board of IATA and is a Member of the International Marketing Institute of Australia.

03. PETER GREGG
Chief Financial Officer

Peter Gregg was appointed Chief Financial Officer and to the Qantas Board in September 2000.

Mr Gregg is a Director of a number of the controlled entities and associated companies of the Qantas Group, including the Singapore-based low cost carrier. He is also a Director of Air Pacific Limited.

Mr Gregg was actively involved in the privatisation of Qantas and retains responsibility for Group Finance and Investor Relations. Mr Gregg is also responsible for Strategy, Special Projects, Security and Investigation Services, Corporate Safety and Group Risk Management.

Prior to being appointed Chief Financial Officer, he was Deputy Chief Financial Officer and Group Treasurer at Qantas. He was also Treasurer Australian Airlines and has worked for the Queensland Government in various Risk Management roles.

He is a Fellow of the Finance and Treasury Association, a Member of the Australian Institute of Company Directors, was educated at Queensland University and holds a Bachelor of Economics.


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04. PAUL ANDERSON

Paul Anderson was appointed to the Qantas Board in September 2002.

Mr Anderson is currently the Chief Executive and Chairman of Duke Energy Corporation and is a Global Counsellor for The Conference Board.

Mr Anderson most recently served as Director of US-based Temple Inland Inc and Fluor Corporation. He was the Managing Director and Chief Executive Officer of BHP Billiton and its predecessor, The Broken Hill Proprietary Company Limited from 1998 to July 2002. Mr Anderson was previously President and Chief Operating Officer of Duke Energy Corporation; President, Chairman and Chief Executive Officer of PanEnergy Corporation; Chief Financial Officer of Inland Steel Industries; and a Director of Kerr-McGee Corporation, Baker Hughes Incorporated, TEPPCO Partners, LP and Petrolane Partners.

Mr Anderson holds a Bachelor of Science in Mechanical Engineering from the University of Washington and a MBA from Stanford Graduate School of Business.

05. MIKE CODD, AC

Mike Codd was appointed to the Qantas Board in January 1992.

Mr Codd is Chairman of the Safety, Environment & Security Committee and a Member of the Audit Committee.

Mr Codd is Chancellor of the University of Wollongong and a Director of the Wealth Management Companies of the National Australia Group, Toogoolawa Consulting Pty Limited and INGEUS Ltd.

He is a Member of the Advisory Boards of Spencer Stuart and Blake Dawson Waldron. Mr Codd was Deputy Chairman of Australian Nuclear Science and Technology Organisation (ANSTO) and The Menzies Foundation. He was also a Director of Telstra, IBM Australia and CitiPower Ltd.

From 1981 to 1986, Mr Codd held senior positions in the Commonwealth Government as Secretary of the Department of Employment and Industrial Relations, Chairman of the Industries Assistance Commission and Secretary of the Department of Community Services.

From 1986 to 1991, Mr Codd held the position of Head of Department of the Prime Minister and Cabinet, and Secretary to Cabinet.

Mr Codd holds a Bachelor of Economics (Honours) from the University of Adelaide.

In 1991, Mr Codd was made a Companion of the Order of Australia.

06. PATRICIA CROSS

Patricia Cross was appointed to the Qantas Board on 1 January 2004.

Mrs Cross is a Director of Wesfarmers Limited and is Chairman of Qantas Superannuation Limited.

She is also a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management, a Fellow of the Finance and Treasury Association and a Member of Women Chiefs of Enterprise International. In 2003, she received a Centenary Medal for service to Australian society through the finance industry.

Mrs Cross has previously served as Deputy Chairman of Victoria's Transport Accident Commission, a Member of the Financial Sector Advisory Council, a Member of the Companies and Securities Advisory Committee, Director of AMP Limited, Director of Suncorp-Metway Limited, a Member of the Merrill Lynch Australasia Advisory Board and an Advisory Member of the Deloitte Touche Board of Partners. Mrs Cross has served on a variety of not for profit boards, including the Murdoch Children's Research Institute, Opera Australia Capital Fund, the Heide Museum of Modern Art, Director and Councillor of RMIT University (Melbourne) and Governor of the American Chamber of Commerce in Australia.

Mrs Cross holds a Bachelor of Science (Honours) from Georgetown University (Washington DC) and, after two years in the public service, gained extensive international experience in banking and finance from 1981 to 1996. She worked with Chase Manhattan Corporation, Banque Nationale de Paris and then National Australia Bank, where her last position was General Manager, Wholesale Banking and a Member of the National Australia Bank Executive Committee.

Mrs Cross is married with three children.

Board of Directors continued

07. TREVOR EASTWOOD, AM

Trevor Eastwood was appointed to the Qantas Board in October 1995.

Mr Eastwood is a Member of the Audit Committee and Chairman's Committee.

Mr Eastwood holds a Bachelor of Engineering from the University of Western Australia and is a graduate of the Advanced Management Program at the Harvard Graduate School of Business Management (USA). He joined the Wesfarmers Group in 1963 and, after holding a number of management positions in the Group, was appointed Managing Director of Wesfarmers Limited and Chief Executive of Westralian Farmers Co-operative Limited in 1984. Mr Eastwood retired in an executive capacity from Wesfarmers and its associated companies on 29 June 1992.

Mr Eastwood is the Chairman of Wesfarmers Limited. He is a Director of P.G. Holdings Limited, Prestige Motors Pty Ltd, Perron Group Limited and The WCM Group Pty Ltd. He has been a Director and Chairman of a number of listed companies including Director of BankWest and Chairman of West Australian Newspapers Holdings Ltd.

Mr Eastwood has held various seats on State and Federal Government councils. He is a Fellow of Curtin University, Australian Institute of Management and the Australian Institute of Company Directors.

Mr Eastwood received a Medal of the Order of Australia in 1994.

08. JIM KENNEDY, AO, CBE

Jim Kennedy was appointed to the Qantas Board in October 1995.

Mr Kennedy is Chairman of the Audit Committee and a Member of the Chairman's Committee.

Mr Kennedy, a Chartered Accountant and Public Company Director, is well known for his contribution to the tourism industry as well as to business. He was awarded the Degree of Doctor of the University (Queensland University of Technology) in May 1995.

Mr Kennedy is currently Deputy Chairman of GWA International Limited. He is a Director of the Australian Stock Exchange Limited and Suncorp-Metway Limited.

Mr Kennedy is a former Chairman of Queensland Investment Corporation, the Australian Postal Commission, the Australian Government Inquiry into Tourism, the Queensland Corrective Services Commission and the Queensland Tourist and Travel Corporation and the former Deputy Chairman of the Australian Tourist Commission. He was a Member of the Royal Commission of Inquiry into the Australian Post Office and the Commissioner of Review into Corrective Services in Queensland. He was also previously a Director of Commonwealth Bank of Australia, MIM Holdings Limited, Pacific Dunlop Limited, Santos Limited and QCT Resources Limited.

Mr Kennedy was awarded as a Commander of the Order of the British Empire in 1982 and received the Order of Australia in 1995.

09. ROGER MAYNARD

Roger Maynard, the Director of Investments and Alliances for British Airways Plc (BA), was appointed to the Qantas Board by BA in March 1993, following the acquisition by BA of 25 per cent equity in Qantas.

Mr Maynard is a Member of the Audit Committee.

He is Chairman of British Airways Citi-Express and a Director of Iberia, Lineas Aereas de Espana, S.A.

Mr Maynard is a graduate of Queen's College, Cambridge, England. He served as Counsellor, Aviation and Shipping, at the British Embassy in Washington DC from 1982 until he joined BA in 1987.

From 1979 to 1982 he was Assistant Secretary for Aerospace at the Department of Trade and Industry in London.

His first role with BA was as Vice-President Commercial Affairs North America, based in Washington DC.

He was promoted in 1988 to Executive Vice-President North America, responsible for the co-ordination of BA's entire operation in North America. He returned to London as Director of Investor Relations and Marketplace Performance in 1989.

He became Director of Corporate Strategy in 1991 and was appointed to his present position in January 1996.

10. JAMES PACKER

James Packer was appointed to the Qantas Board on 1 March 2004.

Mr Packer was appointed Executive Chairman of Publishing and Broadcasting Limited (PBL) in May 1998 having served as Chief Executive Officer of PBL from March 1996 until May 1998.

He is also Joint Chief Executive Officer of Consolidated Press Holdings Limited and a Director of Challenger Financial Services Group Limited, Foxtel and Hoyts Cinemas Limited.

Mr Packer will be appointed Chairman of Burswood Limited after regulatory approval has been obtained from the Gaming and Wagering Commission of Western Australia.

11. DR JOHN SCHUBERT

Dr John Schubert, BE, PhD, FIEAust, CPEng, FTS, FIChemE, was appointed to the Qantas Board in October 2000.

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

Dr Schubert is Deputy Chairman of the Commonwealth Bank of Australia and Director of BHP Billiton Limited and BHP Billiton Plc. He is also Chairman of Worley Group Limited, Chairman of G2 Therapies Limited and Director of the Great Barrier Reef Research Foundation. Dr Schubert is a Member of the Australian Graduate School of Management Advisory Board and the Business Council of Australia.

Dr Schubert commenced his career with Esso Australia Ltd in 1969. He worked as a professional engineer on the various oil and gas production facilities for the Bass Strait Field. From 1972 to 1982 he held various positions with Esso in Australia and overseas. During 1982/83 he was Executive Assistant to the President of Exxon Corporation, New York. In September 1983 he was appointed to the Board of Esso Australia. On 1 October 1985 Dr Schubert became Esso's Deputy Managing Director and on 1 January 1988 he became Esso's Chairman and Managing Director.

Dr Schubert was appointed Managing Director and Chief Executive Officer of Pioneer International Limited in July 1993, he held this position until the company merged with Hanson PLC in May 2000. He was also appointed President of the Business Council of Australia in January 2001. He held this position until he resigned in October 2003.

12. NICK TAIT, OBE

Nick Tait was appointed to the Qantas Board by British Airways Plc (BA) in March 1993, following the acquisition by BA of 25 per cent equity in Qantas.

Mr Tait is a Member of the Safety, Environment & Security Committee and the Chairman's Committee.

Mr Tait was General Manager Investments and Joint Ventures Australasia for BA until his retirement from BA in August 2001. Previously, he had been General Manager Australia and New Zealand for BA since 1983.

In 1964, Mr Tait joined BOAC (British Overseas Airways Corporation). He went on to hold various positions in Adelaide, Sydney and then Melbourne as Manager Victoria, South Australia and Northern Territory.

In 1978, he became Manager Malaysia and Brunei, based in Kuala Lumpur, returning to Australia in 1980 to take over the local organisation.

During his career, he has spent varying periods in Sri Lanka, Thailand, Japan, the UK, USA, Hong Kong, Singapore and Bahrain.

Mr Tait is a Director of Garvan Research Foundation and was formerly a Director of Tourism Council Australia. Mr Tait is a Councillor of the Global Foundation Advisory Council. He is a Fellow of the Australian Institute of Company Directors.

He is married with three children and his interests include golf, sailing and amateur farming.

In June 2003, Mr Tait was awarded the Order of the British Empire.

Executive Committee

Geoff Dixon
Chief Executive Officer

Peter Gregg
Chief Financial Officer

Denis Adams
Executive General Manager
Associated Businesses

Fiona Balfour
Executive General Manager
Qantas Business Services
and Chief Information Officer

John Borghetti
Executive General Manager Qantas

Kevin Brown
Executive General Manager People

David Cox
Executive General Manager
Engineering Technical Operations
and Maintenance Services

Paul Edwards
Executive General Manager Fleet,
Network and Alliances

Grant Fenn
Executive General Manager
Airports and Catering

Alan Joyce
Chief Executive Jetstar

Narendra Kumar
Executive General Manager
Regional Airlines

Andrea Staines
Chief Executive Australian Airlines

David Hawes
Head of Government
and International Relations

Brett Johnson
General Counsel & Company Secretary

Captain Chris Manning
Head of Flight Operations
and Qantas Chief Pilot

Michael Sharp
Head of Corporate Communication

2004 Corporate Governance Statement

OVERVIEW

Corporate Governance is core to ensuring the protection and enhancement of shareholder value. The Board maintains, and ensures that Qantas management maintains, the highest level of corporate ethics. The Board comprises a majority of independent Non-Executive Directors who, together with the BA Directors and Executive Directors, have extensive commercial experience and bring independence, accountability and judgment to the Board's deliberations to ensure maximum benefit to shareholders, employees and the wider community.

The Qantas Board endorses the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles).

THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT & OVERSIGHT

The Board has adopted a formal Charter. A copy of the Board Charter is available on the Corporate Governance section of the Qantas website (www.qantas.com).

The Board is responsible for:

- promoting ethical and responsible decision-making;
- ensuring compliance with laws, regulations, appropriate accounting standards and corporate policies (including the Code of Conduct);
- setting and reviewing strategic direction and approving the annual operating budget;
- overseeing the Qantas Group, including its control and accountability systems;
- monitoring the operating and financial performance of the Qantas Group;
- approving and monitoring major capital expenditure programs;
- appointment and removal of the Chief Executive Officer and Chief Financial Officer;
- monitoring the performance of the Chief Executive Officer, Chief Financial Officer and executive management;
- ensuring a clear relationship between performance and executive remuneration;
- monitoring risk management;
- ensuring that the market and shareholders are fully informed of material developments; and
- recognising the legitimate interests of stakeholders.

Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

BOARD MEETINGS

The Board holds nine formal meetings a year. Additional meetings are held as required. A two-day meeting is held in May to review and approve the strategy and financial plan for the next financial year.

Details of the Directors, their qualifications, skills and experience are on pages 32 to 35. Attendance at 2004 Board and Committee meetings is detailed on page 45.

AUSTRALIAN PROVISIONS

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

- head office must be in Australia;
- two-thirds of the Directors must be Australian citizens;
- Chairman must be an Australian citizen;
- British Airways cannot vote in any election of independent Non-Executive Directors;
- quorum for a Directors' meeting must include a majority of non-BA Directors who are Australian citizens and at least one BA Director;
- maximum 49% aggregate foreign ownership;
- maximum 35% aggregate foreign airline ownership; and
- maximum 25% ownership by one foreign person.

2004 Corporate Governance Statement continued

THE BOARD IS STRUCTURED TO ADD VALUE

Qantas has 12 Directors (see details on pages 32 to 35). Eight Directors are Independent Non-Executive Directors elected by shareholders other than British Airways – the Independent Non-Executive Directors are:

Director	Year of Appointment
Margaret Jackson (Chairman)	1992
Paul Anderson	2002
Michael Codd	1992
Patricia Cross	2004
Trevor Eastwood	1995
Jim Kennedy	1995
James Packer	2004
John Schubert	2000

Independence

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

- is a substantial shareholder (within the definition of section 9 of the Corporations Act) of Qantas, or an officer of, or otherwise associated directly with, a substantial shareholder of Qantas (as such, the BA Directors are not considered to be independent);
- has, within the last three years, been employed in an executive capacity by the Qantas Group;
- has, within the last three years, been a principal of a material professional adviser or a material consultant to the Qantas Group or an employee materially associated with the service provided;
- is a material supplier or customer of the Qantas Group, or an officer of or otherwise associated directly or indirectly with, a material supplier or customer;
- has any material contractual relationship with the Qantas Group other than as a Director;
- has served on the Board for a period which could materially interfere with the Director's ability to act in the best interests of the Qantas Group (and it is neither possible nor appropriate to assign a fixed term to this criteria); or
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Qantas.

All Qantas Independent Non-Executive Directors bring a real independent view to the consideration of Board issues. In addition, two new Independent Non-Executive Directors have been appointed in the last 12 months (Patricia Cross and James Packer). The appointment of these new Directors has refreshed the Board and incorporated new ideas and energy.

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

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

Qantas, as the principal Australian airline, has commercial relationships with most, if not all, major entities in Australia. As such, in determining whether a Non-Executive Director is independent, simply being a non-executive director on the board of another entity is not, in itself, sufficient to affect independence. Nevertheless, any Director on the board of another entity is ordinarily expected to excuse themselves from any meeting where that entity's commercial relationship with Qantas is directly or indirectly discussed. BA Directors must consult with the Chairman, on a case by case basis, their attendance during discussions concerning the relationship between Qantas and British Airways.

2004 Corporate Governance Statement continued

Margaret Jackson, the Qantas Chairman, is an Independent Non-Executive Director.

Two Non-Executive Directors are appointed by British Airways (a right acquired from the Australian Government in 1993 when British Airways purchased its shareholding). These Directors are not treated as independent.

Qantas has two Executive Directors, Geoff Dixon (Chief Executive Officer) and Peter Gregg (Chief Financial Officer). These Directors are not treated as independent.

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

At the 2000 Annual General Meeting, shareholders approved the entering of Director Protection Deeds with each Director.

Chairman's Committee

The Board has established the Chairman's Committee which undertakes the responsibilities of the Nominations Committee and Remuneration Committee referred to in the ASX Principles.

The Chairman's Committee:

- has four members, three are Independent Non-Executive Directors and the fourth, as required by the Constitution, is a BA Director;
- is chaired by the Chairman of the Board;
- has a written Charter which is available on the Corporate Governance section of the Qantas website (www.qantas.com);
- is responsible for Board Appointments and Performance (new Independent Non-Executive Directors are nominated by the Chairman's Committee, appointed by the other Independent Non-Executive Directors and elected by shareholders);
- assesses the necessary and desirable competencies of Directors;
- ensures the Directors have the appropriate mix of competencies to enable the Board to discharge its responsibilities effectively;
- ensures that Directors have access to appropriate continuing education to update and enhance their skills and knowledge (including key development in Qantas and within the airline industry);
- develops Board succession plans to ensure an appropriate balance of skills, experience and expertise is maintained;
- makes recommendations to the Board relating to the appointment and retirement of Directors;
- reviews the time commitment required from Non-Executive Directors and whether Directors are meeting that commitment; and
- reviews and makes recommendations to the Board on the operation and performance of individual Directors and the Board, with particular attention to identifying, assessing and enhancing Director competencies.

The experience/qualifications of members of the Chairman's Committee is set out on pages 32 to 35. Membership of and attendance at 2004 Committee meetings are detailed on page 45.

THE BOARD PROMOTES ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board has a formal Code of Conduct which deals with:

- Compliance with Laws and Regulations;
- Political Contributions;
- Unacceptable Payments;
- Giving or Receiving Gifts;
- Protection of Qantas Assets;
- Proper Accounting;
- Dealing with Auditors;
- Unauthorised Public Statements;
- Conflict of Interest;
- Use of Inside Information; and
- Qantas Employee Share Trading Policy (Insider Trading).

A copy of the Qantas Code of Conduct is available on the Corporate Governance section of the Qantas website (www.qantas.com).

The Qantas Code of Conduct contains the Qantas Employee Share Trading Policy (Insider Trading). The Policy sets guidelines designed to protect Qantas and Qantas Employees from intentionally or unintentionally breaching the law. Qantas Employees must not purchase or sell Qantas securities while in possession of Material Non-Public Information.

2004 Corporate Governance Statement continued

THE BOARD SAFEGUARDS THE INTEGRITY OF FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer declare that Qantas' financial reports present a true and fair view, in all material respects, of the Qantas Group's financial condition and operational results and are in accordance with relevant accounting standards (Financial Declaration).

Audit Committee

The Board has an Audit Committee which:

- has four members, three are Independent Non-Executive Directors and the fourth, as required by the Constitution, is a BA Director;
- is chaired by Jim Kennedy, an Independent Non-Executive Director who is a Fellow of The Institute of Chartered Accountants in Australia;
- has a written Charter which is available on the Corporate Governance section of the Qantas website (www.qantas.com);
- includes members who are all financially literate; and
- is responsible for monitoring:
  - business risk management (other than the operational risk management issues delegated to the Safety, Environment & Security Committee (SESC));
  - compliance with legal and regulatory obligations (other than the operational compliance obligations monitored by the SESC);
  - the establishment and maintenance of the internal control framework;
  - the reliability and integrity of financial information for inclusion in the Qantas financial statements;
  - safeguarding the independence of the external auditor; and
  - audit, accounting and financial reporting obligations.

The experience/qualifications of members of the Audit Committee is set out on pages 32 to 35. Membership of and attendance at 2004 Committee meetings are detailed on page 45.

The Board and Audit Committee closely monitor the independence of the external auditor. Regular reviews occur of the independence safeguards put in place by the external auditor.

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

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

The Audit Committee meets regularly privately, with management without the external auditor and with the external auditor without management.

THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

Qantas has an established process to ensure that it is in compliance with its ASX Listing Rule disclosure requirements. This includes a monthly confirmation by all senior management that their areas have complied with the Qantas Continuous Disclosure Policy.

A copy of the Qantas Continuous Disclosure Policy is available on the Corporate Governance section of the Qantas website (www.qantas.com).

Qantas includes commentary on its financial results in its Annual Report.

THE BOARD RESPECTS THE RIGHTS OF SHAREHOLDERS

Qantas has an effective Shareholder Communications Policy which promotes effective communication with shareholders and encourages effective participation at general meetings. A copy of the Qantas Shareholder Communications Policy is available on the Corporate Governance section of the Qantas website (www.qantas.com).

Qantas places all relevant market announcements on its website and registered shareholders receive an email when there is a material announcement.

The 2004 Notice of Meeting and Explanatory Letter will be on the Qantas website and the 2004 Annual General Meeting (AGM) will be webcasted. For shareholders unable to attend, a question form will accompany the Notice of Meeting, giving the opportunity to forward questions and comments to Qantas prior to the AGM.

2004 Corporate Governance Statement continued

THE BOARD RESPECTS THE RIGHTS OF SHAREHOLDERS continued

Auditor at Annual General Meeting

The external auditor attends the Annual General Meeting and is available to answer shareholder questions on:

- the conduct of the audit;
- the preparation and conduct of the auditor's report;
- the accounting policies adopted by Qantas in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

THE BOARD RECOGNISES AND MANAGES RISK

The businesses operated by Qantas are complex and involve a range of operational, commercial, financial and legal risks. Recognising this, the Board has established a sound system of risk oversight and management and internal control designed to identify, assess, monitor and manage risk.

Policies have been developed that include components relating to oversight, risk profile, risk management and assessing effectiveness of risk oversight and management. Qantas is continually aligning its existing risk management and internal control frameworks with principles included in the Australia/New Zealand Standard on Risk Management (AS/NZ 4360:1999) and the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework for evaluating internal controls.

Internal Audit

Qantas has an effective Internal Audit function which is materially involved in risk identification and management. The Internal Audit function is independent of the external auditor, has full access to management and the right to seek information and explanation. The Audit Committee oversees the scope of the Internal Audit and has access to the Head of Internal Audit without the presence of management.

Risk Management Executive Committee

Qantas has established a Risk Management Executive Committee (RMEC) which is made up of all members of the Executive Committee. The RMEC meets regularly to identify all major risks, ensure appropriate risk management plans are in place and to monitor the effectiveness of the implementation of the risk management plans. The RMEC prepares a monthly Risk Management Report for the Board which is reviewed in detail by both the Audit Committee and the Safety, Environment & Security Committee.

Safety, Environment & Security Committee

In 1994, the Board established the Qantas Safety, Environment & Security Committee (SESC) which:

- has four members, the Chief Executive Officer, two Independent Non-Executive Directors and the fourth, as required by the Constitution, is a BA Director;
- is chaired by Mike Codd, an Independent Non-Executive Director;
- has a written Charter which is available on the Corporate Governance section of the Qantas website (www.qantas.com);
- is responsible for monitoring:
  - safety, occupational health, the protection of the environment and operational security;
  - operational risk management (other than the business risk management issues delegated to the Audit Committee) to ensure that the appropriate risk management procedures are in place to protect the airline, its passengers, its employees and the community; and
  - compliance with all operational legal and regulatory obligations (other than the business compliance obligations monitored by the Audit Committee).

The experience/qualifications of Committee members is set out on pages 32 to 35. Membership of and attendance at 2004 Committee meetings is detailed on page 45.

CEO/CFO Declaration

At the time the Chief Executive Officer and Chief Financial Officer provide the Board with the Financial Declaration, they also state to the Board that, in respect of the entire reporting period:

- the Financial Declaration is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- Qantas' risk management and internal compliance and control system is operating effectively in all material respects.

2004 Corporate Governance Statement continued

THE BOARD ENCOURAGES ENHANCED PERFORMANCE

The Chairman's Committee is responsible for evaluating the Board's performance.

A formal review of Board and Committee performance was undertaken during the year. This involved the completion of a lengthy questionnaire and the detailed discussion of the aggregated results by the Board or relevant Committee. During 2004, specialised Committee questionnaires were completed by the Audit Committee and Safety, Environment & Security Committee.

The Chairman discusses performance with each Director during the year.

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

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

THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas remuneration policy (Qantas Executive Remuneration Philosophy and Objectives) is set out in full in the Directors' Report (see pages 48 to 50).

The Chairman's Committee is responsible for developing and recommending to the Board:

- remuneration policies for Non-Executive Directors;
- remuneration policies for the Chief Executive Officer and Chief Financial Officer;
- remuneration policies for executive management;
- the award of any executive option and share grants;
- human resources policies; and
- executive management succession planning, appointments and terminations.

The remuneration of the Directors and top five executives is disclosed on pages 67 to 69. All equity-based executive remuneration is made in accordance with plans approved by shareholders.

On retirement, Qantas Directors are entitled to statutory superannuation and certain travel entitlements which are reasonable and standard practice in the aviation industry (see page 66).

QANTAS RECOGNISES THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Board has a formal Code of Conduct (available on the Corporate Governance section of the Qantas website (www.qantas.com)). Qantas also has formal policies relating to its obligations to non-shareholder stakeholders such as employees, customers and the community as a whole. These include areas such as safety, service standards, occupational health and safety, employment practices, fair trading and environmental protection. Each policy includes procedures for compliance and monitoring effectiveness.

Performance Summary

for the year ended 30 June 2004

	Qantas Group		
	2004 $M	**2003 $M**	**Increase/ (Decrease) %**
FINANCIAL RESULTS			
SALES AND OPERATING REVENUE			
Net passenger revenue	**8,978.3**	8,992.8	(0.2)
Net freight revenue	**469.7**	511.3	(8.1)
Tours and travel revenue	**711.1**	696.3	2.1
Contract work revenue	**502.6**	530.9	(5.3)
Other sources	**692.0**	643.6	7.5
Sales and operating revenue	**11,353.7**	11,374.9	(0.2)
EXPENDITURE			
Manpower and staff related	**2,938.5**	3,017.7	(2.6)
Selling and marketing	**466.1**	546.6	(14.7)
Aircraft operating – variable	**2,226.8**	2,405.0	(7.4)
Fuel and oil	**1,355.6**	1,540.4	(12.0)
Property	**309.8**	286.5	8.1
Computer and communication	**439.1**	412.3	6.5
Depreciation and amortisation	**1,005.6**	891.4	12.8
Non-cancellable operating lease rentals	**263.5**	283.9	(7.2)
Tours and travel	**570.9**	564.0	1.2
Capacity hire	**287.4**	381.6	(24.7)
Other	**411.9**	488.1	(15.6)
Share of net profit of associates and joint ventures	**(19.7)**	(9.6)	105.2
Expenditure	**10,255.5**	10,807.9	(5.1)
Earnings before interest and tax	**1,098.2**	567.0	93.7
Net borrowing costs	**(133.6)**	(64.7)	106.5
Profit from ordinary activities before related income tax expense	**964.6**	502.3	92.0
Income tax expense relating to ordinary activities	**(315.8)**	(155.7)	102.8
Net profit	**648.8**	346.6	87.2
Outside equity interests in net profit	**(0.4)**	(3.1)	(87.1)
Net profit attributable to members of the Company	**648.4**	343.5	88.8
FINANCIAL POSITION			
Total assets	**17,574.2**	16,973.8	3.5
Total liabilities	**11,733.9**	11,711.7	0.2
Total equity	**5,840.3**	5,262.1	11.0
CASH FLOWS			
Net cash provided by operating activities	**1,999.4**	1,290.8	54.9
Net cash used in investing activities	**(2,169.5)**	(2,995.7)	(27.6)
Net cash provided by/(used in) financing activities	**(480.5)**	2,935.6	(116.4)
Net increase/(decrease) in cash held	**(650.6)**	1,230.7	(152.9)
PERFORMANCE RATIOS			
Net debt to net debt plus equity (ratio)	**38:62**	37:63	n/a
Net debt to net debt plus equity including off balance sheet debt (ratio)	**49:51**	50:50	n/a
Net debt to net debt plus equity including off balance sheet debt and revenue hedge receivables (ratio)	**49:51**	51:49	n/a
Earnings per share (cents per share)	**35.7**	20.0	78.6
Return on equity (percentage)	**11.1**	6.5	4.6
Return on equity including the notional capitalisation of non-cancellable operating leases on a hedged basis (percentage)	**11.0**	8.9	2.1
Earnings before interest and tax as a percentage of sales and operating revenue (percentage)	**9.7**	5.0	4.7
Profit from ordinary activities before related income tax expense as a percentage of sales and operating revenue (percentage)	**8.5**	4.4	4.1

Contents

for the year ended 30 June 2004

Information for shareholders is provided in this Concise Financial Report (contained within the Annual Report) and in a separate Financial Report.

This Report is a Concise Financial Report which contains key financial information about Qantas in a concise format.

The Financial Report provides more detailed financial information. The Concise Financial Report, whilst derived from the Financial Report, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Qantas and its controlled entities as the Financial Report.

A copy of the Financial Report, including the Independent Audit Report thereon, is available to all shareholders, free of charge, upon request. The Financial Report can be requested from the Qantas Share Registry (freecall within Australia 1800 177 747, overseas 61 2 8280 7390) and is available on the Qantas website (www.qantas.com).

GLOSSARY

Available freight tonne kilometres (AFTKs)
Total freight tonnage capacity available, multiplied by the number of kilometres flown.

Available seat kilometres (ASKs)
Total number of seats available for passengers, multiplied by the number of kilometres flown.

Available tonne kilometres (ATKs)
Total number of tonnes of capacity available for carriage of passengers, freight and mail, multiplied by the number of kilometres flown.

Revenue freight tonne kilometres (RFTKs)
Total number of tonnes of paying freight carried, multiplied by the number of kilometres flown.

Revenue passenger kilometres (RPKs)
Total number of paying passengers carried, multiplied by the number of kilometres flown.

Revenue seat factor
Percentage of total passenger capacity actually utilised by paying passengers.

Passenger yield
Passenger revenue, excluding passenger recoveries, divided by RPKs.

Directors' Report

for the year ended 30 June 2004

The Directors of Qantas Airways Limited (Qantas or the Company) present their report together with the Concise Financial Report of the consolidated entity, being Qantas and its controlled entities (Qantas Group), for the financial year ended 30 June 2004 and the Independent Audit Report thereon.

DIRECTORS

The Directors of Qantas at any time during or since the end of the financial year are:

Margaret Jackson, AC
Peter Gregg
Mike Codd, AC
Trevor Eastwood, AM
Trevor Kennedy, AM (resigned 17 November 2003)
James Packer (appointed 1 March 2004)
Nick Tait, OBE.
Geoff Dixon
Paul Anderson
Patricia Cross (appointed 1 January 2004)
Jim Kennedy, AO, CBE
Roger Maynard
John Schubert

Details of Directors, their qualifications, experience and any special responsibilities, including Qantas Committee Memberships, are set out on pages 32 to 35.

PRINCIPAL ACTIVITIES

The principal activities of the Qantas Group during the course of the financial year were the operation of international and domestic air transportation services, the sale of worldwide and domestic holiday tours and associated support activities including information technology, catering, ground handling and engineering and maintenance. There were no significant changes in the nature of the activities of the Qantas Group during the financial year.

DIVIDENDS

The Directors declared a final dividend of $166.1 million (final ordinary dividend of 9.0 cents per share) for the year ended 30 June 2004 (2003: final ordinary dividend of 9.0 cents per share). The final dividend will be fully franked and follows a fully franked interim ordinary dividend of $145.8 million (8.0 cents per share), which was paid during the financial year.

REVIEW OF OPERATIONS AND STATE OF AFFAIRS

A review of the Qantas Group's operations, including the results of those operations and changes in the state of affairs of the Qantas Group during the financial year, appears on pages 8 to 31. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Qantas Group that occurred during the financial year under review, other than that disclosed below.

All wholly-owned Australian resident Qantas Group entities are expected to enter the tax consolidation regime from 1 July 2003. It is anticipated that this may lead to a change in deferred tax assets or deferred tax liabilities due to the reset of the tax cost of assets on entering tax consolidation. However, as the amount of any change cannot, as yet, be ascertained, no amount of any change has been reflected in the results for the financial year ended 30 June 2004. Qantas is currently obtaining market valuations in support of its transition into the tax consolidation regime. Qantas also intends to request a binding Private Ruling from the Australian Taxation Office in relation to key aspects of tax consolidation to the Qantas Group.

EVENTS SUBSEQUENT TO BALANCE DATE

With the exception of the final dividend, identified above, there has not arisen in the interval between the end of the financial year and the date of this Directors' Report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Qantas Group, the results of those operations, or the state of affairs of the Qantas Group, in this financial year or in future financial years.

LIKELY DEVELOPMENTS

Pages 1 to 4 of this Annual Report include information on developments likely to affect the operations of the Qantas Group.

Further information about likely developments in the operations of the Qantas Group and the expected results of those operations in future financial years has not been included in this Directors' Report because disclosure of the information could be unreasonably prejudicial to the Qantas Group.

Directors' Report continued
for the year ended 30 June 2004

DIRECTORS' MEETINGS

The number of Directors' meetings held (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors during the financial year are as follows:

	Qantas Board						Safety, Environment & Security Committee			
	Scheduled Meetings		Unscheduled Meetings		Audit Committee				Chairman's Committee	
Directors	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Margaret Jackson	9	9	1	1	4[2]	4	4[2]	4	5	5
Geoff Dixon	9	9	1	1	4[2]	4	3	4	3[2]	5
Peter Gregg	9	9	1	1	4[2]	4	3[2]	4		
Paul Anderson	9	9	1	1					1[2]	5
Mike Codd	9	9	1	1	4	4	4	4		
Patricia Cross	4	4	–	–	2[2]	2			1[2]	1
Trevor Eastwood	9	9	1	1	4	4			5	5
Jim Kennedy	9	9	1	1	4	4			5	5
Trevor Kennedy	4	4	–	–					1[2]	1
Roger Maynard	9	9	1	1	4	4			2[2]	5
James Packer	3	3	–	–					1[2]	1
John Schubert	9	9	1	1			4	4		
Nick Tait	8	9	1	1	1[2]	4	4	4	5	5

1 Reflects the number of meetings held during the time that the Director held office during the financial year.
2 Attended meetings in an ex-officio capacity.

DIRECTORSHIPS OF PUBLICLY LISTED COMPANIES HELD BY THE MEMBERS OF THE BOARD – 1 JULY 2001 TO 30 JUNE 2004

Margaret Jackson[1]

Qantas Airways Limited	– current, appointed 1 July 1992
Australia and New Zealand Banking Group Limited	– current, appointed 22 March 1994
Billabong International Limited	– current, appointed 4 July 2000
John Fairfax Holdings Limited[2]	– current, appointed 1 March 2003
People Telecommunications Limited	– ceased, appointed 10 March 2000 & ceased 30 August 2002

Geoff Dixon

Qantas Airways Limited	– current, appointed 1 August 2000
Leighton Holdings Limited	– current, appointed 19 August 1999

Peter Gregg

Qantas Airways Limited	– current, appointed 13 September 2000

Paul Anderson

Qantas Airways Limited	– current, appointed 2 September 2002
BHP Billiton Limited	– ceased, appointed 1 December 1998 & ceased 4 November 2002

Mike Codd

Qantas Airways Limited	– current, appointed 16 January 1992

Patricia Cross

Qantas Airways Limited	– current, appointed 1 January 2004
AMP Limited	– ceased, appointed 30 August 2000 & ceased 26 February 2003
Wesfarmers Limited	– current, appointed 11 February 2003

Trevor Eastwood

Qantas Airways Limited	– current, appointed 18 October 1995
Wesfarmers Limited	– current, appointed 14 September 1994
West Australian Newspapers Holdings Limited	– ceased, appointed 24 September 1991 & ceased 30 June 2002

1 In addition, Margaret Jackson was appointed to the Board of Southcorp Holdings Limited on 23 August 2004.
2 Margaret Jackson has resigned from the Board of John Fairfax Holdings Limited, effective 31 August 2004.

Directors' Report continued
for the year ended 30 June 2004

DIRECTORSHIPS OF PUBLICLY LISTED COMPANIES HELD BY THE MEMBERS OF THE BOARD – 1 JULY 2001 TO 30 JUNE 2004 continued

Jim Kennedy	
Qantas Airways Limited	– current, appointed 18 October 1995
Australian Stock Exchange Limited	– current, appointed 26 February 1990
GWA International Limited	– current, appointed 28 August 1992
Macquarie Goodman Management Limited	– ceased, appointed 26 October 2000 & ceased 24 January 2003
Suncorp-Metway Limited	– current, appointed 1 August 1997
Roger Maynard	
Qantas Airways Limited	– current, appointed 10 March 1993
James Packer	
Qantas Airways Limited	– current, appointed 1 March 2004
CDS Technologies Limited	– ceased, appointed 6 September 2000 & ceased 24 October 2001
Challenger Financial Services Group Limited	– current, appointed 6 November 2003
Crown Limited	– current, appointed 22 July 1999
eCorp Limited[3]	– current, appointed 9 March 1994
one.Tel Limited[3]	– current, appointed 29 April 1999
Publishing and Broadcasting Limited	– current, appointed 28 April 1992
John Schubert	
Qantas Airways Limited	– current, appointed 23 October 2000
BHP Billiton Limited	– current, appointed 1 June 2000
Commonwealth Bank of Australia	– current, appointed 8 October 1991
Hanson PLC	– ceased, appointed 1 May 2000 & ceased 15 May 2003
Worley Group Limited	– current, appointed 11 October 2002
Nick Tait	
Qantas Airways Limited	– current, appointed 10 March 1993

3 Delisted during the relevant period.

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

Brett Johnson – General Counsel & Company Secretary, Bachelor of Laws (Syd), FAICD.

- joined Qantas in July 1995 just prior to the listing on the ASX;
- responsible for developing and implementing the Corporate Governance structure to ensure compliance with the Corporations Act, Listing Rules and Trade Practices Act;
- responsible for the management of all the legal and public company issues arising within the Qantas Group;
- admitted as a Solicitor of Supreme Court of New South Wales in 1982;
- 1989-1995 – General Counsel & Company Secretary, Memtec Limited; and
- 22 years legal experience working in Australia and overseas.

Janine Smith – Assistant Company Secretary, Bachelor of Laws (Honours) (Syd), Bachelor of Economics (Syd).

- joined Qantas in August 2002 as a Corporate Lawyer;
- responsible for the day to day management of all public company issues arising within the Qantas Group;
- 1999-2002 – Lawyer, Mallesons Stephen Jaques;
- admitted as a Solicitor of Supreme Court of New South Wales in 2001; and
- six years legal experience working in Australia.

Directors' Report continued
for the year ended 30 June 2004

DIRECTORS' INTERESTS AND BENEFITS

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

Director	Ordinary Shares 2004 Number	2003 Number
Margaret Jackson	**122,997**	122,997
Geoff Dixon	**108,174**	43,424
Peter Gregg	**64,676**	23,460
Paul Anderson	**25,000**	25,000
Mike Codd	**11,577**	11,007
Patricia Cross	**2,047**	–
Trevor Eastwood	**13,078**	12,434
Jim Kennedy	**1,975**	1,975
Roger Maynard	**–**	–
James Packer	**–**	–
John Schubert	**34,753**	34,753
Nick Tait	**–**	–

No rights or options were granted to Directors, or exercised by the Directors, between 30 June 2004 and the date of this Report.

In addition to the interests shown above, indirect interests in Qantas shares held on behalf of Mr Dixon and Mr Gregg are as follows:

Geoff Dixon	2004 Number	2003 Number
Deferred Shares held in trust under the 2002 Executive Director Long-Term Incentive Plan and the 2003/04 Executive Director Deferred Share & Performance Rights Plan	**312,500**	250,000
Rights granted under the 2002 Executive Director Long-Term Incentive Plan and the 2003/04 Executive Director Deferred Share & Performance Rights Plan	**152,777**	27,777
Rights granted under the 2002 Performance Bonus Plan	**3,057**	3,057
Entitlements awarded under the Qantas Long-Term Executive Incentive Plan	**2,045,000**	2,045,000

Peter Gregg		
Deferred Shares held in trust under the 2002 Executive Director Long-Term Incentive Plan and the 2003/04 Executive Director Deferred Share & Performance Rights Plan	**190,000**	150,000
Rights granted under the 2002 Executive Director Long-Term Incentive Plan and the 2003/04 Executive Director Deferred Share & Performance Rights Plan	**96,666**	16,666
Rights granted under the 2002 Performance Bonus Plan	**2,054**	2,054
Entitlements awarded under the Qantas Long-Term Executive Incentive Plan	**838,000**	838,000

SHARE ENTITLEMENTS

In previous years, Entitlements over unissued ordinary shares in Qantas were awarded to Executive Directors and Senior Executives under the Qantas Long-Term Executive Incentive Plan as detailed on page 74.

During the 2004 financial year, the following movements in Entitlements took place:

Qantas Long-Term Executive Incentive Plan	2004 Number	2003 Number
Entitlements available for vesting at 1 July	**31,352,488**	37,601,500
Entitlements issued	**–**	–
Entitlements lapsed	**(598,244)**	(1,180,500)
Entitlements vested	**(25,225,600)**	(5,068,512)
Entitlements available for vesting at 30 June	**5,528,644**	31,352,488

Directors' Report continued
for the year ended 30 June 2004

SHARE ENTITLEMENTS continued

The following Entitlements were outstanding at 30 June 2004:

			Number of Entitlements[1]					
Expiry Date	Exercise Price	Value at Grant Date[2]	Net Vested 2004	Unvested 2004	**Total 2004**	Net Vested 2003	Unvested 2003	Total 2003
17 Nov 07	$4.99	$1.13	4,710,850	597,150	**5,308,000**	5,068,512	642,488	5,711,000
24 Nov 08	$3.44	$0.82	22,833,169	4,457,363	**27,290,532**	–	29,600,000	29,600,000
20 Feb 09	$3.62	$0.77	635,869	124,131	**760,000**	–	760,000	760,000
06 Dec 09	$3.25	$1.14	–	350,000	**350,000**	–	350,000	350,000
			28,179,888	5,528,644	**33,708,532**	5,068,512	31,352,488	36,421,000

1 The Entitlements do not allow the holder to participate in any share issue of Qantas. No dividends are payable on Entitlements.

2 The estimated value per Entitlement at grant date disclosed above is calculated using the Black-Scholes Option Valuation Methodology.

REMUNERATION REPORT

Details of the nature and amount of each major element of the remuneration of each Director of Qantas and each of the five named Executive Officers of Qantas and the Qantas Group are set out in Note 9 to the financial statements.

In the year, a detailed Australian Accounting Standard AASB 1046 was issued, effective for the 30 June 2004 year, dealing with the disclosure of Director and Executive remuneration. The calculation basis and disclosure requirements of Director and Executive remuneration under the Corporations Act differ in some aspects from the new Accounting Standard. To ensure clarity for the users of the financial report in understanding the nature and amounts of remuneration to Directors and Executives, the Corporations Act requirements and Accounting Standard requirements are included in Note 9 to the financial statements. Differences between the two sets of requirements have been clearly identified.

Set out below is an overview of the Director and Executive remuneration disclosure requirements and reference to where they have been incorporated into the Qantas Annual Report:

Requirement	Included in the Qantas Annual Report
Corporations Act 2001	
– remuneration policy	Refer below
– elements of remuneration for each required individual	Note 9
Australian Accounting Standards Board (AASB) 1046	
– Director and Executive Disclosures by Disclosing Entities	Note 9
ASX Corporate Governance Council: Corporate Governance Principle 9	
– remunerate fairly and responsibly	Note 9
– Executive remuneration philosophy and objectives	Refer below

2004 EXECUTIVE REMUNERATION PHILOSOPHY AND OBJECTIVES

Qantas' Philosophy for Executive Remuneration is to ensure that remuneration properly reflects the duties and responsibilities of its Executives and that remuneration is competitive in attracting, motivating and retaining people of the highest calibre. As part of this, Executives should be rewarded for performance, and challenged to achieve rigorous and continuously improving performance targets.

These objectives are achieved via a reward program that involves a mixture of:

- Fixed Annual Remuneration (FAR);
- The Performance Plan, comprising:
  - i. The Performance Cash Plan – a short-term cash incentive; and
  - ii. The Performance Equity Plan – made up of a medium-term incentive (the Performance Share Plan) and a long-term incentive (the Performance Rights Plan); and
- Concessionary Travel Benefits, some targeted retention arrangements and other discretionary benefits considered appropriate from time to time.

Directors' Report continued
for the year ended 30 June 2004

2004 EXECUTIVE REMUNERATION PHILOSOPHY AND OBJECTIVES continued

The Chairman's Committee (which is a Committee of the Qantas Board) plays a critical role in reviewing and recommending to the Board on matters of remuneration policy, specific recommendations relating to Senior Executives and all matters concerning equity plans and awards.

The guiding principles in managing remuneration for Executives are that:

- all elements of remuneration should be set at an appropriate level having regard to market practice for roles of similar scope and skill;
- the Performance Plan should be used to differentiate rewards for high performers and to encourage continuously higher levels of performance;
- the Performance Plan should be clearly linked to appropriate goals via a robust performance management system; and
- the Performance Equity Plan, comprising the Performance Share Plan and Performance Rights Plan elements of the Performance Plan, should be used to align the interests of Executives with shareholders, support a culture of employee share ownership and act as a retention initiative.

Overall the mix of the Remuneration program is consistent with market practice.

Fixed Annual Remuneration (FAR)

Salary decisions are based on the concept of FAR, which involves a guaranteed salary level from which superannuation and certain other benefits, such as a maintained motor vehicle, are able to be deducted at the election of the employee on a salary sacrifice basis.

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

The Performance Plan

The alignment of Executive remuneration outcomes with the performance of both Qantas and the individual is a key part of the Qantas People Plan. Relevant performance hurdles, agreed in advance of the allocation of incentives, are a key element in an appropriately structured Performance Plan. Vesting should be over a period that is consistent with the realisation of the short, medium and long-term strategic objectives approved by the Board.

Performance Cash Plan

The Performance Cash Plan is designed to reward Executives when key performance measures are achieved over the 12 month business cycle.

The target reward is a percentage of FAR dependent on each individual's level of responsibility. The actual incentive earned is based on a combination of Qantas results and individual performance and may be greater than or less than the target amount.

Performance against target results on a company wide basis, determines the amount (if any) of the pool of money available for payment. The measure for most Executives is the Earnings Before Depreciation Rentals Interest and Tax (EBDRIT) and, for the members of the Executive Committee, is the Return on Total Gross Assets (RoTGA) being EBDRIT divided by Total Gross Assets. The target is set with an inherent stretch component. It is anticipated that the target would be achieved in 3 out of every 4 years, given this level of stretch.

Once a pool has been approved, based on Qantas' performance, the assessment of the performance of individuals against their specific annual goals takes place along with a further assessment of the relative contribution of Executives. This results in a differentiated distribution of the bonus pool between participating Executives.

Performance Equity Plan

The Performance Equity Plan comprises the Performance Share Plan (medium-term) and the Performance Rights Plan (long-term incentive). Both elements are designed to strengthen the alignment of the interests of the Executives with shareholders.

Performance Share Plan

The medium-term incentive component is delivered via deferred shares under the terms and conditions of the Deferred Share Plan (approved by shareholders at the October 2002 Annual General Meeting), subject to satisfactory results on a balanced scorecard basis.

The target reward is a percentage of FAR dependent on each individual's level of responsibility. The actual incentive earned is based on a combination of Qantas results and individual performance.

Performance at a company level against the balanced scorecard determines the amount (if any) of the pool of shares available for payment. The Balanced Scorecard for 2004/05 contains target measures from the corporate Key Performance Indicator measures agreed with the Board (i.e. People, Customer, Operational and Financial performance). The targets are approved by the Board at the beginning of the financial year with a focus on business improvement. It is anticipated that the target would be achieved in 3 out of every 4 years.

The Board has the capacity to adjust reward outcomes based on performance, if it feels it is appropriate to recognise an extraordinary effort in performance, or as a way of providing specific retention allocations of Deferred Shares.

Directors' Report continued
for the year ended 30 June 2004

2004 EXECUTIVE REMUNERATION PHILOSOPHY AND OBJECTIVES continued

Performance Share Plan continued
Assessment of the performance of individuals against their specific annual goals and a further assessment of the relative contribution of Executives, results in a differentiated distribution in the number of deferred shares.

Shares issued under this Plan are purchased on-market and are locked for 10 years. Participants may "call" for the shares prior to the expiration of the holding lock but not before end of the financial year in relation to half of the shares and the end of the following financial year in relation to the remaining shares. Any shares still under lock are forfeited on termination.

Performance Rights Plan
The aims of the Performance Rights Plan as the long-term incentive component are to:

- align the interests of eligible Executives and shareholders;
- provide targeted but competitive remuneration and a long-term incentive for the retention of key Executives; and
- support a culture of employee share ownership.

As a retention tool, the program is specifically targeted to Senior Executives in key roles or identified as high potential developing Executives.

Rights issued under this Plan are subject to a performance hurdle, being Total Shareholder Return (TSR) in comparison to a basket of global airline companies and the largest 100 Australian listed public companies. The TSR will be tested three years after the rights are granted, and re-tested at regular intervals over the subsequent two years.

Incentive Plan Operation
Under all of the Executive Incentive Plans operating within Qantas, the Chief Executive Officer may recommend changes to the Board, which has discretion to amend the operation of the plan as appropriate given changes in business circumstances. Any such changes would be disclosed in the relevant Annual Report.

Total Reward Mix
Consistent with market practice, the proportion of Remuneration attributable to each component of the Performance Plan is dependent on the level of seniority of the Executive. For the Executives detailed in the Directors Remuneration disclosure note, the total reward mix is as follows:

	% of Total Reward Opportunity (at target)		
	FAR %	Performance Cash Plan %	Performance Equity Plan %
Chief Executive Officer	50	30	20
Chief Financial Officer	55	25	20
Executive General Managers	65	20	15
Other Executives depending on level of seniority	70 to 90	5 to 15	5 to 15

For those Executives eligible to participate in the Performance Rights Plan, the Performance Equity Plan at target is split 50:50 between the Performance Share Plan and the Performance Rights Plan.

Concessionary Travel Entitlements, Service Payments and Retention Arrangements
Travel entitlements are provided to all Executives within Qantas, consistent with practice in the airline industry. Travel at concessionary prices, is on a sub-load (standby) basis, i.e. subject to considerable restrictions and limits on availability and includes specified direct family members or parties. There is also a post retirement element of this benefit for all staff who qualify through retirement or redundancy.

In addition to this and consistent with practice in the airline industry, a small number of Senior Executives are entitled to a number of free trips, for personal purposes and includes specified direct family members or parties. The value of these entitlements is accrued over the expected service of the individual. Eligibility for new participants is now restricted to members of the Qantas Executive Committee.

The primary elements of retention within Qantas are the provision of appropriate development opportunities for high performing Executives and the recognition of performance on an ongoing basis through the remuneration programs detailed above. In addition, it is occasionally appropriate to establish specific milestone reward programs which link agreed performance outcomes to an opportunity for award either in the form of cash, or by way of special allocations under the Performance Share Plan or Performance Rights Plan.

For Executives appointed to Executive General Manager, fixed term contracts of up to five years are agreed on appointment as a further element of retention. A limited number of these are eligible for a payment on termination provided they have completed five years service.

Continuous Improvement
Qantas continually reviews all elements of its Executive Remuneration Philosophy and Objectives to ensure that they are appropriate from the perspectives of governance, disclosure and reward.

Directors' Report continued
for the year ended 30 June 2004

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

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

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

INDEMNITIES AND INSURANCE

Under the Qantas Constitution, Qantas is required to indemnify, to the extent permitted by law, each Director and Secretary of Qantas (subject to certain qualifications) against:

- liability to third parties (other than related Qantas Group companies) arising out of conduct undertaken in his or her capacity as a Qantas officer, unless the liability arises out of conduct involving a lack of good faith, wilful misconduct or reckless behaviour; and
- the costs and expenses of successfully defending legal proceedings arising out of conduct undertaken in his or her capacity as a Qantas officer.

The Directors listed on pages 32 to 35 and the Secretaries of Qantas, being Brett Johnson and Janine Smith, have the benefit of the indemnity in the Qantas Constitution. 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 financial year, Qantas paid a premium for Directors' and Officers' liability insurance policies, which cover all Directors and Officers of the Qantas Group.

Details of the nature of the liabilities covered, and the amount of the premium paid in respect of, the Directors' and Officers' insurance policies are not disclosed, as such disclosure is prohibited under the terms of the contracts.

ROUNDING

Qantas is a company of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Concise Financial Report, Financial Report and Directors' Report have been rounded off to the nearest one hundred thousand dollars unless otherwise indicated.

Signed pursuant to a Resolution of the Directors:

Margaret Jackson
Chairman

Geoff Dixon
Chief Executive Officer

Sydney, 30 August 2004

Statement of Financial Performance

for the year ended 30 June 2004

	Notes	Qantas Group 2004 $M	2003 $M
SALES AND OPERATING REVENUE			
Net passenger revenue[1,2]		**8,978.3**	8,992.8
Net freight revenue[1]		**469.7**	511.3
Tours and travel revenue		**711.1**	696.3
Contract work revenue		**502.6**	530.9
Other sources[3,4]		**692.0**	643.6
Sales and operating revenue	2	**11,353.7**	11,374.9
EXPENDITURE			
Manpower and staff related		**2,938.5**	3,017.7
Selling and marketing		**466.1**	546.6
Aircraft operating – variable		**2,226.8**	2,405.0
Fuel and oil		**1,355.6**	1,540.4
Property		**309.8**	286.5
Computer and communication		**439.1**	412.3
Depreciation and amortisation		**1,005.6**	891.4
Non-cancellable operating lease rentals		**263.5**	283.9
Tours and travel		**570.9**	564.0
Capacity hire		**287.4**	381.6
Other[5]		**411.9**	488.1
Share of net profit of associates and joint ventures		**(19.7)**	(9.6)
Expenditure		**10,255.5**	10,807.9
Earnings before interest and tax	6	**1,098.2**	567.0
Borrowing costs		**(259.5)**	(172.4)
Interest revenue	2	**125.9**	107.7
Net borrowing costs		**(133.6)**	(64.7)
Profit from ordinary activities before related income tax expense		**964.6**	502.3
Income tax expense relating to ordinary activities		**(315.8)**	(155.7)
Net profit		**648.8**	346.6
Outside equity interests in net profit		**(0.4)**	(3.1)
Net profit attributable to members of the Company		**648.4**	343.5
Non-owner transaction changes in equity:			
Net decrease in retained profits on the initial adoption of AASB 1028 "Employee Benefits"		**–**	(3.7)
Net exchange differences relating to self-sustaining foreign operations		**0.4**	(2.3)
Total changes in equity from non-owner related transactions attributable to members of the Company		**648.8**	337.5
Basic earnings per share		**35.7 cents**	20.0 cents
Diluted earnings per share		**35.5 cents**	19.8 cents

1 Passenger and freight revenue is disclosed net of both sales discount and interline/IATA commission.

2 Passenger recoveries are disclosed as part of net passenger revenue.

3 Revenue from "Other sources" includes revenue from aircraft charters and leases, property income, Qantas Club and Frequent Flyer membership fees, freight terminal and service fees, commission revenue, and other miscellaneous income.

4 Excludes interest revenue of $125.9 million (2003: $107.7 million) which is included in net borrowing costs. Also excluded are proceeds on sale and operating leaseback of non-current assets of $221.8 million (2003: $36.7 million), which are offset against the relevant asset's written down value before recognition of the profit or loss on sale. Net loss on sale of non-current assets was $0.5 million (2003: $12.4 million).

5 "Other expenditure" includes contract work materials, printing, stationery, insurance and other miscellaneous expenses.

The Statement of Financial Performance should be read in conjunction with the Discussion and Analysis on pages 53 and 54 and the Notes to the Financial Statements on pages 59 to 77.

Discussion and Analysis of the Statement of Financial Performance

for the year ended 30 June 2004

	Unit	2004	2003	Increase/ Decrease %
QANTAS GROUP OPERATIONAL STATISTICS AND PERFORMANCE INDICATORS*				
Passengers carried	000	**30,076**	28,746	4.6
Revenue passenger kilometres (RPKs)	M	**81,276**	77,187	5.3
Available seat kilometres (ASKs)	M	**104,200**	99,445	4.8
Revenue seat factor	%	**78.0**	77.6	0.4 points
Passenger yield (passenger revenue per RPK)	cents	**10.44**	11.15	(6.4)
Average full-time equivalent employees	#	**33,862**	34,872	(2.9)
Aircraft in service at balance date	#	**190**	196	(6) aircraft
Return on total revenue	%	**5.7**	3.0	2.7 points
Return on equity	%	**11.1**	6.5	4.6 points

* A glossary of terms appears on page 43.

REVIEW OF FINANCIAL PERFORMANCE

- Profit from ordinary activities before tax was $964.6 million, an increase of $462.3 million or 92.0 per cent. Net profit attributable to members of the company was $648.4 million.
- Earnings before interest and tax (EBIT) increased by $531.2 million or 93.7 per cent to $1,098.2 million.
- Group International Flying Businesses contributed an EBIT of $398.9 million, an increase of $192.0 million versus the prior year. RPKs increased by 5.7 per cent, marginally lower than the capacity (ASKs) increase of 5.8 per cent, leading to a 0.1 percentage point decrease in seat factor. Yield, excluding the adverse movements in foreign exchange, remained consistent with the prior year. After the negative impact of the SARS virus on the first four months of operations, capacity returned to the market from November 2003, coinciding with the Rugby World Cup, which provided an additional boost. Capacity was progressively added in the second half including the introduction of additional services to Los Angeles.
- Group Domestic Flying Businesses contributed an EBIT of $539.3 million, an increase of $316.3 million versus the prior year. RPKs increased by 4.4 per cent while capacity (ASKs) grew by 2.6 per cent, resulting in an increased seat factor of 1.3 percentage points. Yield, excluding the adverse movements in foreign exchange rates, deteriorated by 3.8 per cent, as the market continued to absorb increased capacity introduced by both Qantas and Virgin Blue. The new domestic fare structure implemented in July 2003, together with the Rugby World Cup and the recovery in the international sector, contributed to the improved domestic result.
- EBIT for non-flying subsidiary businesses improved by $22.9 million or 16.7 per cent due to improved performance by Qantas Holidays, Qantas Flight Catering and Qantas Defence Services and an increase in the share of net profit of associates and joint ventures.

REVIEW OF SALES AND OPERATING REVENUE

- Total revenue for the year decreased by $21.2 million to $11.4 billion, a decrease of 0.2 per cent versus the prior year. Excluding the unfavourable impact of foreign exchange movements, revenue increased by $435.5 million or 3.8 per cent.
- Net passenger revenue decreased by $14.5 million to $9.0 billion, a decrease of 0.2 per cent. Excluding the unfavourable impact of exchange rate movements, revenue increased by 4.3 per cent due to growth in RPKs of 5.3 per cent, offset by a deterioration in yield (excluding exchange) of 2.0 per cent. Overall Group capacity (ASKs) increased by 4.8 per cent compared with the prior year.
- Non-passenger revenue decreased by $6.7 million to $2.4 billion, a decrease of 0.3 per cent. This was primarily due to decreased freight and contract work revenue, partly offset by tours and travel revenue and ticket change fees.

Discussion and Analysis of the Statement of Financial Performance continued

for the year ended 30 June 2004

REVIEW OF EXPENDITURE

- Total expenditure, including net borrowing costs, decreased by $483.5 million or 4.4 per cent to $10.4 billion. Excluding the favourable impact of movements in foreign exchange rates, total expenditure increased by $88.2 million or 0.8 per cent. This was achieved despite a 4.8 per cent increase in capacity (ASKs), largely reflecting the cost and efficiency savings delivered under the Sustainable Future program.
- Cost per ASK decreased by 11.4 per cent. After excluding foreign exchange benefits, the cost per ASK still reduced by 5.4 per cent.
- Manpower and staff related expenditure decreased by $79.2 million or 2.6 per cent. This included a 2.9 per cent decrease in average full-time equivalent employees, productivity improvements, decreased redundancy costs and a revision to the wages and salary escalation assumption used in the calculation of employee benefits for long service leave. These savings were offset by Enterprise Bargaining Agreement (EBA) increases, activity driven growth, bonuses and new uniform costs.
- Sales and marketing expenditure decreased by $80.5 million or 14.7 per cent largely due to lower Frequent Flyer costs, reflecting increased point redemptions and a reduction in the liability for the incremental cost of servicing outstanding points in line with the cost per ASK reduction.
- Aircraft operating variable costs decreased by $178.2 million or 7.4 per cent. Excluding favourable foreign exchange, costs decreased by $28.0 million largely due to lower engineering material costs and reduced crew expenses, offset by the costs of capacity growth and price increases.
- Fuel costs decreased by 12.0 per cent or $184.8 million. The underlying jet fuel price was 14.1 per cent higher than the prior year, increasing costs by $120.2 million. However, higher hedging benefits of $87.7 million partly offset the impact of the fuel price rise. Barrels consumed increased by only 1.3 per cent compared to ASK growth of 4.8 per cent, reflecting fuel efficiency gains from new fleet acquisitions. Favourable foreign exchange rate movements contributed to reduce costs by $235.1 million.
- Property costs increased by $23.3 million or 8.1 per cent driven by increased rental and facility costs.
- Computer and communication costs increased by $26.8 million or 6.5 per cent. This includes additional project expenditure on eQ and Jetsmart (an ETOMS project) and increased operating costs, offset partly by favourable foreign exchange.
- Depreciation and amortisation increased by $114.2 million or 12.8 per cent due to depreciation on aircraft acquisitions and modifications, accelerated depreciation of aircraft seats being replaced under the Skybed program and a reduction in the residual value assumptions for wide-bodied aircraft (B747, B767 and A330) from 25 per cent to 20 per cent to align residual values.
- Non-cancellable lease charges decreased by 7.2 per cent or $20.4 million due to the return of various aircraft to lessors upon lease termination and favourable foreign exchange. This was offset by refinancing costs.
- Capacity hire costs reduced by $94.2 million or 24.7 per cent reflecting the termination of several wet-lease aircraft sourced after the collapse of Ansett and the return of five British Aerospace 146 aircraft to National Jet Systems upon lease termination. Favourable foreign exchange rate movements decreased costs by $23.5 million.
- Other expenditure decreased by $76.2 million or 15.6 per cent, primarily as a result of lower contract work material costs and higher maintenance recoveries reflecting increased capital modification programs.

REVIEW OF OTHER STATEMENT OF FINANCIAL PERFORMANCE ITEMS

- Net borrowing costs increased by $68.9 million or 106.5 per cent, driven by higher average net debt, higher interest costs and lower capitalised interest.
- The favourable net impact of foreign exchange rate movements on the overall profit before tax was $115.0 million.
- The effective tax rate increased by 1.7 percentage points to 32.7 per cent, primarily due to the prior year deductibility of employee shares.
- Earnings per share increased by 78.6 per cent to 35.7 cents. Diluted earnings per share increased by 79.3 per cent to 35.5 cents.

Statement of Financial Position

as at 30 June 2004

	Notes	Qantas Group 2004 $M	2003 $M
CURRENT ASSETS			
Cash		**335.9**	121.9
Receivables		**2,116.3**	2,867.0
Net receivables under hedge/swap contracts		**302.1**	330.9
Inventories		**375.5**	430.3
Other		**192.2**	204.3
Total current assets		**3,322.0**	3,954.4
NON-CURRENT ASSETS			
Receivables		**304.6**	176.5
Net receivables under hedge/swap contracts		**997.0**	1,014.9
Investments accounted for using the equity method		**339.7**	68.3
Other investments		**110.1**	101.9
Property, plant and equipment		**12,256.6**	11,432.5
Intangible assets		**152.4**	119.6
Deferred tax assets		**0.9**	44.7
Other		**90.9**	61.0
Total non-current assets		**14,252.2**	13,019.4
Total assets	6	**17,574.2**	16,973.8
CURRENT LIABILITIES			
Payables		**2,167.5**	2,109.1
Interest-bearing liabilities		**821.9**	971.1
Net payables under hedge/swap contracts		**250.8**	46.6
Provisions		**381.6**	435.9
Current tax liabilities/(receivables)		**30.1**	(4.7)
Revenue received in advance		**1,493.3**	1,158.4
Deferred lease benefits/income		**45.0**	50.6
Total current liabilities		**5,190.2**	4,767.0
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		**5,081.8**	5,391.9
Net payables under hedge/swap contracts		**131.6**	340.9
Provisions		**331.7**	354.1
Deferred tax liabilities		**806.9**	603.0
Deferred lease benefits/income		**191.7**	254.8
Total non-current liabilities		**6,543.7**	6,944.7
Total liabilities	6	**11,733.9**	11,711.7
Net assets		**5,840.3**	5,262.1
EQUITY			
Contributed equity	5	**3,994.9**	3,757.9
Reserves		**54.4**	54.0
Retained profits	3	**1,776.3**	1,435.9
Equity attributable to members of the Company		**5,825.6**	5,247.8
Outside equity interests in controlled entities		**14.7**	14.3
Total equity	5	**5,840.3**	5,262.1

The Statement of Financial Position should be read in conjunction with the Discussion and Analysis on page 56 and the Notes to the Financial Statements on pages 59 to 77.

Discussion and Analysis of the Statement of Financial Position

as at 30 June 2004

The net assets of the Qantas Group increased by 11.0 per cent to $5,840.3 million during the financial year. The major movements are discussed below.

REVIEW OF ASSETS

- Current receivables decreased by 26.2 per cent due to a decrease in short-term money market securities resulting from repayment of borrowings during the year, partially offset by an increase in trade and sundry debtors resulting from stronger trading conditions in June 2004 compared to the prior year.
- Non-current receivables increased by 72.6 per cent due to a loan advanced to Star Track Express Holdings Pty Limited as part of the acquisition of 50 per cent of the share capital of that company.
- Investments accounted for using the equity method increased by $271.4 million due mainly to the acquisitions of Star Track Express Holdings Pty Limited, AVBA Pte Ltd and Jet Turbine Services Pty Limited during the year.
- Property, plant and equipment increased by 7.2 per cent due to aircraft acquisitions under the aircraft fleet plan (15 aircraft entered service during the financial year). Significant investment was also made in airline product and aircraft reconfigurations.

REVIEW OF LIABILITIES

- Interest-bearing liabilities decreased by 7.2 per cent to $5,903.7 million due mainly to repayment of borrowings during the year, partially offset by new borrowings to fund fleet acquisitions.
- Provisions reduced by $76.7 million or 9.7 per cent primarily due to the payment of redundancies provided for at 30 June 2003.
- Revenue received in advance increased by 28.9 per cent to $1,493.3 million, reflecting stronger trading conditions in June 2004 compared to the prior year.

REVIEW OF EQUITY

- Contributed equity increased by $237.0 million due to the issue of 71.0 million shares as part of the Dividend Reinvestment Plan.

GEARING

- Qantas Group gearing (including the notional capitalisation of non-cancellable operating leases) on a hedged basis at 30 June 2004 was 49:51 compared to 50:50 at 31 December 2003 and 51:49 at 30 June 2003. The decrease in gearing was principally a result of the profit earned during the year, partially offset by capital investment in product and fleet.
- Gearing is determined by dividing the book value of the Qantas Group's net debt (short and long-term plus the present value of non-cancellable operating leases less related hedge receivables and cash and cash equivalents) by the same amount plus the book value of total equity.

Statement of Cash Flows

for the year ended 30 June 2004

	Qantas Group	
	2004 $M	**2003 $M**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	**12,328.5**	12,567.3
Cash payments in the course of operations	**(10,128.6)**	(10,960.6)
Interest received	**126.0**	114.4
Borrowing costs paid	**(305.6)**	(268.1)
Dividends received	**12.4**	7.0
Income taxes paid	**(33.3)**	(169.2)
Net cash provided by operating activities	**1,999.4**	1,290.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	**(2,007.0)**	(3,137.2)
Receipts for aircraft security deposits	**63.1**	197.7
Net payments for purchases of property, plant, equipment and aircraft security deposits	**(1,943.9)**	(2,939.5)
Proceeds from sale of property, plant and equipment	**50.1**	36.7
Proceeds from sale and lease back of non-current assets	**171.7**	–
Payments for investments, net of cash acquired	**(271.9)**	(92.9)
Advances of investment loans	**(128.2)**	–
Payments for other intangibles	**(47.3)**	–
Net cash used in investing activities	**(2,169.5)**	(2,995.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings/swaps	**(1,822.9)**	(798.3)
Proceeds from borrowings/swaps	**1,413.2**	3,205.2
Net proceeds from the issue of shares	**90.6**	701.0
Dividends paid	**(161.4)**	(172.3)
Net cash provided by/(used in) financing activities	**(480.5)**	2,935.6
RECONCILIATION OF CASH PROVIDED BY/(USED IN):		
Operating activities	**1,999.4**	1,290.8
Investing activities	**(2,169.5)**	(2,995.7)
Financing activities	**(480.5)**	2,935.6
Net increase/(decrease) in cash held	**(650.6)**	1,230.7
Cash at the beginning of the financial year	**2,015.9**	785.2
Cash at the end of the financial year	**1,365.3**	2,015.9

The Statement of Cash Flows is to be read in conjunction with the Discussion and Analysis on page 58 and the Notes to the Financial Statements on pages 59 to 77.

Discussion and Analysis of the Statement of Cash Flows
for the year ended 30 June 2004

For the purposes of the Statement of Cash Flows, cash includes cash at bank and on hand, bank overdrafts, cash at call, short-term money market securities and term deposits.

REVIEW OF CASH FLOWS FROM OPERATING ACTIVITIES

- Cash flows provided by operations increased by 54.9 per cent to $1,999.4 million primarily due to lower cash payments in the course of operations resulting from operating expenditure efficiencies and favourable exchange movements.
- Income taxes paid were lower in the current year due to a refund received from the Australian Taxation Office relating to prior year realised foreign exchange losses on the hedging of aircraft acquisitions and the impact of accelerated tax depreciation on new aircraft.

REVIEW OF CASH FLOWS FROM INVESTING ACTIVITIES

- Cash flows used in investing activities decreased by $826.2 million to $2,169.5 million.
- Total capital expenditure of $2,007.0 million for the year predominantly related to the acquisition of aircraft under the aircraft fleet plan, aircraft progress payments, reconfigurations, product investment, engine modifications and spares.
- Payments for investments made during the year of $271.9 million mainly comprised the investments in Star Track Express Holdings Pty Limited, AVBA Pte Ltd and Jet Turbine Services Pty Limited.
- Proceeds from the sale and leaseback of non-current assets of $171.7 million relates to the sale and subsequent leaseback of two B747-400 aircraft.
- Advances of investment loans of $128.2 million relate to a loan advanced to Star Track Express Holdings Pty Limited as part of the acquisition of 50 per cent of the share capital of that company.
- Payments for other intangibles of $47.3 million relate to the purchase of additional landing slots at London Heathrow Airport.

REVIEW OF CASH FLOWS FROM FINANCING ACTIVITIES

- Cash flows provided by/(used in) financing activities decreased by $3,416.1 million to $(480.5) million.
- Repayments of borrowings/swaps of $1,822.9 million comprised repayments of short-term borrowings, swaps, loans and leases.
- Proceeds from borrowings/swaps of $1,413.2 million included secured loans required to purchase new aircraft under the fleet plan.
- Proceeds from the issue of shares of $90.6 million reflected the proceeds received from the underwriting of the October 2003 dividend.
- Dividend payments of $161.4 million represent total dividends paid and is net of $146.5 million which was converted directly to shares via the Dividend Reinvestment Plan.

Qantas held cash of $1,365 million and had access to additional funding of $1,700 million as at 30 June 2004. This comprised a $700 million standby facility, a $769 million revolving facility under a syndicated loan and $231 million in undrawn secured borrowings on two A330-300 aircraft delivered and paid for in June 2004.

Notes to the Financial Statements

for the year ended 30 June 2004

1. Basis of preparation of the Concise Financial Report

The Concise Financial Report has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1039 "Concise Financial Reports" and applicable Urgent Issues Group Consensus Views. The Financial Statements and specific disclosures required by AASB 1039 have been derived from the Qantas Group's full Financial Report for the financial year. Other information included in the Concise Financial Report is consistent with the Qantas Group's full Financial Report. The Concise Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Qantas Group as the full Financial Report.

This Report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of assets.

These accounting policies have been consistently applied by each entity in the Qantas Group, being Qantas Airways Limited (Qantas) and its controlled entities and are consistent with those of the previous year.

A full description of the accounting policies adopted by the Qantas Group may be found in the Qantas Group's full Financial Report for the financial year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

TAX CONSOLIDATION

As a consequence of the Income Tax Consolidation legislation, Qantas, as the head entity in the tax-consolidated group comprising all the Australian wholly-owned entities in the Qantas Group, is expected to enter into the tax consolidation regime from 1 July 2003.

Qantas has applied Urgent Issues Group Abstract UIG 52 "Income Tax Accounting under the Tax Consolidation System" in preparing this Report. The tax-consolidated group has entered into a tax sharing arrangement with wholly-owned subsidiaries. In doing so, subsidiary-related current and deferred tax balances have been determined based on the existing timing differences at the tax-consolidated group level.

Qantas is currently obtaining market valuations in support of its transition into the tax consolidation regime and intends to request a Private Binding Ruling from the Australian Taxation Office in relation to key aspects of the transition. As such, no amount has been recognised in the Financial Statements for the year ended 30 June 2004 for any adjustment to current and deferred tax balances that may arise as a consequence of implementing tax consolidation.

2. Revenue from ordinary activities

	Qantas Group	
	2004 $M	2003 $M
REVENUE FROM OPERATING ACTIVITIES		
Sales and operating revenue		
Related parties		
– associates and joint ventures	**90.1**	103.8
– other related parties	**25.3**	20.2
Other parties	**11,237.8**	11,250.6
Dividend revenue		
Other parties	**0.5**	0.3
Sales and operating revenue	**11,353.7**	11,374.9
REVENUE FROM OUTSIDE OPERATING ACTIVITIES		
Interest revenue		
Related parties		
– joint ventures	**5.1**	–
Other parties	**120.8**	107.7
Proceeds from sale of property, plant and equipment	**50.1**	36.7
Proceeds from sale and lease back of non-current assets	**171.7**	–
Total revenue from ordinary activities	**11,701.4**	11,519.3

Notes to the Financial Statements continued
for the year ended 30 June 2004

3. Retained profits

	Qantas Group 2004 $M	Qantas Group 2003 $M
Retained profits at the beginning of the year	**1,435.9**	1,239.1
Net profit attributable to members of the Company	**648.4**	343.5
Net effect on initial adoption of AASB 1028 "Employee Benefits"	**–**	(3.7)
Net effect on dividends from:		
Initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	**–**	140.7
Dividends recognised during the year	**(308.0)**	(283.7)
Retained profits at the end of the year	**1,776.3**	1,435.9

4. Dividends

Dividends recognised in the current year by Qantas are:

Type	Cents per Share	Total Amount $M	Date of Payment	Franked Tax Rate %	Percentage Franked %
2004					
Interim - ordinary	**8.0**	**145.8**	7 April 2004	30	100
2003 final ordinary dividend recognised when declared during the year	**9.0**	**159.7**	1 October 2003	30	100
Total amount	**17.0**	**305.5**			
2003					
Interim - ordinary	8.0	140.5	9 April 2003	30	100
2002 final ordinary dividend recognised when declared during the year	9.0	140.7	2 October 2002	30	100
Total amount	17.0	281.2			
SUBSEQUENT EVENTS					
Since the end of the financial year ended 30 June 2004, the Directors have declared the following dividend:					
Final - ordinary	**9.0**	**166.1**	29 September 2004	30	100

	Qantas Group 2004 $M	Qantas Group 2003 $M
Total franking account balance at 30 per cent (2003: 30 per cent)	**149.3**	179.2

The above amount represents the balance of the franking accounts as at year end, after taking into account adjustments for:

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

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

TAX CONSOLIDATION LEGISLATION

On 1 July 2003, Qantas and its Australian wholly-owned subsidiaries expect to adopt the Income Tax Consolidation legislation which requires a tax-consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax-consolidated group) disclosed at 30 June 2004 has been measured under the new legislation as those available from the tax-consolidated group.

The comparative information has not been restated for this change in measurement. Had the comparative information been calculated on the new basis, the "franking credits available" balance as at 30 June 2003 for Qantas would have been $176.6 million.

Notes to the Financial Statements continued

for the year ended 30 June 2004

5. Total equity reconciliation

	Qantas Group 2004 $M	Qantas Group 2003 $M
Total equity at the beginning of the year	**5,262.1**	4,253.5
Total changes in parent entity interest in equity recognised in the Statement of Financial Performance	**648.8**	337.5
Contributions of equity	**237.0**	811.3
Dividends	**(308.0)**	(143.0)
Total changes in outside equity interests	**0.4**	2.8
Total equity at the end of the year	**5,840.3**	5,262.1
Contributed equity 1,845,115,428 (2003: 1,774,112,946) ordinary shares, fully paid	**3,994.9**	3,757.9

6. Segment information

The segmentation of the Qantas Group into three separate business types (Flying, Flying Services and Associated Businesses) supported by a corporate centre is progressively being implemented to deliver a broad range of benefits to the business.

Financial reporting system changes to transition Qantas to a segmented model are currently under development. Disclosure of segment information is therefore provided in a format consistent with prior years as follows:

- Aircraft Operations, which includes the Qantas Group Flying Businesses, Engineering Technical Operations and Maintenance Services, Airports, Qantas Freight, Qantas Defence Services and all other subsidiary and associated companies;
- Tours and Travel, which comprises the Qantas Holidays segment which forms part of the Associated Businesses portfolio; and
- Catering, which reflects the wholly-owned catering entities within the Airports and Catering segment which forms part of the Flying Services businesses.

	Aircraft Operations		Tours and Travel		Catering		Eliminations		Consolidated	
	2004 $M	2003 $M	**2004 $M**	2003 $M	**2004 $M**	2003 $M	**2004 $M**	2003 $M	**2004 $M**	2003 $M
ANALYSIS BY BUSINESS SEGMENTS										
Sales and operating revenue										
External segment revenue	**10,468.2**	10,525.9	**711.1**	696.3	**174.4**	152.7	**–**	–	**11,353.7**	11,374.9
Inter-segment revenue	**129.0**	92.7	**283.3**	337.9	**362.8**	353.0	**(775.1)**	(783.6)	**–**	–
Total segment revenue	**10,597.2**	10,618.6	**994.4**	1,034.2	**537.2**	505.7	**(775.1)**	(783.6)	**11,353.7**	11,374.9
Share of net profit of associates	**19.7**	9.6	**–**	–	**–**	–	**–**	–	**19.7**	9.6
Earnings before interest and tax	**954.1**	450.1	**54.1**	43.6	**90.0**	73.3	**–**	–	**1,098.2**	567.0
Net borrowing costs									**133.6**	64.7
Profit from ordinary activities before related income tax expense									**964.6**	502.3
Income tax expense relating to ordinary activities									**(315.8)**	(155.7)
Net profit									**648.8**	346.6
Depreciation and amortisation	**994.3**	879.0	**1.4**	1.7	**9.9**	10.7	**–**	–	**1,005.6**	891.4
Non-cash items	**(67.8)**	(152.7)	**(0.1)**	(2.6)	**0.4**	0.2	**–**	–	**(67.5)**	(155.1)
Assets										
Segment assets	**17,066.3**	16,751.9	**326.4**	344.8	**194.0**	174.6	**(352.2)**	(365.8)	**17,234.5**	16,905.5
Equity accounted investments	**338.4**	67.2	**1.3**	1.1	**–**	–	**–**	–	**339.7**	68.3
Consolidated total assets	**17,404.7**	16,819.1	**327.7**	345.9	**194.0**	174.6	**(352.2)**	(365.8)	**17,574.2**	16,973.8
Liabilities										
Consolidated total liabilities	**11,703.6**	11,687.3	**249.6**	256.0	**123.8**	125.1	**(343.1)**	(356.7)	**11,733.9**	11,711.7
Acquisition of non-current assets	**2,003.5**	3,128.4	**1.2**	1.9	**2.3**	6.9	**–**	–	**2,007.0**	3,137.2

Notes to the Financial Statements continued
for the year ended 30 June 2004

6. Segment information continued

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

	Qantas Group	
	2004 $M	**2003 $M**
ANALYSIS OF TOTAL REVENUE BY GEOGRAPHIC REGION		
Passenger, freight and other services revenue		
Australia	**6,696.5**	6,449.0
United Kingdom and Europe	**839.7**	904.6
Japan	**426.9**	574.0
South-East Asia/North-East Asia	**342.3**	481.4
The Americas and the Pacific	**820.3**	813.2
New Zealand	**368.4**	404.0
Other regions (Africa and South America)	**221.6**	221.4
	9,715.7	9,847.6
Other operating revenue		
Tours and travel revenue	**711.1**	696.3
Contract work revenue	**502.6**	530.9
Other unallocated revenue	**424.3**	300.1
Sales and operating revenue	**11,353.7**	11,374.9
Revenue from outside operating activities		
Interest revenue	**125.9**	107.7
Proceeds from sale of property, plant and equipment	**50.1**	36.7
Proceeds from sale and leaseback of non-current assets	**171.7**	–
Total revenue from outside operating activities	**347.7**	144.4
Total revenue from ordinary activities	**11,701.4**	11,519.3

For the financial year ended 30 June 2004, the principal assets of the Qantas Group comprised the aircraft fleet all, except five, of which were registered and domiciled in Australia. These assets are used flexibly across the Qantas Group's worldwide route network. Accordingly, there is no suitable basis for allocating such assets and the related liabilities between geographic areas.

SEGMENTAL ANALYSIS OF PROFIT CONTRIBUTION

Earnings before interest and tax contributed by the international and domestic airline operations and subsidiary businesses are shown below:

	Qantas Group	
	2004 $M	**2003 $M**
SEGMENTAL ANALYSIS OF EARNINGS BEFORE INTEREST AND TAX		
Qantas International	**397.8**	221.6
Qantas Domestic	**465.7**	165.7
	863.5	387.3
Subsidiary businesses		
Qantas Holidays	**54.1**	43.6
QantasLink	**97.0**	57.3
Qantas Flight Catering	**90.0**	73.3
Australian Airlines	**1.1**	(14.7)
Qantas Defence Services	**8.7**	4.5
Equity accounted associates	**19.7**	9.6
Other subsidiaries	**(35.9)**	6.1
Total subsidiary businesses	**234.7**	179.7
Earnings before interest and tax	**1,098.2**	567.0

Notes to the Financial Statements continued
for the year ended 30 June 2004

7. Contingent liabilities

Details of contingent liabilities arising outside the normal course of business, where the probability of future payments is not considered remote, are set out below. The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Qantas Group	
	2004 $M	**2003 $M**
Guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties by controlled entities	**24.2**	24.0
Guarantees and letters of comfort to support leveraged and operating lease commitments and standby facilities to other parties on behalf of associated companies	**11.1**	11.2
General guarantees in the normal course of business	**126.6**	130.7
Contingent liabilities relating to current and threatened litigation	**10.6**	56.6
	172.5	222.5

TERMINAL FUEL FACILITIES

The Qantas Group, together with other airlines, has entered into various agreements in order to facilitate the funding and installation of jet turbine fuel hydrant systems and terminal equipment facilities at Los Angeles and Hawaii Airports. The airlines have jointly and severally agreed to repay any unpaid balance (including interest) of the loans totalling $214.1 million (2003: $225.3 million) in the event the agreements are terminated prior to expiry of the loans.

AIRCRAFT FINANCING

As part of the financing arrangements for the acquisition of aircraft, the Qantas Group has provided certain guarantees and indemnities to various lenders and equity participants in leveraged lease transactions. In certain circumstances, including the insolvency of major international banks, the Qantas Group may be required to make payments under these guarantees. The Qantas Group has guaranteed that the lessors will receive all of the funds due to them under the lease arrangements.

Qantas and certain controlled entities have entered into asset value underwriting arrangements with lenders under certain aircraft secured financings. These arrangements protect the value of the aircraft security to the lenders to a pre-determined level. This is reflected by the balance of aircraft security deposits held with certain financial institutions.

The Qantas Group has provided standard tax indemnities to the equity investors in certain leveraged leases. The indemnities effectively guarantee the after tax rate of return of the investors and the Qantas Group may be subject to additional financing costs on future lease payments if certain assumptions made at the time of entering the transactions, including assumptions as to the rate of income tax, subsequently become invalid.

UNREALISED LOSSES – BACK-TO-BACK HEDGES

Where long-term borrowings are held in foreign currencies in which Qantas derives surplus net revenue, offsetting forward foreign exchange contracts have been used to match the cash flows arising under the borrowings with the expected revenue surpluses used to hedge the borrowings. To the extent a gain or loss is incurred, this is deferred until the net revenue is realised. As at 30 June 2004, total unrealised exchange losses on hedges of net revenue designated to service long-term debt were $19.2 million (2003: $117.7 million gains).

Notes to the Financial Statements continued

for the year ended 30 June 2004

8. Capital expenditure commitments

	Qantas Group	
	2004 $M	2003 $M
Capital expenditure commitments contracted but not provided for in the Financial Statements:		
Aircraft	**5,130.1**	5,740.6
Building works	**224.3**	181.2
Other	**190.1**	223.8
	5,544.5	6,145.6
Payable		
Not later than one year	**1,710.8**	1,719.1
Later than one year but not later than five years	**3,833.7**	3,503.0
Later than five years	**–**	923.5
	5,544.5	6,145.6

The above amounts exclude uncommitted aircraft purchase payments that may be made if cancellable aircraft options are exercised.

9. Director and executive disclosures

ELEMENTS OF REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives.

Set out below is an overview of the elements of remuneration provided to the Directors of Qantas (Specified Directors) and the Executives throughout the year that had the greatest authority (Specified Executives) other than Executive Directors:

	Elements of Remuneration	Specified Directors Non-Executive	Specified Directors Executive	Specified Executives
Minimum salary level	Fees	✓	–	–
	Fixed Annual Remuneration (FAR)	–	✓	✓
	Superannuation contributions	✓	✓	✓
	Travel entitlements	✓	✓	✓
	Other benefits	✓	✓	✓
Short-term incentives	Performance Cash Plan (PCP) – Cash incentive	–	✓	✓
Medium-term incentives	Performance Share Plan (PSP)	–	✓	✓
Long-term incentives	Performance Rights Plan (PRP)	–	✓	✓
Closed/suspended incentive plans	Deferred Share Plan (DSP) interim 2002/03 award only	–	✓	✓
	Qantas Long-Term Executive Incentive Plan (QLTEIP) suspended 2002	–	✓	✓
	Stock Performance Rights (SPRs) closed 30 June 2004	–	✓	–
	Long-Term Incentive Plan (LTIP) closed 30 June 2004	–	✓	✓
Post employment	End of service payments	–	✓	✓
	Travel entitlements	✓	✓	✓

Notes to the Financial Statements continued
for the year ended 30 June 2004

9. Director and executive disclosures continued

ELEMENTS OF REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES continued

Description	Rationale
PRIMARY BENEFITS	
Fees	
Non-Executive Director (NED) fees are determined within an aggregate Directors' fee pool limit. An annual pool of $1.5 million, allocated between Directors' Fees and Committee Fees was approved by shareholders on 17 October 2002. Shareholder approval will be sought at the 2004 AGM to increase this pool. Cash Fees are the fees remaining after salary sacrifice components such as motor vehicles and superannuation have been deducted.	Fees and payments to NEDs reflect the demands and responsibilities which are made of Directors and reflects the advice of independent remuneration consultants to ensure NED fees and payments are appropriate. The level of NED fees are reviewed annually.
Effective 1 July 2003, each Director was paid an annual Fee of $100,000 and the Chairman $400,000. Committee fees were $20,000 per Committee Membership and $30,000 per Committee Chairmanship. Effective 1 July 2004, the annual fee for each Committee Chairmanship will increase to $40,000.	
Fixed Annual Remuneration (FAR)	
Guaranteed salary level from which superannuation and other benefits are deducted through salary sacrifice. Cash FAR is the FAR remaining after salary sacrifice components such as motor vehicles and superannuation have been deducted.	FAR is set with reference to market data, reflecting the scope of the role, the unique value of the role and the performance of the person in the role. Total remuneration is reviewed annually and the policy is to reflect a middle of the market approach for the top 50 ASX listed entities.
Performance Cash Plan (PCP)[1] – Cash Incentive	
The cash incentive is set as a percentage of FAR and is payable on achievement of 90% of the target Return on Total Gross Assets (RoTGA) and non-financial performance conditions relating to customer, operational and people goals.	The performance condition of RoTGA being Earnings before Depreciation, Rentals, Interest and Tax (EBDRIT) divided by Total Gross Assets was chosen as it measures financial performance that reflects an appropriate return on capital. Non-financial measures ensure appropriate balance is reflected in the executive's performance.
Long-Term Incentive, Share Based Plans	
Stock Performance Rights (SPR) Plan – closed in 2004	
The cash benefit payable to Executive Directors on termination after contract end date, or otherwise as determined by the Board. The benefit was related to growth in the Qantas share price. The scheme was terminated early at 30 June 2004.	This performance condition linked remuneration and growth in shareholder value.
Long-Term Incentive Program (LTIP) – suspended 1999 and closed in 2004	
The LTIP granted a notional entitlement to shares. Vesting was based on Qantas' Relative Total Shareholder Return (TSR) compared to ASX 100 entities and global airlines. The value on termination of employment is based on the number of vested entitlements and the share price.	This performance condition linked remuneration and growth in shareholder value.
Non-Cash benefits	
Travel Entitlements	
Directors and Specified Executives and their eligible beneficiaries are entitled to receive a number of international and domestic flights annually at no cost.	Provides an effective form of remuneration as the value to the individual is high and the cost to the company is minimal as the only cash outflow from the company is for the associated taxes and the marginal cost of carrying the passenger.
Other Benefits	
Includes salary sacrifice components such as motor vehicles, memberships of appropriate professional associations and the accrual of statutory long service leave.	Reflects market practice.

1 Refer footnote 1 on page 66.

Notes to the Financial Statements continued
for the year ended 30 June 2004

9. Director and executive disclosures continued

ELEMENTS OF REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES continued

Description	Rationale
POST EMPLOYMENT BENEFITS	
End of Service Payments Executive Directors and Specified Executives are entitled to service payments on termination, generally based on FAR, as set out in individual employment contracts.	End of service payments are considered effective retention mechanisms. These are payable upon cessation of employment and provide compensation for constraints regarding working for a competitor for up to 12 months.
Superannuation Contributions Statutory and salary sacrifice superannuation payments made on behalf of the Directors and Specified Executives.	Statutory requirement.
Travel Entitlements See commentary on travel entitlements under non-cash benefits on page 65.	
EQUITY BENEFITS	
Deferred Share Plan (DSP) The DSP Terms & Conditions were approved by Shareholders on 17 October 2002. The DSP governs the provision of equity benefits.	The provision of equity benefits establishes a link between shareholder value creation, financial performance and executive remuneration.
Performance Share Plan (PSP)[1] Deferred shares are awarded, with the value being a percentage of FAR, based on performance against balanced scorecard conditions relating to customer, operational, people and financial performance. Shares are held in trust and are subject to holding locks. Upon expiry of the relevant holding lock, shares will be transferred to the Executive. If the Executive terminates employment before the holding lock is lifted, the shares are forfeited.	The performance condition aligns remuneration and growth in shareholder value.
Performance Rights Plan (PRP) Executive Directors and Specified Executives may be granted rights to acquire shares in Qantas at a future date for no payment. Vesting is based on the achievement of annual RoTGA targets over the three years to 30 June 2006. Vested rights may be converted into ordinary shares after three years. If the target is not met or the Executive ceases employment prior to 30 June 2006, all of the rights granted will lapse.	The performance condition of target RoTGA was chosen in 2003 as it measures financial performance that reflects an appropriate return on capital. This aligns remuneration and growth in shareholder value. Future grants will be assessed against a relative TSR performance condition.
Qantas Long-Term Executive Incentive Plan (QLTEIP) – suspended in 2002 QLTEIP granted entitlements to unissued shares in Qantas in the years ended 30 June 2000 and 2001. Vesting is based on Qantas Relative Total Shareholder Return (TSR) compared to ASX 200 entities and global airlines. Entitlements vest between three and five years following award date and are conditional on the Executive remaining employed. To the extent that Entitlements vest, they may be converted into ordinary shares within eight years of the grant date in proportion to the gain in share price after which entitlements will lapse.	This performance condition aligns remuneration and growth in shareholder value.

1 The Board can exercise its discretion to adjust the PCP or PSP if the company does not meet its target as approved by the Board. This discretionary element is in place to take into account adverse external factors that may impact the airline. The rationale for this is the Executive Directors and Specified Executives have no control over external global events, however, they are accountable for the ability of the airline to cope with external events. To date, the Board has not exercised this discretion in relation to any of the plans in operation.

Notes to the Financial Statements continued
for the year ended 30 June 2004

9. Director and executive disclosures continued

Set out in the following tables are the remuneration for the Specified Directors and Specified Executives of Qantas during the financial year ended 30 June 2004.

REMUNERATION OF NON-EXECUTIVE AND EXECUTIVE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2004

Specified Directors

	Primary Benefits				Post Employment Benefits				Equity Benefits	Total
	Cash Fees/ Cash FAR[1] $	Incentives $	Non-Cash Benefits $	Total $	End of Service $	Superannuation $	Travel $	Total $	$	$
Margaret Jackson, Chairman	371,756[2]	–	92,656	464,412	–	11,002	9,300	20,302	–	484,714
Paul Anderson, Non-Executive Director	100,000	–	285	100,285	–	–	4,650	4,650	–	104,935
Mike Codd, Non-Executive Director	66,641[2]	–	25,685	92,326	–	91,149	4,650	95,799	–	188,125
Patricia Cross, Non-Executive Director (1 January 2004 – 30 June 2004)	65,000[3]	–	–	65,000	–	5,501	2,325	7,826	–	72,826
Trevor Eastwood, Non-Executive Director	140,000	–	5,756	145,756	–	11,002	4,650	15,652	–	161,408
Jim Kennedy, Non-Executive Director	150,000	–	13,916	163,916	–	11,002	4,650	15,652	–	179,568
Trevor Kennedy, Non-Executive Director (1 July 2003 – 17 November 2003)	38,250	–	3,855	42,105	–	3,443	1,938	5,381	–	47,486
Roger Maynard, Non-Executive Director	120,000[4]	–	–	120,000	–	10,800	4,650	15,450	–	135,450
James Packer, Non-Executive Director (1 March 2004 – 30 June 2004)	33,333	–	–	33,333	–	3,000	1,550	4,550	–	37,883
John Schubert, Non-Executive Director	120,000	–	14,845	134,845	–	10,800	4,650	15,450	–	150,295
Nick Tait, Non-Executive Director	140,000	–	7,071	147,071	–	11,002	4,650	15,652	–	162,723
Geoff Dixon, Chief Executive Officer	1,640,856[1]	1,593,435[5]	354,077	3,588,368	1,466,232	72,000	18,600	1,556,832	946,072[9]	6,091,272
Peter Gregg, Chief Financial Officer	988,833[1]	868,605[6]	340,941	2,198,379	844,209	17,800	18,600	880,609	532,572[9]	3,611,560
Total remuneration for Specified Directors	3,974,669[7]	2,462,040[8]	859,087	7,295,796	2,310,441	258,501	84,863	2,653,805	1,478,644	11,428,245

1 Executive Directors receive Cash FAR and do not receive Director fees. Mr Dixon's FAR for the year was $1,800,000 (2003: $1,600,000) less salary sacrificed components of $159,144. Mr Gregg's FAR for the year was $1,080,000 (2003: $960,000) less salary sacrificed components of $91,167.
2 Fees are stated after deducting $28,244 in salary sacrifice for Ms Jackson and $83,359 for Mr Codd.
3 Includes payments for services rendered as Chairman of the Qantas Superannuation Limited.
4 Director's fees for Roger Maynard are paid directly to British Airways Plc.
5 Comprises Cash incentive of $1,310,000 and Long-term incentive of $283,435. For Long-term incentive plans, refer to page 69.
6 Comprises Cash incentive of $675,000 and Long-term incentive of $193,605. For Long-term incentive plans, refer to page 69.
7 Total NED Fees paid inclusive of salary sacrificed elements was $1,456,583. Cash Fees totalled $1,344,980 and Cash FAR totalled $2,629,689.
8 Comprises Cash incentives totalling $1,985,000 and Long-term incentives totalling $477,040.
9 Equity Benefits

Equity Benefits	PSP $	PRP $	QLTEIP $	DSP $	Total $
Geoff Dixon	326,750	71,250	170,833	377,239	946,072
Peter Gregg	209,120	45,600	85,417	192,435	532,572

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

Notes to the Financial Statements continued

for the year ended 30 June 2004

9. Director and executive disclosures continued

REMUNERATION OF SPECIFIED EXECUTIVES FOR THE YEAR ENDED 30 JUNE 2004

Specified Executives and the Highest Remunerated Executives

	Primary Benefits				Post Employment Benefits				Equity Benefits	Other Benefits	Total
	Cash FAR $	Incentives $	Non-Cash Benefits $	Total $	End of Service $	Superannuation $	Travel $	Total $	$	Termination $	$
Denis Adams, Executive General Manager Associated Businesses	574,310	231,000	108,860	914,170	142,500	82,054	9,300	233,854	151,491[3]	–	1,299,515
Fiona Balfour, Chief Information Officer and Executive General Manager Qantas Business Services	506,862	190,000	190,143	887,005	158,175	56,172	9,300	223,647	92,891[3]	–	1,203,543
John Borghetti, Executive General Manager Qantas	658,321	290,000	193,285	1,141,606	133,428	110,209	9,300	252,937	166,350[3]	–	1,560,893
Kevin Brown, Executive General Manager People	630,289	221,000	131,810	983,099	166,299	36,754	9,300	212,353	223,772[3]	–	1,419,224
Grant Fenn, Executive General Manager Airports and Catering	629,561	221,000	174,560	1,025,121	135,622	11,918	9,300	156,840	140,598[3]	–	1,322,559
David Forsyth, Executive General Manager Aircraft Operations (1 July 2003 – 15 December 2003)	314,911	3,587[1]	83,828	402,326	130,000	38,878	9,300	178,178	100,291[3]	328,500	1,009,295
Total remuneration for Specified Executives	3,314,254	1,156,587[2]	882,486	5,353,327	866,024	335,985	55,800	1,257,809	875,393[3]	328,500	7,815,029

The Corporations Act requires the disclosure of the five most highly remunerated Executive Officers of the Company. One Qantas Executive, who did not meet the definition of a Specified Executive, is one of the five most highly remunerated Executives for the year, due to the payment of service and other leave benefits on termination. His remuneration is set out below on the same basis as the Specified Executives.

	Cash FAR $	Incentives $	Non-Cash Benefits $	Total $	End of Service $	Superannuation $	Travel $	Total $	Equity Benefits $	Termination $	Total $
John Anderson, Group General Manager Airports (1 July 2003 – 31 December 2003)	364,067	–	18,097	382,164	61,000	32,428	4,650	98,078	64,672	413,000	957,914

In addition to the remuneration earned in the current year, Mr Anderson received payment of $656,813 resulting from service termination provisions within his employment contract and accrued long service leave, which were earned and accrued prior to 1 July 2003. Mr Anderson has 518,000 entitlements under the QLTEIP which will lapse 12 months after his termination date unless converted.

1 For Long-term incentive plans refer to page 69.

2 Comprises Cash incentives totalling $1,153,000 and Long-term incentives totalling $3,587.

3 Equity Benefits

	PRP $	QLTEIP $	DSP $	Total $
Denis Adams	22,122	48,972	80,397	151,491
Fiona Balfour	18,961	23,917	50,013	92,891
John Borghetti	25,282	48,972	92,096	166,350
Kevin Brown	18,961	133,000	71,811	223,772
Grant Fenn	22,122	48,972	69,504	140,598
David Forsyth	–	74,028	26,263	100,291
John Anderson	–	48,972	15,700	64,672

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

Notes to the Financial Statements continued
for the year ended 30 June 2004

9. Director and executive disclosures continued

ADDITIONAL DISCLOSURES UNDER CORPORATIONS ACT REQUIREMENTS

The Corporations Act requires specific disclosures regarding the nature and amount of each element of remuneration of each Director and each of the five named Executive Officers of Qantas receiving the highest remuneration. It is the view of the Directors that the disclosures in this note, supplemented by the information below, meet the Corporations Act requirements.

Differences in Disclosure of Amounts of Remuneration

The measurement basis of three elements of remuneration are different to that used by Qantas in its previous Directors' Report disclosures under the Corporations Act. The impact of the differences are set out below:

Post Employment Benefits – End of Service Payments	Geoff Dixon $	Peter Gregg $	Denis Adams $	Fiona Balfour $	John Borghetti $	Kevin Brown $	Grant Fenn $	David Forsyth $
Earned in the current year	1,466,232	844,209	142,500	158,175	133,428	166,299	135,622	130,000
Earned in prior years	4,314,983	2,020,290	907,500	152,169	838,138	195,360	497,281	570,000
Paid in the current year	–	–	–	–	–	–	–	(700,000)
Total value of end of service payments provided for up to 30 June 2004	5,781,215	2,864,499	1,050,000	310,344	971,566	361,659	632,903	–

These benefits are payable upon termination of employment, if at least five years of service has been rendered under a fixed term contract. These benefits have been historically disclosed in remuneration at termination of employment.

Primary Benefit – Long-Term Incentives	Geoff Dixon $	Peter Gregg $	David Forsyth $
Earned in the current year	283,435	193,605	3,587
Earned in prior years	528,904	43,445	36,653
Paid in the current year	–	–	(40,240)
Total value of long-term incentives provided for up to 30 June 2004	812,339	237,050	–

The benefits above were accrued under the LTIP and SPR plans as well as a vested end of service payment for Mr Dixon. Previously, these amounts were disclosed in remuneration at the time of payment. Mr Forsyth received payment under the LTIP on termination of his employment. Pursuant to employment contract renegotiations the amounts provided for Mr Dixon and Mr Gregg will be paid early and the Plans closed.

Primary Benefit – Long Service Leave	Geoff Dixon $	Peter Gregg $	Denis Adams $	Fiona Balfour $	John Borghetti $	Kevin Brown $	Grant Fenn $	David Forsyth $
Earned in the current year	144,384	212,926	33,813	45,303	57,723	21,515	50,333	38,167
Earned in prior years	377,534	731,704	103,886	118,712	583,562	25,567	131,332	329,333
Paid in the current year	–	–	–	–	–	–	–	(367,500)
Total value of long service leave provided for up to 30 June 2004	521,918	944,630	137,699	164,015	641,285	47,082	181,665	–

Long service leave benefit has historically been disclosed in remuneration when taken or when paid as a termination payment.

Notes to the Financial Statements continued
for the year ended 30 June 2004

9. Director and executive disclosures continued

SUMMARY OF KEY CONTRACT TERMS

Non-Executive Directors

In addition to Director's Fees and the associated superannuation contributions, all Non-Executive Directors and eligible beneficiaries receive travel entitlements. The Chairman is entitled to 4 international trips and 12 domestic trips per calendar year and all other Non-Executive Directors are entitled to 2 international trips and 6 domestic trips each calendar year. These flights are not cumulative and will lapse if they are not used during the calendar year in which the entitlement relates. Post employment, the Chairman is entitled to 2 international trips and 6 domestic trips per year of service and all other Non-Executive Directors are entitled to 1 international and 3 domestic trips per year of service.

Executive Directors

The key contract and other terms of the two Executive Directors are set out below. The two Executive Directors have renewed/revised their contracts effective 1 July 2004. The term of Mr Dixon's contract extends beyond the current contract in place at 30 June 2004 as noted below. Mr Gregg's tenure remains the same. The impact of the change in contracts has been noted in the relevant categories below:

Contract details	Geoff Dixon	Peter Gregg
Length of existing contract	1 January 2002 to 31 December 2005 New contract 1 July 2004 to 1 July 2007	1 January 2002 to 31 December 2006
Date of review of contract	Number of months prior to the end of contract: 6 months (New contract nil months)	6 months
Fixed Annual Remuneration (FAR)	$2,000,000	$1,200,000
	FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions. In addition, Mr Dixon and Mr Gregg receive allowances for financial planning and preventative healthcare.	
End of service payments	Number of months FAR and other payments available on early termination of contract: 24 months plus $500,000	18 months plus $120,000
	Additional months FAR and other payments available on termination: 13.2 months after 31 December 2005	18 months plus $275,000 after 31 December 2006
	Mr Dixon was entitled to a payment of $100,000 on termination or otherwise on 31 December 2004. This was paid early as part of Mr Dixon's contract renegotiation.	
	Stock Performance Rights (SPRs) held by Mr Dixon and Mr Gregg, payable on conclusion of contract term, will be paid early as part of contract renegotiation/revision. The benefit was related to growth in the Qantas share price. No SPRs are included in the new/revised contracts.	
	575,000 SPRs paid early at $316,250	431,000 SPRs paid early at $237,050
Termination of employment	Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if, in the opinion of the CEO (or the Board in the case of the CEO), the Executive is or has been engaged in serious misconduct, becomes bankrupt or makes an arrangement or composition with creditors, or wilfully and persistently breaches their employment contract.	
	Termination with notice: employment can be terminated during the contract period with 12 months written notice.	
	Voluntary termination: voluntary termination requires written notice of 6 months.	
	Mr Gregg is entitled to 12 months FAR (in addition to existing end of service arrangements), if his employment is not required by an incoming CEO or he is offered a position which is significantly diminished in terms of responsibility. Mr Gregg is also entitled to 6 months FAR (in addition to existing end of service arrangements) if he voluntarily terminates after a change in CEO.	

Notes to the Financial Statements continued
for the year ended 30 June 2004

9. Director and executive disclosures continued

SUMMARY OF KEY CONTRACT TERMS continued

Executive Directors continued

Contract details	Geoff Dixon	Peter Gregg
Travel benefits	Available to the executive and eligible beneficiaries:	
	Each calendar year throughout contract term and post employment:	
	4 international 12 domestic	4 international 12 domestic
Performance Cash Plan – Cash incentive	Target of 60% of FAR	Target of 50% of FAR
	May be greater than or less than the target amount. Performance targets are in relation to people, operational, customer and financial performance.	
Deferred Share Plan	250,000 deferred shares and 27,777 share rights vesting on 31 December 2005	150,000 deferred shares and 16,666 share rights vesting on 20 August 2006
	These deferred shares and share rights were approved by shareholders at the 2002 AGM. The shares are held in Trust. Whilst the shares remain in Trust, the Trustee may resolve to distribute as cash to Mr Dixon or Mr Gregg any dividends paid to the Trustee as the registered holder of the shares. These are reported as an Equity Benefit in the period the dividend is declared and distribution paid.	

Specified Executives

Contract details	Denis Adams	Fiona Balfour	John Borghetti
Length of Contract	10 February 2003 to 31 December 2006	1 November 2001 to 1 November 2006	1 January 2003 to 31 December 2007
Fixed Annual Remuneration (FAR)	$700,000 $730,000 effective 1 July 2004	$625,000 $650,000 effective 1 July 2004	$850,000 $900,000 effective 1 July 2004
	FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.		
End of Service Payments	Number of months FAR if completed at least five years service under a fixed term contract:		
	18 months	12 months	12 months
	Mr Borghetti receives an additional 6 months FAR if he remains in employment with Qantas until 31 December 2007.		
Termination of Employment	Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if, in the opinion of the CEO, the Executive is or has been engaged in serious misconduct, becomes bankrupt or makes an arrangement or composition with creditors, or wilfully and persistently breaches their employment contract.		
	Termination with notice: employment can be terminated during the contract period with 12 months written notice or payment in lieu.		
	Voluntary termination: voluntary termination requires written notice. The contract notice periods are between 3 and 6 months, however Qantas may choose to make payment in lieu.		
Travel Entitlements	Executive's and eligible beneficiaries are entitled to between 2 & 4 international and 6 & 12 domestic flights, at no cost, throughout the year. Post employment the entitlements are 2 international and 6 domestic flights.		
Performance Cash Plan – Cash incentive	Annual target cash incentive is 30% of FAR. Performance targets are in relation to people, operational, customer and financial performance.		

Notes to the Financial Statements continued
for the year ended 30 June 2004

9. Director and executive disclosures continued

SUMMARY OF KEY CONTRACT TERMS continued

Specified Executives

Contract details	Kevin Brown	Grant Fenn	David Forsyth
Length of contract	22 October 2001 to 21 October 2006	1 November 1999 to 31 October 2004	20 December 1999 to 15 December 2003
Fixed Annual Remuneration (FAR)	$700,000 $730,000 effective 1 July 2004	$700,000 $730,000 effective 1 July 2004	$700,000 Not applicable
	FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.		
End of Service Payments	Number of months FAR if completed at least five years service under a fixed term contract:		
	12 months	12 months	12 months
Termination of Employment	Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if, in the opinion of the CEO, the Executive is or has been engaged in serious misconduct, becomes bankrupt or makes an arrangement or composition with creditors, or wilfully and persistently breaches their employment contract.		
	Termination with notice: employment can be terminated during the contract period with 12 months written notice or payment in lieu.		
	Voluntary termination: voluntary termination requires written notice. The contract notice periods are between 3 and 6 months, however Qantas may choose to make payment in lieu.		
	Mr Brown is entitled to 6 months FAR (in addition to existing end of service arrangements) if his employment is not required by an incoming CEO or he is offered a position which is significantly diminished in terms of responsibility.		
Travel Entitlements	Executive's and eligible beneficiaries are entitled to between 2 & 4 international and 6 & 12 domestic flights, at no cost, throughout the year. Post employment the entitlements are 2 international and 6 domestic flights.		
Performance Cash Plan – Cash incentive	Annual target cash incentive is 30% of FAR. Performance targets are in relation to people, operational, customer and financial performance.		

EQUITY INSTRUMENTS

Set out in the following tables are the holdings of equity instruments granted as remuneration to Executive Directors and Specified Executives. No other Director, Specified Executive or personally related entities directly or beneficially held any other shares, options or rights in the Qantas Group other than as set out below.

Performance Share Plan (PSP)

Details of entitlements over shares in Qantas provided as remuneration during the financial year to Executive Directors are set out below. No performance shares were granted to Specified Executives during the 30 June 2004 year. For more information on the operation of the PSP, see page 66.

	Grant Date	Value at Grant Date	Balance at 30 June 2003	Number of Performance Shares Granted during the Year	Number of Performance Shares Vested and Transferred to the Executive during the Year	Balance at 30 June 2004
Executive Directors						
Geoff Dixon	16 Oct 03	$3.62	–	125,000	(62,500)	62,500
Peter Gregg	16 Oct 03	$3.62	–	80,000	(40,000)	40,000

No amount has been paid, or is payable in relation to these performance shares.

Notes to the Financial Statements continued

for the year ended 30 June 2004

9. Director and executive disclosures continued

EQUITY INSTRUMENTS continued

Performance Rights Plan (PRP)

Details of rights over ordinary shares and vesting criteria for each Executive Director and Specified Executive are set out below. They are provided on a one right to one share ratio and included as remuneration. They are subject to a performance hurdle being achievement of an annual RoTGA target over the 3 years to 30 June 2006. For more information on the operation of the PRP see page 66.

	Grant Date	Value at Grant Date[1]	Balance at 30 June 2003	Number of Performance Rights Granted during the Year	Number of Performance Rights Vested and Transferred to the Executive during the Year	Balance at 30 June 2004
Executive Directors						
Geoff Dixon	16 Oct 03	$3.04	–	125,000	–	125,000
Peter Gregg	16 Oct 03	$3.04	–	80,000	–	80,000
Specified Executives						
Denis Adams	15 Oct 03	$3.09	–	35,000	–	35,000
Fiona Balfour	15 Oct 03	$3.09	–	30,000	–	30,000
John Borghetti	15 Oct 03	$3.09	–	40,000	–	40,000
Kevin Brown	15 Oct 03	$3.09	–	30,000	–	30,000
Grant Fenn	15 Oct 03	$3.09	–	35,000	–	35,000
David Forsyth	–	–	–	–	–	–

1 The fair value of Entitlements is calculated at the date of grant using a Black-Scholes Option Valuation methodology.

The rights were granted with a nil exercise price. No amount has been paid, or is payable, in relation to these rights. They are tested on 30 June 2006 and any unvested rights will lapse immediately. At 30 June 2004, no rights had vested and none had lapsed.

Deferred Share Plan (DSP)

The number of securities over shares in Qantas provided as remuneration under the DSP to each Executive Director and Specified Executive is set out below. No securities were granted under this Plan in the year ended 30 June 2004. All securities listed below remain unvested at 30 June 2004. For more information on the operation of the DSP, see page 66.

	Grant Date	Balance at 30 June 2003	Lapsed	Balance at 30 June 2004
Executive Directors				
Geoff Dixon	17 Oct 02	280,834	–	280,834
Peter Gregg	17 Oct 02	168,720	–	168,720
Specified Executives				
Denis Adams	31 Dec 02	71,054	–	71,054
Fiona Balfour	31 Dec 02	42,751	–	42,751
John Borghetti	31 Dec 02	81,317	–	81,317
Kevin Brown	31 Dec 02	62,433	–	62,433
Grant Fenn	31 Dec 02	61,216	–	61,216
David Forsyth	31 Dec 02	63,294	(63,294)	–

Securities will vest if the Executive Director or Specified Executive remains employed through the relevant vesting period. No amounts have been paid or are payable by the Executive Directors or Specified Executives in relation to the securities.

Notes to the Financial Statements continued
for the year ended 30 June 2004

9. Director and executive disclosures continued

EQUITY INSTRUMENTS continued

Qantas Long-Term Executive Incentive Plan (QLTEIP)

Details of entitlements over shares in Qantas provided as remuneration under the QLTEIP to each Executive Director and Specified Executive are set out below. For more information on the operation of the QLTEIP, see page 66.

	Number of Entitlements Granted	Balance at 30 June 2003	Expired	Balance at 30 June 2004	Number Vested at 30 June 2004	Number Unvested at 30 June 2004
Executive Directors						
Geoff Dixon	2,045,000	2,045,000	–	2,045,000	(1,738,693)	306,307
Peter Gregg	838,000	838,000	–	838,000	(705,603)	132,397
Specified Executives						
Denis Adams	518,000	518,000	–	518,000	(437,869)	80,131
Fiona Balfour	210,000	210,000	–	210,000	(175,701)	34,299
John Borghetti	518,000	518,000	–	518,000	(437,869)	80,131
Kevin Brown	350,000	350,000	–	350,000	–	350,000
Grant Fenn	496,000	496,000	–	496,000	(418,344)	77,656
David Forsyth	816,000	816,000	–	816,000	(691,161)	124,839

No further vesting occurred for Executive Directors and Specified Executives in the year to 30 June 2004. All vested entitlements are exercisable. David Forsyth's entitlements will expire 15 December 2004 being 12 months after termination.

Equity Holdings and Transactions

The movement during the year in the number of ordinary shares of Qantas held directly, indirectly or beneficially, by each Specified Director and Specified Executive, including their personally related entities, is as follows:

	Interest in Shares at 30 June 2003	Acquired as Remuneration[1]	Acquired through DRP[2]	Purchased/ (Sold)	Lapsed	Interest in Shares at 30 June 2004
Directors						
Margaret Jackson	147,338	–	–	–	–	147,338
Geoff Dixon	326,711	125,000	3,290	–	–	455,001
Peter Gregg	173,460	80,000	1,216	–	–	254,676
Paul Anderson	25,000	–	–	–	–	25,000
Mike Codd	11,007	–	570	–	–	11,577
Patricia Cross	–	–	47	2,000	–	2,047
Trevor Eastwood	12,434	–	644	–	–	13,078
Jim Kennedy	1,975	–	–	–	–	1,975
Trevor Kennedy	122,750	–	–	(71,775)	–	50,975
Roger Maynard	–	–	–	–	–	–
James Packer	–	–	–	–	–	–
John Schubert	34,753	–	–	–	–	34,753
Nick Tait	1,592	–	83	–	–	1,675
Specified Executives						
Denis Adams	95,998	–	1,130	(9,167)	–	87,961
Fiona Balfour	71,618	–	1,483	–	–	73,101
John Borghetti	95,380	–	796	–	–	96,176
Kevin Brown	81,901	–	–	–	–	81,901
Grant Fenn	75,566	–	807	–	–	76,373
David Forsyth	93,648	–	1,743	–	(60,000)	35,391

1 See details of the PSP on page 72 in this Note.

2 Dividend Reinvestment Plan (DRP).

Notes to the Financial Statements continued
for the year ended 30 June 2004

9. Director and executive disclosures continued

LOANS AND OTHER TRANSACTIONS WITH SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES

Loans
No Specified Director or Specified Executive held any loans from the Qantas Group during or at the end of the year.

Other Transactions with the Qantas Group
A number of Specified Directors and Specified Executives, or their personally related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The Publishing and Broadcasting (PBL) group is a related entity to Mr Packer. During the year PBL purchased air travel of $11.8 million from Qantas. All transactions were conducted on normal commercial terms.

10. International Financial Reporting Standards

For the reporting period beginning on or after 1 January 2005, the Qantas Group must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board (AASB).

The areas of significant difference between Australian Generally Accepted Accounting Principles (GAAP) and IFRS, as applied to the Qantas Group, have been identified and work has commenced to quantify the impact of adoption. To date, quantification has not been completed or presented to the Board for approval.

MANAGING THE TRANSITION TO IFRS
The Board has established a Project Group, reporting through to the Chief Financial Officer, to achieve the transition to IFRS reporting. The Qantas implementation project consists of three phases.

Assessment Phase
The IFRS Project Group has completed the Assessment Phase. In completing the Assessment phase a high level overview of the impacts of IFRS reporting on existing accounting and reporting policies, procedures, systems, processes, business structures and staff has been undertaken.

Design Phase
The Design Phase is well progressed. This phase aims to formulate the changes required to existing accounting policies, procedures, systems and processes in order to transition to IFRS.

The Design Phase will incorporate:

- formulating revised accounting policies and procedures for compliance with IFRS and quantifying their impact;
- developing revised IFRS disclosures; and
- designing accounting and business processes to support IFRS reporting obligations.

At the conclusion of the Design Phase, Board approval will be sought for each proposed change in accounting policy and disclosure. The Design Phase will be completed during the 2004/05 financial year.

Implementation Phase
The Implementation Phase will include the implementation of identified changes to accounting and business procedures, processes, systems and training. It is expected that the Implementation Phase will be completed during the 2004/05 financial year.

Notes to the Financial Statements continued
for the year ended 30 June 2004

10. International Financial Reporting Standards continued

KEY DIFFERENCES BETWEEN AUSTRALIAN GAAP AND IFRS

The potential implications of the conversion to IFRS on the Qantas Group are outlined below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. The impact on future years will depend on the particular circumstances prevailing in those years. Accordingly, there can be no assurances that the consolidated statements of financial performance and financial position would not be significantly different if determined in accordance with IFRS.

Frequent Flyer

Qantas is considering the application of AASB 118 "Revenue" to the accounting for the frequent flyer program. Australian GAAP and IFRS do not specifically address accounting for frequent flyer/loyalty schemes. Under both GAAP's there are two acceptable accounting treatments including the Deferral and Incremental Cost approaches.

The Deferral approach results in the deferral of frequent flyer revenue until earned points are redeemed. The Incremental Cost approach recognises revenue when points are allocated to individuals participating in the scheme, with the recognition of a corresponding provision for the incremental cost of providing the service at a later date.

Both approaches are used by airlines globally and the most appropriate accounting policy is dependent upon factors such as the size of the program, the mechanism for managing redemptions and the potential for frequent flyers to displace fare-paying passengers. Under Australian GAAP, Qantas has adopted the Incremental Cost approach, as historically it has best reflected the commercial operation of the program.

AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards", requires that all accounting policies be reconsidered having regard to both their current and future suitability.

As part of the Qantas IFRS transition project, the company is considering changing to the Deferral approach. Future growth in the scheme and a desire to make redemptions easier, may require changes to the current marginal management of the scheme. Should a decision to change to the Deferral method be approved, revenue previously recognised would be deferred and retained earnings reduced. In future periods, deferred revenue would be released to the Statement of Financial Performance as points are redeemed. This treatment would no longer necessitate the raising of a provision for future incremental costs.

The quantification of the financial impact of the possible change in treatment is complex and requires the calculation of the fair value of unredeemed frequent flyer points, breakage rates and a detailed analysis of revenues previously brought to account. To date, the financial effect of the change being considered has not been determined. It is anticipated that should it be adopted, a reduction in retained earnings will be made. The impact on future profits is largely dependent on the extent to which the program grows and as such cannot be quantified at this time.

Defined Benefit Superannuation Plans

Qantas is considering the application of AASB 119 "Employee Benefits" to the recognition of the funding surplus or deficit of the Qantas sponsored defined benefit superannuation plans. Under the requirements of IFRS, any surpluses and deficits in the defined benefit superannuation plans within the consolidated entity will be recognised in the Statement of Financial Position and movements in the surplus or deficit recognised in the Statement of Financial Performance.

Actuarial valuations of the Plans will be conducted as at 30 June 2004. The expected impact is likely to be a one-off reduction in retained earnings and the corresponding recognition of a retirement liability.

Leases

Qantas is considering the application of AASB 117 "Leases" to the classification of lease transactions. Under IFRS some leases currently classified as operating may require recognition in the Statement of Financial Position. To date the financial effect of the change has not been determined, however, it is not expected to have a significant impact on the Statement of Financial Performance in future years.

Financial Instruments: Recognition and Measurement

1. Fuel Hedging

Qantas is considering the application of AASB 139 "Financial Instruments: Recognition and Measurement" to aviation fuel hedging transactions. Extensive hedge effectiveness testing and documentation is required under IFRS in order to apply hedge accounting to these transactions. The potential application and impact of this accounting standard on aviation fuel hedging has not been determined.

2. Revenue Hedging

Qantas is considering the application of AASB 139 "Financial Instruments: Recognition and Measurement" to revenue hedging transactions. The potential application and impact of this accounting standard on revenue hedging has not been completed. It is anticipated that, after initial adoption adjustments are made, the existing accounting treatment will continue under IFRS, although it will be subject to increased effectiveness testing and documentation requirements.

Notes to the Financial Statements continued
for the year ended 30 June 2004

10. International Financial Reporting Standards continued

KEY DIFFERENCES BETWEEN AUSTRALIAN GAAP AND IFRS continued

Impairment of Assets

Qantas is considering the application of AASB 136 "Impairment of Assets" to the valuation of assets. Under IFRS, assets are tested for impairment on the basis of their ability to generate independent cash inflows from continuing use. If assets do not generate cash flows they may be aggregated into groups for the purposes of determining the smallest identifiable group of assets that generate cash inflows which are largely independent. Aircraft do not directly generate cash flows as passenger revenue is derived from the sale of seats on flights rather than seats on particular aircraft. The aggregation of aircraft cashflows is therefore performed on the basis of route groupings.

Impairment testing upon transition to IFRS is required. The financial effect of the change is not expected to result in significant impairment losses upon transition. The impact on future financial years is dependent on the cash flows generated by each grouping of assets and is therefore unable to be determined.

11. Events subsequent to balance date

With the exception of the declaration of a final ordinary dividend of 9.0 cents per share ($166.1 million) subsequent to balance date (refer Note 4), there has not arisen in the interval between the end of the financial year and the date of this Report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Qantas Group, the results of those operations or the state of affairs of the Qantas Group, in this financial year or in future financial years.

Directors' Declaration

to the Members of Qantas Airways Limited

In the opinion of the Directors of Qantas Airways Limited, the accompanying Concise Financial Report of the consolidated entity, comprising Qantas Airways Limited and its controlled entities for the year ended 30 June 2004, set out on pages 52 to 77:

(a) has been derived from or is consistent with the full Financial Report for the financial year; and

(b) complies with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

Signed pursuant to a Resolution of the Directors:

Margaret Jackson
Chairman

Geoff Dixon
Chief Executive Officer

Sydney, 30 August 2004

Independent Audit Report on the Concise Financial Report

to the Members of Qantas Airways Limited

SCOPE

The Financial Report and directors' responsibility

The Concise Financial Report comprises the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes 1 to 11, and the accompanying Discussion and Analysis on the Statement of Financial Performance, Statement of Financial Position, and Statement of Cash Flows, for Qantas Airways Limited ("the Company") and its controlled entities for the year ended 30 June 2004.

The directors of the Company are responsible for the preparation of the Concise Financial Report in accordance with Australian Accounting Standard AASB 1039 "Concise Financial Reports". This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Concise Financial Report.

Audit approach

We conducted an independent audit in order to express an opinion to members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the Concise Financial Report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected. We have also performed an independent audit of the full Financial Report of the Company and its controlled entities for the year ended 30 June 2004. Our audit report on the full Financial Report was signed on 30 August 2004, and was not subject to any qualification.

We performed procedures in respect of the audit of the Concise Financial Report to assess whether, in all material respects, the Concise Financial Report is presented fairly in accordance with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the Concise Financial Report is consistent with the full Financial Report, and
- examining, on a test basis, information to provide evidence supporting the amounts, Discussion and Analysis, and other disclosures, which were not directly derived from the full Financial Report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the Concise Financial Report of Qantas Airways Limited and its controlled entities for the year ended 30 June 2004 complies with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

KPMG

KPMG

MEpper

Mark Epper
Partner

Sydney, 30 August 2004

Shareholder Information

The shareholder information set out below was applicable as at 26 August 2004.

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*	22,581,883	44,596	1.22
1,001-5,000	260,665,817	109,615	14.13
5,001-10,000	106,478,744	15,037	5.77
10,001-100,000	147,855,913	7,034	8.01
100,001 and over	1,307,533,071	292	70.87
	1,845,115,428	176,574	100.00

* 5,839 shareholders hold less than a marketable parcel of shares in Qantas Airways Limited.

ON-MARKET BUY-BACKS

There is no current on-market buy-back.

TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares Held	% of Issued Shares
British Airways Investments (Australia) Pty Limited	336,759,487	18.25
JP Morgan Nominees Australia Ltd	279,210,613	15.13
Westpac Custodian Nominees Ltd	191,421,564	10.37
National Nominees Limited	123,194,181	6.68
Citicorp Nominees Pty Limited	59,014,293	3.20
ANZ Nominees Limited	47,892,319	2.60
RBC Global Services Australia Nominees Pty Limited	36,663,306	1.99
AMP Life Limited	25,932,742	1.41
Cogent Nominees Pty Limited	23,522,711	1.27
Queensland Investment Corporation	13,346,009	0.72
Bond Street Custodians Limited	10,382,422	0.56
HSBC Custody Nominees (Australia) Limited	10,271,045	0.56
UBS Nominees Pty Ltd	8,213,243	0.45
IAG Nominees Pty Limited	7,860,211	0.43
Merrill Lynch (Australia) Nominees Pty Ltd	5,766,319	0.31
Warbont Nominees Pty Ltd	5,754,660	0.31
Westpac Financial Services Ltd	5,301,459	0.29
Victorian WorkCover Authority	4,844,573	0.26
UBS Warburg Private Clients Nominees Pty Ltd	4,278,425	0.23
Government Superannuation Office	4,264,992	0.23
	1,203,894,574	**65.25**

SUBSTANTIAL SHAREHOLDERS

The following shareholders have notified that they are substantial shareholders of Qantas Airways Limited:

Shareholders	Ordinary Shares Held	% of Issued Shares
British Airways Investments (Australia) Pty Limited	336,759,487	18.25
Capital Group of Companies[1]	133,801,723	7.34
Franklin Templeton Companies LLC[2]	92,289,305	5.00

1 As advised to Qantas on 26 April 2004.

2 As advised to Qantas on 18 June 2004.

Qantas Group Five-Year Summary

for the year ended 30 June

	Unit	2004[1,2]	2003[1,2]	2002[1,2]	2001	2000
STATEMENT OF FINANCIAL PERFORMANCE						
Sales and operating revenue[3]	$M	**11,353.7**	11,374.9	10,968.8	10,188.2	9,106.8
Expenditure	$M	**(10,255.5)**	(10,807.9)	(10,289.5)	(9,492.4)	(8,232.8)
Earnings before interest and tax	$M	**1,098.2**	567.0	679.3	695.8	874.0
Net borrowing costs	$M	**(133.6)**	(64.7)	(48.3)	(98.7)	(111.2)
Profit from ordinary activities before tax	$M	**964.6**	502.3	631.0	597.1	762.8
Income tax expense	$M	**(315.8)**	(155.7)	(201.7)	(177.4)	(244.9)
Net profit	$M	**648.8**	346.6	429.3	419.7	517.9
Outside equity interests in net (profit)/loss	$M	**(0.4)**	(3.1)	(1.3)	(4.3)	(0.6)
Net profit attributable to members of the Company for the year	$M	**648.4**	343.5	428.0	415.4	517.3
Net profit attributable to members of the Company for the six months to 31 December	$M	**357.8**	352.5	153.5	262.9	337.8
Net profit/(loss) attributable to members of the Company for the six months to 30 June	$M	**290.6**	(9.0)	274.5	152.5	179.5
SHARE INFORMATION						
Earnings per share	cents	**35.7**	20.0	29.1	33.0	42.8
Dividends per share[4]	cents	**17.0**	17.0	17.0	20.0	59.0
Dividend payout ratio	%	**47.6**	85.0	58.4	60.6	137.9
Share price – high	$	**3.81**	4.88	4.92	4.25	5.28
Share price – low	$	**3.08**	2.85	2.60	2.36	3.12
Share price – closing	$	**3.52**	3.27	4.60	3.50	3.38
Weighted average number of ordinary shares	M	**1,815.4**	1,721.2	1,469.4	1,258.5	1,209.3
Net tangible asset backing per share	$	**3.07**	2.89	2.61	2.51	2.34
EARNINGS BEFORE INTEREST AND TAX						
International airline operations	$M	**397.8**	221.6	202.8	458.7	374.8
Domestic airline operations	$M	**465.7**	165.7	298.2	127.4	272.0
Subsidiary businesses	$M	**234.7**	179.7	178.3	109.7	169.4
Items previously shown as abnormal	$M	**–**	–	–	–	57.8
Earnings before interest and tax	$M	**1,098.2**	567.0	679.3	695.8	874.0
PERFORMANCE INDICATORS						
Interest cover	times	**8.2**	8.8	14.1	7.0	7.9
Return on equity (excl. operating leases)	%	**11.1**	6.5	10.1	12.6	18.1
Return on equity (incl. operating leases)	%	**11.0**	8.9	12.0	10.6	18.3
STATEMENT OF CASH FLOWS						
Net cash provided by operating activities	$M	**1,999.4**	1,290.8	1,143.3	1,100.7	1,599.8
Net cash used in investing activities	$M	**(2,169.5)**	(2,995.7)	(2,306.1)	(871.3)	(262.7)
Net cash provided by/(used in) financing activities	$M	**(480.5)**	2,935.6	1,688.8	(659.0)	(1,542.0)
Net increase/(decrease) in cash held	$M	**(650.6)**	1,230.7	526.0	(429.6)	(204.9)
Capital expenditure	$M	**2,007.0**	3,137.2	2,463.4	995.5	1,141.8
STATEMENT OF FINANCIAL POSITION						
Total assets	$M	**17,574.2**	16,973.8	14,801.5	12,513.6	12,007.1
Total liabilities	$M	**11,733.9**	11,711.7	10,548.0	9,197.7	9,142.7
Net assets	$M	**5,840.3**	5,262.1	4,253.5	3,315.9	2,864.4
Contributed equity	$M	**3,994.9**	3,757.9	2,946.6	2,173.0	1,882.0
Reserves	$M	**54.4**	54.0	56.3	54.3	54.0
Retained profits	$M	**1,776.3**	1,435.9	1,239.1	1,078.0	926.8
Outside equity interests in controlled entities	$M	**14.7**	14.3	11.5	10.6	1.6
Total equity	$M	**5,840.3**	5,262.1	4,253.5	3,315.9	2,864.4

1 Passenger and freight revenue is disclosed net of both sales discount and interline/IATA commission.
2 Passenger recoveries are disclosed as part of net passenger revenue.
3 Excludes proceeds on sale of non-current assets, and interest revenue which is included in net borrowing costs.
4 Includes special dividend of 37.0 cents per share in 2000.

Qantas Group Five-Year Summary continued

for the year ended 30 June

	Unit	2004	2003	2002	2001	2000
STATEMENT OF FINANCIAL POSITION STATISTICS						
Net debt on balance sheet	$M	**3,506.0**	3,075.9	1,904.6	1,316.4	925.8
Net debt including off balance sheet debt	$M	**5,574.2**	5,181.5	4,110.0	3,793.9	2,503.6
Net debt including off balance sheet debt and revenue hedge receivables	$M	**5,555.0**	5,299.2	3,903.8	3,464.3	2,128.9
Net debt to net debt plus equity	ratio	**38:62**	37:63	31:69	28:72	24:76
Net debt to net debt plus equity including off balance sheet debt	ratio	**49:51**	50:50	50:50	55:45	48:52
Net debt to net debt plus equity including off balance sheet debt and revenue hedge receivables	ratio	**49:51**	51:49	49:51	53:47	44:56
OPERATIONAL STATISTICS						
Total Domestic – scheduled services						
Traffic and capacity						
Passengers carried	000	**20,965**	20,178	18,704	14,384	13,532
Revenue passenger kilometres (RPKs)	M	**25,881**	24,790	22,525	16,858	15,913
Available seat kilometres (ASKs)	M	**32,745**	31,923	28,707	21,696	20,154
Revenue seat factor	%	**79.0**	77.7	78.5	77.7	79.0
Total International – scheduled services						
Traffic and capacity						
Passengers carried	000	**9,111**	8,568	8,424	7,763	6,953
Revenue passenger kilometres (RPKs)	M	**55,395**	52,397	52,609	53,682	48,236
Available seat kilometres (ASKs)	M	**71,455**	67,522	67,237	71,247	64,879
Revenue seat factor	%	**77.5**	77.6	78.2	75.3	74.3
Revenue freight tonne kilometres (RFTKs)	M	**1,601**	1,530	1,598	1,859	1,718
Qantas group performance statistics						
Traffic and capacity						
Passengers carried	000	**30,076**	28,746	27,128	22,147	20,485
Revenue passenger kilometres (RPKs)	M	**81,276**	77,187	75,134	70,540	64,149
Available seat kilometres (ASKs)	M	**104,200**	99,445	95,944	92,943	85,033
Revenue seat factor	%	**78.0**	77.6	78.3	75.9	75.4
Aircraft in service at balance date	#	**190**	196	193	178	147
Financial						
Passenger yield (per RPK)	cents	**10.44**	11.15	11.34	11.26	10.87
Productivity						
Average full-time equivalent employees	#	**33,862**	34,872	33,044	31,632	29,217
RPK per employee	000	**2,400**	2,213	2,274	2,230	2,196
ASK per employee	000	**3,077**	2,852	2,904	2,938	2,910

Financial Calendar

2004

19	February	Half year result announcement
10	March	Record date for interim dividend
7	April	Interim dividend payable
30	June	Year end
19	August	Preliminary final result announcement
1	September	Record date for final dividend
29	September	Final dividend payable
21	October	Annual General Meeting, Brisbane

2005

17	February	Half year result announcement
9	March	Record date for interim dividend
6	April	Interim dividend payable
30	June	Year end
18	August	Preliminary final result announcement
31	August	Record date for final dividend
28	September	Final dividend payable

Notice of Meeting

The Annual General Meeting of Qantas Airways Limited will be held at 2:00pm on Thursday 21 October 2004 in the Great Hall of the Brisbane Convention and Exhibition Centre. Shareholders will be advised at a later date of details of the 2005 Qantas Annual General Meeting. The details will be available on the Qantas website, www.qantas.com.

Financial Report

Shareholders seeking a copy of the Financial Report, which will be provided free of charge, should contact the Qantas Share Registry. The Financial Report is also available on the Qantas website, www.qantas.com.

Corporate Directory

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Qantas Share Registry

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or

Locked Bag A14
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General Counsel & Company Secretary

Brett Johnson

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