The Spirit
of Australia
2000 HIGHLIGHTS

- Net profit before tax earned during the 1999/2000 financial year was $762.8 million, up $100.3 million or 15.1 percent on last year.
- Delivery of three new Boeing 747-400 and one new Boeing 767-300 aircraft as well as the arrival of the first of seven leased Boeing 767-300 aircraft.
- Intensive studies underway for a fleet investment program.
- Increase in expenditure on core airline engineering and maintenance activities.
- New facility for seals and bearings maintenance work sets industry benchmark.
- Continued growth in route network with new services and alliances.
- Plans announced for $400 million expenditure on product and service improvements.
- Dividend Reinvestment Plan to be reintroduced.
- Foundations set for e-commerce business strategy.
On Thursday 16 November 2000, Qantas – the oldest airline in the English-speaking world – celebrates the 80th anniversary of its foundation. Registered originally as The Queensland and Northern Territory Aerial Services Limited, the airline has built a reputation for excellence in:

- **SAFETY**
- **OPERATIONAL RELIABILITY**
- **ENGINEERING AND MAINTENANCE**
- **CUSTOMER SERVICE**
THE SPIRIT OF AUSTRALIA

Delivering on Our Commitments

Qantas maintains a commitment to the highest standards of safety, aircraft maintenance and flight operations. The airline also recognises its responsibilities to the communities in which it operates and is proud of its achievement in delivering to key stakeholders – customers, shareholders, employees and the broader community.

INTERACTING WITH OUR CUSTOMERS

- Membership of the Frequent Flyer program reached 2.4 million.
- Frequent Flyers redeemed award points to travel on more than 1.8 million flight segments in the 1999/2000 financial year, up from 1.4 million the previous year.
- Membership of The Qantas Club – the airline’s international and domestic airport lounge program – increased to 240,000.
- Qantas continued to seek the opinions of travellers and some 65,000 people took part in comprehensive customer and market research in Australia and 14 other countries/markets throughout the year.

REWARDING OUR SHAREHOLDERS

- Qantas has 144,000 shareholders, an increase of 37,000 over the previous year.
- Full year ordinary dividends of 22 cents per share, fully franked, were declared.
- Special dividend of 37 cents per share declared to release surplus franking credits.
- Dividend payout ratio of 138 percent (including abnormals and special dividends).
- Dividend yield of 17.5 percent based on 30 June 2000 share price.
RECOGNISING OUR PEOPLE

- Average number of full-time employees over the year to 30 June was 29,217.
- Of these, approximately 27,000 staff own Qantas shares.
- Eligible employees to each receive $1,000 of bonus shares under the Qantas Profitshare Scheme.
- Staff training expanded throughout the year via the in-house program, “Qantas College Online”.
- Additional training given to staff on Equal Employment Opportunity, anti-discrimination and cultural diversity issues.

CONTRIBUTING TO OUR COMMUNITY

- Qantas continued to make a positive contribution to the Australian and international community through support of a wide range of sporting, cultural, charitable and environmental organisations and activities.
Chairman’s Report

THE SPIRIT OF AUSTRALIA

RECORD RETURNS FOR SHAREHOLDERS

It gives me great pleasure to present to you my first Annual Report as Chairman of Qantas. The airline achieved another record result for the year ended 30 June 2000 with a net profit before tax of $762.8 million (1999: $662.5 million), representing an increase of 15.1 percent over the previous year. It was the fifth year of sustained profit increases for the company since privatisation in 1995. Net profit after tax of $517.9 million (1999: $420.9 million) was up 23 percent on the previous year and included $82 million from two abnormal items. Operating profit before tax and abnormal items increased by $103.3 million from $601.7 million to $705 million.

DIVIDENDS

The Board declared fully franked ordinary dividends totalling 22 cents per share for the year and a special dividend of 37 cents per share. The special dividend was declared to maximise your returns by distributing accumulated franking credits in a year when they have more value to you. Following the reintroduction of the Dividend Reinvestment Plan (DRP), the fully franked special dividend will be paid in December. The DRP gives you the option of receiving the fully franked special dividend in cash or reinvesting in Qantas shares.

THE YEAR IN REVIEW

Qantas maintained its commitment to the highest standards of safety, aircraft maintenance and flight operations. During the 1999/2000 financial year, the airline invested more in core airline maintenance and recruited additional staff for the Engineering and Maintenance division.

Qantas established a new industry benchmark when it commissioned a completely new facility for seals and bearings maintenance at its Mascot Jetbase.

The airline also continued to invest in new aircraft and took delivery of three new Boeing 747-400s, one new Boeing 767-300 and the first of seven Boeing 767-300s being leased from British Airways, to provide further capacity for increased services and to allow for additional maintenance time.

Work continued on the assessment of aircraft types being proposed for the Qantas fleet by both Airbus and Boeing. Both manufacturers are proposing new Very Large Aircraft (VLAs) and options for 300-seat aircraft for the core fleet.

Qantas continued to expand its route network during the 1999/2000 financial year. In October, the airline returned to New York after an absence of 26 years, through the introduction of direct services from Sydney. It also became the first airline to fly non-stop scheduled services from Sydney to New York after an absence of 26 years, through the introduction of direct services from Sydney. It also became the first airline to fly non-stop scheduled services between Los Angeles and Melbourne. In March, Qantas extended the first-ever franchise of its brand to another airline. The Qantas brand is now visible in the New Zealand domestic market through the franchise.

Australian domestic capacity increased during the year with the introduction of Boeing 767 aircraft on key domestic routes.

PRODUCT

In March 2000, Qantas announced an investment of $400 million in product and service improvements over the next two years. These improvements include:

- a new inflight entertainment and communication system in its international long-haul fleet of 747-400 aircraft
- the introduction of cuisine inspired by Sydney chef and restaurateur, Neil Perry, to the airline’s domestic network
- improvements to a number of Qantas Club lounges around the network

E-COMMERCE

The airline continued planning its e-commerce business strategy and will soon launch additional internet-based offerings for corporate customers and travel partners. New purchasing partnerships are also starting to take shape.

BOARD AND MANAGEMENT CHANGES

I would like to formally acknowledge the significant contribution of the previous Chairman, Gary Pemberton, who retired in August 2000 after chairing the Qantas Board for more than seven years. I would also like to acknowledge Directors who have retired since the last Annual Report – Bob Ayling, John Tucker and Gary Tomney – and welcome new Directors who have been appointed – Lord Marshall (1 July 2000), Geoff Dixon (1 August 2000), Peter Gregg (13 September 2000) and Dr John Schubert (23 October 2000).

In September 2000, the Board announced that Deputy Chief Executive Officer, Geoff Dixon, would succeed Chief Executive, James Strong, when he retires, as previously announced, in 2001. The Board plans to continue the strategies that have served Qantas well and will manage carefully the asset base, maintain the emphasis on productivity and efficiency and meet the competition in a vigorous manner.

On behalf of the Qantas Board, I would like to thank management and staff for their commitment during the year and congratulate them on their outstanding contribution to the 2000 result.

MARGARET JACKSON
Chairman
Chief Executive’s Report

MEETING THE CHALLENGES – INCREASED COMPETITION

The 1999/2000 result demonstrated the strength of the airline’s core operations. It positions the airline well to respond to new entrants domestically and to international competitors.

DOMESTIC STRATEGY
Qantas will meet the challenge of new competition using pricing and inventory management as well as leveraging our network strengths and loyalty programs.

We have developed an integrated strategy involving a great deal more than simply responding to competitive initiatives such as heavily discounted airfares on Australia’s major domestic trunk routes.

We will consolidate our position as the leading brand in Australia with highly visible advertising and sponsorship.

We will strengthen relationships with corporate accounts and travel agents, maintaining an appropriate balance of direct and indirect sales.

INTERNATIONAL STRATEGY
An increasingly important aspect of our international strategy is the continuing development of our partner relationships.

Qantas and British Airways continue to develop ways of working together even more closely and our membership of the oneworld alliance provides feeder traffic and further expands our network offering.

Qantas has franchised its brand to Tasman Pacific Airlines, which is now operating as Qantas New Zealand. This partnership will enhance feeder traffic flowing onto the existing Qantas network.

Qantas is building its image internationally, focusing on its distinct personality and targeting business travellers.

We are developing an integrated fleet plan for the next five to 10 years, including assessment of new Very Large Aircraft (VLAs) and 300-seater aircraft.

SUBSIDIARY AND REGIONAL AIRLINE OPERATIONS
Our subsidiary operations, including regional airlines, contributed $169.4 million to the group’s Earnings Before Interest and Tax (EBIT), an increase of 23.9 percent above the contribution last year. Returns from subsidiary and other businesses constitute a significant proportion of the group’s total profitability and provide a number of important avenues for growth in the future.

EBIT from the regional airlines within the group – Sunstate, Eastern Australia, Southern Australia and Airlink – increased by 30.5 percent to $67.2 million driven by an increase in revenues of 15 percent on capacity growth of 10 percent.

In keeping with our growth strategy, Qantas Flight Catering Limited acquired the flight catering operations of Caterair Airport Services in Brisbane and Cairns and assumed management control and operational responsibility for the joint venture in Sydney. In August 2000, we also announced plans to establish a plant to centralise meal production for the airline and to supply non-aviation markets.

QANTAS STAFF
Our success is achieved by our people. They continue to demonstrate a willingness to take responsibility and ownership for the future of the company. They also display a thorough understanding of the competitive challenges ahead and of the critical role that profits and returns to shareholders play in the future of the company.

In recognition of the valuable contribution of staff towards an outstanding financial result, the Board has approved a grant of $1,000 of bonus shares to each eligible employee under the Qantas Profitshare Scheme.

JAMES STRONG
Chief Executive
Chief Financial Officer’s Review

ANOTHER RECORD PROFIT

OPERATING PROFIT

- Net profit after tax $517.9 million, up 23 percent (1999: $420.9 million).
- Operating profit before tax and abnormals $705 million, up 17.2 percent (1999: $601.7 million).
- Abnormal items after tax $82 million, up 110.8 percent (1999: $38.9 million).
- Sales and operating revenue $9,106.8 million, up 7.8 percent (1999: $8,448.7 million).

CONTRIBUTIONS TO EARNINGS

- International airline operations EBIT up 21.6 percent to $374.8 million.
- Domestic airline operations EBIT up 5.9 percent to $272 million.
- Subsidiary operations EBIT up 23.9 percent to $169.4 million.

EARNINGS PERFORMANCE

- Earnings per share of 42.8 cents, up 20.9 percent (1999: 35.4 cents).
- Final dividend of 11 cents per share, fully franked.
- Special dividend of 37 cents per share, fully franked.
- Total dividends per share of 59 cents, up 81.5 percent (1999: 32.5 cents).
- Qantas Shareholder Return since float of 140 percent, 56 percentage points higher than the All Industrials and 89 percentage points higher than the All Ordinaries over the same period.

REVENUE

- Net passenger revenue $6,975.6 million, up 8.4 percent (1999: $6,437.5 million).
- Non-passenger revenue $2,131.2 million, up 6 percent (1999: $2,011.2 million).
- Increase in non-passenger revenue driven by loyalty program revenue, contract work revenue and tours and travel revenue.
EXPENDITURE
- Operating expenditure $8,290.6 million, up 7 percent (1999: $7,746.9 million).
- Net interest expense $111.2 million, up 11.1 percent (1999: $100.1 million).
- Expenditure rose due to the additional costs associated with higher revenue and additional capacity.
- Depreciation, lease and interest costs rose due to further investment in aircraft, terminals, product and services.

OPERATIONAL PERFORMANCE
- Passengers carried 20.5 million, up 6.5 percent (1999: 19.2 million).
- Revenue passenger kilometres (RPKs) 64.1 billion, up 7.2 percent (1999: 59.9 billion).
- Available seat kilometres (ASKs) 85 billion, up 4 percent (1999: 81.8 billion).
- Revenue seat factor 75.4 percent, up 2.2 percentage points (1999: 73.2 percent).
- Yield 10.87 cents per RPK, up 1.1 percent (1999: 10.75 cents per RPK).
- Average full-time equivalent employees 29,217, up 3.5 percent (1999: 28,226).
- RPKs per employee of 2,196,000, up 3.5 percent (1999: 2,121,000).

BALANCE SHEETS
- Gearing (including notional capitalisation of non-cancellable leases) 44:56, up 5 percentage points (1999: 39:61) primarily due to the special dividend and inclusion of all aircraft leases.
- Net operating cash flow $1,599.8 million, up 32.4 percent (1999: $1,208.3 million).
- Capital expenditure $1,141.8 million, predominantly related to aircraft acquisitions, aircraft reconfiguration costs, engine modifications and spares.
- Dividend Reinvestment Plan to be reintroduced prior to the payment of the special dividend.

154 147 140 62 58 53 52
135 128 124 61 57 54 51
114 108 104 4 4

Qantas Shareholder Return vs Selected Airlines (%)
From float to 30 June 2000.

Qantas Shareholder Return vs Selected ASX Indices (%)
From float to 30 June 2000.

GROWTH IN PASSENGER NUMBERS WAS MAINTAINED
Shareholder returns since float are 2.7 times greater than the All Ordinaries over the same period.

Strong shareholder returns within our industry group.
A TRADITION OF ENGINEERING EXCELLENCE

QANTAS OPERATES ONE OF THE LARGEST AND MOST SOPHISTICATED ENGINEERING AND MAINTENANCE FACILITIES IN THE ASIA-PACIFIC REGION TO SUPPORT THE AIRLINE’S FLEET.

- Total expenditure on core airline engineering and maintenance activities during the 1999/2000 financial year was up more than eight percent on the previous year and more than 30 percent on the amount expended when the company was listed in 1995/96.
- As well as servicing the Qantas fleet, Qantas engineering and maintenance undertakes more than $120 million worth of outside customer business annually, some 11 percent of its productive work.
- Qantas holds regulatory approval from the Australian Civil Aviation Safety Authority (CASA), the United States Federal Aviation Administration (FAA), the European Joint Airworthiness Authority and many other foreign regulatory authorities.
- Qantas is subject to regular reviews by CASA and by the regulatory authorities from other countries including the United States, Japan and Europe.
- Approximately 12.5 percent of Qantas maintenance work is contracted out compared with an industry average of about 30 percent. Qantas contracts out work to companies that maintain the highest standards, usually the original equipment manufacturers.
- During the 1999/2000 financial year, Qantas commissioned a completely new facility for seals and bearings work at its Mascot Jet Base, setting a new industry benchmark.
- The airline began installing a new Enhanced Ground Proximity Warning System (EGPWS) in its core fleet of Boeing 737, 767 and 747 aircraft as part of the company’s commitment to maintaining and enhancing air safety.
- Qantas increased its Engineering and Maintenance division staff by 114 people during the financial year and is building further its staff numbers in operational and support areas within the division. The division currently employs more than 5,500 staff.
The superior quality of the fleet is the foundation of the airline’s safety, operational reliability and punctuality. At 30 June 2000, Qantas was operating a core jet fleet of 101 aircraft, comprising Boeing 737s, 767s and 747s. Qantas regional airlines operated a mixed fleet of 46 aircraft.

NEW AIRCRAFT
During the year, Qantas took delivery of:
- three new Boeing 747-400s
- one new Boeing 767-300
- the first of seven Boeing 767-300 aircraft leased from British Airways.

The additional capacity provided is enabling the airline to commence increased services and also provide additional maintenance time as part of a comprehensive program to maintain schedule punctuality.

FUTURE REQUIREMENTS
Qantas has been working closely with Airbus and Boeing for some years to ensure their large aircraft products will meet the airline’s special needs.
- In June 2000, Qantas indicated interest in becoming a launch customer for the Airbus A3XX-100 variant capable of carrying more than 500 passengers in a three-class configuration on key, high-density routes between Australia and London and Australia and Los Angeles.
- Boeing also indicated that it would be producing a larger version of the 747-400 aircraft to compete with the Airbus proposal and Qantas will factor this into its evaluation.

Qantas is also evaluating other proposals for a 300-seat aircraft – from Airbus for its A330 and A340 aircraft, and from Boeing for its 777 and 767-400 aircraft.

REGIONAL AIRLINES
- Eastern Australia Airlines purchased two additional 36-seat Dash 8 aircraft.
- Sunstate Airlines took delivery of a new Dash 8 Q300 series aircraft, the first of its kind to operate in Australia.

Qantas will continue to maintain a first class fleet of aircraft to meet its needs as an international, domestic and regional carrier.
Developments included:

**UNITED STATES AND CANADA**
- After an absence of 26 years, Qantas returned to New York with the introduction of services between Sydney and New York in October 1999.
- Qantas introduced non-stop services between Los Angeles and Melbourne and same-plane flights from Brisbane to Los Angeles via Auckland.
- Qantas commenced Boeing 767 services between Sydney and Canada, via Honolulu, in July 2000.
- Qantas began offering services between Las Vegas and Los Angeles through an expansion of its codeshare agreement with American Airlines.

**ASIA**
- Under the Joint Services Agreement with British Airways, Qantas expanded frequency between Perth and Singapore and Brisbane and Singapore, connecting with Qantas and British Airways services between Singapore and the United Kingdom/Europe.
- In response to customer demand, Qantas Airlink introduced twice-daily services between Darwin and Dili, in East Timor.
- Qantas and Taiwan’s EVA Airways negotiated a codeshare agreement for services between Sydney and Taipei and Brisbane and Taipei, effective May 2000.

**UNITED KINGDOM/EUROPE**
- Additional through-services were introduced between Melbourne and London in November 1999.
- Preparations were made for the August 2000 announcement of plans to operate one additional service each week between Australia and Rome, taking to four the number of services each week via Bangkok.
- Through its codeshare agreement with British Airways, Qantas commenced services between London and Newcastle-on-Tyne, and between London and Berlin, Dusseldorf, Hamburg and Munich.
- Qantas and fellow one world member Finnair began codesharing on flights between Sydney and Helsinki and Melbourne and Helsinki.

**NEW ZEALAND AND SOUTH PACIFIC**
- Qantas extended the first-ever franchise of its brand to another airline, Tasman Pacific Airlines, and is now visible in the New Zealand domestic market with services being offered under the Qantas New Zealand brand.
- Qantas began offering services between Australia and Western Samoa under a codeshare agreement with Polynesian Airlines.

**AUSTRALIA**
- Qantas continued its strategy of increasing capacity through the use of wide-bodied Boeing 767s on key domestic routes.
- Qantas was the first airline to operate commercial services to the new Mount Hotham Airport in Victoria, effective June 2000.
- Through its regional subsidiary Southern Australia Airlines, Qantas increased capacity between the mainland and Tasmania by almost 1,600 seats per week, from April 2000.
- Qantas introduced new services four times a week between Cairns and Hamilton Island operated by Brisbane-based regional subsidiary, Sunstate Airlines.
- Qantas introduced a major upgrade of capacity into Newcastle, including daily jet services from Melbourne and Brisbane.
ONEWORLD ALLIANCE

Qantas continued to participate actively in the oneWorld global airline alliance. During the 1999/2000 financial year, the alliance that "revolves around you":

- welcomed new members Iberia, Finnair, Aer Lingus and LanChile
- established a global headquarters in Vancouver.

The alliance now has eight member airlines – Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, LanChile and Qantas.
THE CUSTOMER EXPERIENCE INFLIGHT
Qantas will continue to provide its customers with an inflight product designed to meet their expectations and to maintain the airline at the forefront of customer service and inflight technology.

In March 2000, Qantas announced plans to invest $300 million in a new inflight entertainment and communications system on its international long-haul Boeing 747-400 aircraft, providing individual seat-back videos in Economy Class and larger individual screens and in-seat power points for laptops in First and Business Class. Passengers will have access to a hard drive-based intranet, offering access to selected websites, games on demand and telephones.

Qantas has added cuisine inspired by the Sydney chef and restaurateur, Neil Perry, in Business Class on services across the Tasman and will add it to the airline's domestic network during 2000/2001.

The airline also has introduced:
- a choice of premium Australian and overseas show-medal quality wines in each class on international and domestic flights
- select menus for Business Class designed specifically for the sector length, departure time and cultural profile of each market
- “movie marathons” on all international flights with new release movies running non-stop in Economy Class
- hi-tech Dolby headphone surround sound on selected movies on international flights
- a special afternoon news service on domestic flights and an international news service with extended coverage of international news and sport on international flights
- key Channel Nine programs, such as A Current Affair, 60 Minutes, Getaway, Money, Australia’s Funniest Home Video Show and Burke’s Backyard, on domestic flights
- a dedicated sports channel for First and Business Class customers flying into Australia.

Qantas has also set a new standard for Australian domestic aviation medicine with the installation of cardiac defibrillators on all of its Boeing 737 aircraft. The equipment enables fast and easy treatment of passengers experiencing cardiac arrest.
IMPROVING CUSTOMER BENEFITS

QANTAS CUSTOMERS BENEFIT FROM ENHANCEMENTS IN AIRPORT LOUNGES, TERMINALS AND OTHER ON-GROUND SERVICES.

During the 1999/2000 financial year, work neared completion on the expansion and redevelopment of the Qantas Domestic Terminal at Tullamarine Airport in Melbourne. Costing approximately $83 million, the new building doubles the size of the previous terminal to cater for more than six million customers who Qantas carries to and from Victoria each year.

Qantas continued plans involving the expenditure of more than $30 million on airport lounge developments, including:

- relocation, expansion and modernisation of The Qantas Clubs at the Sydney and Melbourne International Terminals
- opening of a new Melbourne domestic Qantas Club lounge
- development of a new joint Qantas/British Airways First Class lounge in Singapore
- creation of open-plan shopping areas within domestic Qantas Clubs in Sydney and Melbourne.
ABOVE:
NEW DOMESTIC TERMINAL – MELBOURNE

LEFT: QANTAS CLUB LOUNGE

FAR LEFT: TRAVEL AGENTS – AN IMPORTANT PART OF OUR DISTRIBUTION NETWORK

17
IMPROVING BUSINESS EFFICIENCY ONLINE
The e-commerce initiatives – to be rolled out progressively – form a blueprint for Qantas to become one of Australia’s leading online businesses with significant benefits for customers. Planning continued for one key component – announced in August 2000 – an alliance with Telstra which will include the provision of co-branded mobile telephones and internet access, associated with the allocation of Qantas Frequent Flyer points. Qantas will use telstra.com as its premier online channel for delivering products and services to the airline’s customers.

Qantas announced plans for its involvement in two Business-to-Business purchasing exchanges:

- **corProcure** – indirect purchasing exchange for leading Australian companies
- **AirNewco** – aircraft parts and consumables exchange for leading airlines.

Both offer savings in purchase prices, purchasing process costs and supply chain management, and provide potential equity benefits.

Other developments in the 1999/2000 year included:

- A facility, as part of progressive improvements to the Qantas website, enabling airfares to be booked online to all international destinations from Australia, New Zealand, the United States and the United Kingdom
- A substantially increased use of e-ticket, reaching 2.4 million tickets for domestic travel and more than 45,000 for international travel
- establishment by Qantas, in conjunction with other airlines, of an independent online full-service travel exchange for the Asia-Pacific region to provide products including air travel, hotel booking, car rentals and land tours
- the continued planning of a Corporate Travel Management System being piloted to provide for corporate customers an online booking system, lower costs, easier management of billing and more comprehensive reporting
- an online shop, initially offering Qantas branded merchandise, through the Qantas website at www.qantas.com.au

In 1999/2000, Qantas installed a new $250 million telecommunications network, connecting all of its airport and administrative offices around the world. The international component of the new QIPNet (Qantas Internet Protocol Network) system is one of the most advanced telephone, computer, internet and intranet networks in the world. The international component of the new QIPNet (Qantas Internet Protocol Network) system is one of the most advanced telephone, computer, internet and intranet networks in the world. The Qantas/Telstra Care Team Centre monitors QIPNet.
CONTRIBUTING TO THE COMMUNITY

QANTAS SUPPORTS A WIDE RANGE OF SPORTING, CULTURAL, CHARITABLE AND ENVIRONMENTAL ORGANISATIONS AND ACTIVITIES TO MAKE A POSITIVE CONTRIBUTION TO THE AUSTRALIAN AND INTERNATIONAL COMMUNITY.

A selection includes the following National and State-based organisations and activities.

National
- Qantas Australian (Formula One) Grand Prix
- Qantas Australian (500cc) Motorcycle Grand Prix
- Qantas Swimming Skins
- Australian Defence Forces Christmas Concert in Dili for the INTERFET troops
- Australian Rugby Union (World Cup)
- Australian Swimming
- Bangarra Dance Theatre
- Bankia Environmental Foundation
- Basketball Australia
- Bobby Goldsmith Foundation
- CanTeen
- Care Australia
- Clean-up Australia
- Global Freeway Australian Youth Orchestra
- National Australia Day Council
- Netball Australia
- Opera Australia
- Prime Minister’s Disability Awards
- Starlight Children’s Foundation
- UNICEF Change for Good
- World Vision
- Young Achievement Australia

Victoria
- The Royal Victoria Institute for the Blind Carols by Candlelight
- Melbourne Food & Wine Festival
- Melbourne Festival
- Royal Children's Hospital – Good Friday Flights
- Playbox Theatre
- National Gallery of Victoria

Queensland
- Brisbane Festival
- Gold Coast Honda Indy 300 Grand Prix
- Queensland Institute of Medical Research
- The Endeavour Foundation

Australian Capital Territory
- National Gallery of Australia including major exhibitions such as the Book of Kells
- Qantas Canberra Cup horse racing carnival
- Winston Churchill Memorial Trust

New South Wales
- Art Gallery of New South Wales and its Yiribana Gallery
- New Children’s Hospital, Westmead
- Sydney Dance Company
- Sydney Festival
- Museum of Contemporary Art
- Taronga Zoo
WESTERN AUSTRALIA
- Leeuwin Estate Concert
- Rally Australia
- Dennis Lillee Disabled Sports Foundation

SOUTH AUSTRALIA
- Glenelg Jazz Festival
- The Duke of Edinburgh Awards
- Adelaide Symphony Orchestra

TASMANIA
- University of Tasmania Foundation
- Tourism Council of Australia (Tasmania Branch) Annual Tourism Awards
- Cerebral Palsy Association of Tasmania: “Project MM” Fundraising Project

NORTHERN TERRITORY
- Araluen Games
- Brolga Awards
- Northern Territory School Sports.
Qantas has played a key role in the development of Australian and international aviation.

1920
The Queensland and Northern Territory Aerial Services Limited, a Winton-based company, is registered on 16 November in Queensland.

1922
The first passenger flight operates on 2 November from Charleville to Longreach.

1939-45
Qantas supports the war effort, evacuating defence force personnel and dropping supplies to troops. The airline pioneers history-making flights of 30 hours or more between Perth and Ceylon (Sri Lanka).

1956
Qantas carries the Olympic flame from Athens to Australia for the Games in Melbourne.

1974
Qantas establishes a world record by evacuating 673 passengers on one flight from Darwin after Cyclone Tracy.

1979
Qantas introduces the world's first dedicated Business Class.

1989
Qantas establishes a world distance record for commercial jets when it flies its first Boeing 747-400 non-stop from London to Sydney in 20 hours, nine minutes and five seconds.
Qantas carries airmail from Brisbane to Darwin as part of an experimental service to the UK.

The Flying Doctor Service is launched using Qantas aircraft.

A Qantas DH86 operates the airline’s first overseas flight, from Brisbane to Singapore, carrying airmail bound for the UK.

Qantas pioneers round-the-world services, using Lockheed Super Constellations.

Qantas becomes the first non-US airline to introduce Boeing 707s which halve travel times on trans-Pacific services.

Qantas lists on the Australian Stock Exchange as a fully privatised company on 31 July.

First Qantas flight on the Silk Road Route over the Tibetan plateau in China marks the inauguration of the world’s first air route totally dependent on Future Air Navigation Systems (FANS) technology, which allows aircraft to operate in areas without traditional radar coverage.

The Annual General Meeting will be held on 16 November 2000, marking the 80th anniversary of the airline’s foundation.
THE SPIRIT OF AUSTRALIA

Board of Directors

MARGARET JACKSON, CHAIRMAN, AGE 47
- Appointed to the Board in July 1992 and as Chairman in August 2000.
- Chairman of Victoria’s Transport Accident Commission, Chairperson of Methodist Ladies College, Melbourne.
- Director of Australia and New Zealand Banking Group Limited, Equest Telecom Limited and Billabong International Limited.
- Fellow of The Institute of Chartered Accountants in Australia.

JAMES STRONG, CHIEF EXECUTIVE, AGE 56
- Appointed to the Board in January 1991 and as Chief Executive and Managing Director in October 1993.
- Member of the Safety, Environment & Security Committee and Chairman of a number of controlled entities of Qantas.
- Director of Woolworths Limited, Air Pacific Limited, The Australian Grand Prix and Opera Australia.
- Deputy Chair of the Australia Business Arts Foundation.

MIKE CODD, AC, NON-EXECUTIVE DIRECTOR, AGE 60
- Member of the Safety, Environment & Security Committee (from 1 September 2000).
- Chancellor of University of Wollongong.
- Member of the Advisory Boards of Spencer Stuart and Blake Dawson Waldron.

GEOFF DIXON, DEPUTY CHIEF EXECUTIVE OFFICER, AGE 60
- Appointed to the Board in August 2000.
- Director of Leighton Holdings Limited and Air Pacific Limited.
- Member of the International Marketing Institute of Australia and a Director of Mission Australia and the Starlight Foundation.

TREVOR EASTWOOD, AM, NON-EXECUTIVE DIRECTOR, AGE 58
- Appointed to the Board in October 1995.
- Member of the Audit Committee (from 1 September 2000) and a member of the Chairman’s Committee.
- Fellow of The Institute of Chartered Accountants in Australia and a public company director.
- Well known for his contribution to the tourism industry.
- Chairman of Queensland Investment Corporation.
- Deputy Chairman of GWA International Limited.
- Director of Australian Stock Exchange Limited, Macquarie Industrial Trust and Suncorp-Metway Limited.
- Member of the Advisory Board of Blake Dawson Waldron, the Prime Minister’s “Community Business Partnership”, the Queensland University of Technology’s “Australian Centre for Strategic Management” and the Development Council of the University of Queensland.

PETER GREGG, CHIEF FINANCIAL OFFICER, AGE 45
- Appointed to the Board in September 2000.
- Director of a number of controlled entities of Qantas.
- Director of Air Pacific Limited.
- Member of the Finance & Treasury Association and the Australian Institute of Company Directors.

JIM KENNEDY, AO, CBE, NON-EXECUTIVE DIRECTOR, AGE 66
- Appointed to the Board in October 1995.
- Chairman of the Audit Committee (from 1 September 2000) and a member of the Chairman’s Committee.
- Fellow of The Institute of Chartered Accountants in Australia and public company director.

24
TREVOR KENNEDY, AM, NON-EXECUTIVE DIRECTOR, AGE 58
- Appointed to the Board in April 1994.
- Chairman of Oil Search Limited and Cypress Lakes Group Limited.
- Deputy Chairman of Darowa Corporation Limited.
- Director of several other public and private companies including Downer Group Limited, FTR Holdings Limited, Access1 Limited, CommSoft Group Limited and RG Capital Radio Limited.

LORD MARSHALL, NON-EXECUTIVE DIRECTOR, AGE 66
- Appointed to the Qantas Board by British Airways Plc on 1 July 2000 – previously served on the Qantas Board from March 1993 to December 1996.
- Chairman of British Airways Plc since 1993.
- Chief Executive of British Airways Plc for 13 years until 1996.
- Chairman of Innoays Plc.
- Deputy Chairman of British Telecommunications Plc.
- Director of HSBC Holdings Plc.
- Crossbench Member of the House of Lords, allied to no particular party.

ROGER MAYNARD, NON-EXECUTIVE DIRECTOR, AGE 57
- Appointed to the Qantas Board by British Airways Plc in March 1993.
- Member of the Audit Committee.
- Director of Investments and Joint Ventures for British Airways Plc.

NICK TAIT, NON-EXECUTIVE DIRECTOR, AGE 61
- Appointed to the Qantas Board by British Airways Plc in March 1993.
- Member of the Safety, Environment & Security Committee and the Chairman’s Committee.
- General Manager Investments and Joint Ventures Australasia for British Airways Plc.
- Director of Concorde International Travel Limited and World Aviation Systems (Australia) Pty Limited.

GARY TOOMEY, DEPUTY CHIEF EXECUTIVE OFFICER, AGE 45
- Appointed to the Board in December 1993.
- Director of a number of controlled entities of Qantas.
- Director of Australia and New Zealand Banking Group Limited and Air Pacific Limited.
- Fellow of The Institute of Chartered Accountants in Australia, the Australian Society of Certified Practising Accountants and several other professional bodies.
- Resigned from the Board and as Deputy Chief Executive Officer and Chief Financial Officer in September 2000.

Senior Management

JAMES STRONG *
Chief Executive and Managing Director

GARY TOOMEY *
Deputy Chief Executive Officer
(Resigned September 2000)

GEOFF DIXON *
Deputy Chief Executive Officer

PETER GREGG *
Chief Financial Officer
(Appointed September 2000)

DAVID FORSYTH *
Executive General Manager
Aircraft Operations

DAVID BURDEN *
Executive General Manager
Corporate Services

STEVE MANN *
Executive General Manager
Strategic Planning

DENIS ADAMS
Group General Manager
Commercial Business

PAUL EDWARDS
Group General Manager
Commercial Strategy & Policy

GEORGE ELSEY
Group General Manager
Human Resources

GRANT FENN
Group General Manager
Corporate Finance & Financial Planning

BRETT JOHNSON
General Counsel & Company Secretary

ADAM MORONEY
* Member of Executive Committee
THE SPIRIT OF AUSTRALIA

Corporate Governance

BOARD RESPONSIBILITIES
- Protect and enhance shareholder value.
- Set and review strategic direction.
- Monitor operating and financial performance.
- Risk management.
- Report to shareholders.

AUSTRALIAN PROVISIONS
- Provisions in the Constitution to ensure the independence of the Qantas Board and to protect the airline's position as an 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 percent aggregate foreign ownership.
- Maximum 35 percent aggregate foreign airline ownership.
- Maximum 25 percent ownership by one foreign person.

BOARD STRUCTURE DURING 1999/2000
- Maximum of 12 Directors.
- Seven independent Non-Executive Directors elected by shareholders other than British Airways (six from 1 August 2000) – no substantial supplier/customer relationship nor previous executive roles within Qantas.
- Chairman is an independent Non-Executive Director.
- Maximum 12-year term for independent Non-Executive Directors and 6-year term for the Chairman.
- Three Non-Executive Directors appointed by British Airways (a right acquired from the Australian Government in 1993 when British Airways purchased its 25% shareholding).
- Two Executive Directors (three from 1 August 2000 – the Chief Executive, Deputy Chief Executive Officer and Chief Financial Officer).
- New independent Non-Executive Directors are chosen by the other independent Non-Executive Directors and re-elected by shareholders.

BOARD MEETINGS
- 11 formal meetings a year.
- Two-day meeting held each year to review and approve the strategy and financial plan for the next financial year.

COMMITTEES
- Board does not delegate major decisions to Committees.
- Committees are responsible for considering detailed issues and making recommendations to the Board.

Four Committees:
- Audit Committee
  Four meetings a year – assists the Board in fulfilling its accounting and financial reporting responsibilities and monitors internal and external auditors.
- Safety, Environment & Security Committee
  Four meetings a year – receives detailed reports on all safety, environment and security aspects of the airline and ensures that the appropriate procedures are in place to protect the airline, its passengers and the community.
- Chairman’s Committee
  Established in 2000 – reviews Board’s performance, selection of new Directors, Chief Executive and executive remuneration and succession planning.
- Nominations Committee
  Approval of Chairman and any Alternate Directors.

STANDARDS
- Annual formal review of Board performance.
- Active participation by all Directors at all meetings.
- Open access to information.
- Regular management presentations and visits to interstate and offshore operations.
- Independent professional advice is available to the Directors.
- Formal Code of Conduct – covering conflict of interest.
- Formal share trading policy.
Performance Summary

FINANCIAL RESULTS

SALES AND OPERATING REVENUE

<table>
<thead>
<tr>
<th>Description</th>
<th>2000 $m</th>
<th>1999 $m</th>
<th>Increase/Decrease %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net passenger revenue</td>
<td>6,975.6</td>
<td>6,437.5</td>
<td>8.4</td>
</tr>
<tr>
<td>Net freight revenue</td>
<td>543.0</td>
<td>533.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Tours and travel revenue</td>
<td>551.8</td>
<td>510.3</td>
<td>8.1</td>
</tr>
<tr>
<td>Other sources *</td>
<td>1,036.4</td>
<td>947.5</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>TOTAL SALES AND OPERATING REVENUE</strong></td>
<td><strong>9,106.8</strong></td>
<td><strong>8,448.7</strong></td>
<td><strong>7.8</strong></td>
</tr>
</tbody>
</table>

EXPENDITURE

<table>
<thead>
<tr>
<th>Description</th>
<th>2000 $m</th>
<th>1999 $m</th>
<th>Increase/Decrease %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manpower and staff related</td>
<td>2,295.8</td>
<td>2,206.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>1,051.0</td>
<td>947.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Aircraft operating – variable</td>
<td>1,732.7</td>
<td>1,679.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Fuel and oil</td>
<td>863.2</td>
<td>761.6</td>
<td>13.3</td>
</tr>
<tr>
<td>Property</td>
<td>215.2</td>
<td>216.1</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Computer and communication</td>
<td>352.4</td>
<td>346.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>634.0</td>
<td>540.4</td>
<td>17.3</td>
</tr>
<tr>
<td>Non-cancellable operating lease rentals</td>
<td>127.9</td>
<td>107.8</td>
<td>18.6</td>
</tr>
<tr>
<td>Tours and travel cost of sales</td>
<td>482.8</td>
<td>439.0</td>
<td>10.6</td>
</tr>
<tr>
<td>Capacity hire, insurance and other</td>
<td>535.6</td>
<td>502.6</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td><strong>8,290.6</strong></td>
<td><strong>7,746.9</strong></td>
<td><strong>7.0</strong></td>
</tr>
</tbody>
</table>

EARNINGS BEFORE INTEREST AND TAX

<table>
<thead>
<tr>
<th>Description</th>
<th>2000 $m</th>
<th>1999 $m</th>
<th>Increase/Decrease %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest expense</td>
<td>816.2</td>
<td>701.8</td>
<td>16.3</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT BEFORE TAX AND ABNORMALS</strong></td>
<td><strong>705.0</strong></td>
<td><strong>601.7</strong></td>
<td><strong>17.2</strong></td>
</tr>
<tr>
<td>Abnormal items</td>
<td>57.8</td>
<td>60.8</td>
<td>(4.9)</td>
</tr>
</tbody>
</table>

NET PROFIT BEFORE TAX

<table>
<thead>
<tr>
<th>Description</th>
<th>2000 $m</th>
<th>1999 $m</th>
<th>Increase/Decrease %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax expense</td>
<td>(244.9)</td>
<td>(241.6)</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>NET PROFIT AFTER TAX</strong></td>
<td><strong>517.9</strong></td>
<td><strong>420.9</strong></td>
<td><strong>23.0</strong></td>
</tr>
</tbody>
</table>

BALANCE SHEET

<table>
<thead>
<tr>
<th>Description</th>
<th>2000 $m</th>
<th>1999 $m</th>
<th>Increase/Decrease %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>12,007.1</td>
<td>11,226.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>9,142.7</td>
<td>8,146.7</td>
<td>12.0</td>
</tr>
<tr>
<td><strong>TOTAL SHAREHOLDERS’ EQUITY</strong></td>
<td><strong>2,864.4</strong></td>
<td><strong>3,059.9</strong></td>
<td><strong>(6.4)</strong></td>
</tr>
</tbody>
</table>

CASH FLOWS

<table>
<thead>
<tr>
<th>Description</th>
<th>2000 $m</th>
<th>1999 $m</th>
<th>Increase/Decrease %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,599.8</td>
<td>1,208.3</td>
<td>32.4</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(262.7)</td>
<td>(628.9)</td>
<td>(56.2)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(1,542.0)</td>
<td>(968.4)</td>
<td>289.0</td>
</tr>
<tr>
<td><strong>NET (DECREASE)/INCREASE IN CASH HELD</strong></td>
<td><strong>(204.9)</strong></td>
<td><strong>183.0</strong></td>
<td>n/a</td>
</tr>
</tbody>
</table>

PERFORMANCE RATIOS

<table>
<thead>
<tr>
<th>Description</th>
<th>2000 %</th>
<th>1999 %</th>
<th>Increase/Decrease %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt to net debt plus equity (ratio)</td>
<td>24.76%</td>
<td>20.80%</td>
<td>n/a</td>
</tr>
<tr>
<td>Net debt to net debt plus equity including off balance sheet debt (ratio)</td>
<td>48.52%</td>
<td>42.98%</td>
<td>n/a</td>
</tr>
<tr>
<td>Net debt to net debt plus equity including off balance sheet debt and revenue hedge receivables (ratio)</td>
<td>44.56%</td>
<td>39.61%</td>
<td>n/a</td>
</tr>
<tr>
<td>Earnings per share (cents per share)</td>
<td>42.8</td>
<td>35.4</td>
<td>20.9</td>
</tr>
<tr>
<td>Return on shareholders’ equity (percentage)</td>
<td>18.1</td>
<td>13.8</td>
<td>31.2</td>
</tr>
<tr>
<td>Return on shareholders’ equity including the notional capitalisation of non-cancellable operating leases on a hedged basis (percentage)</td>
<td>18.3</td>
<td>14.6</td>
<td>25.3</td>
</tr>
<tr>
<td>Operating profit before tax and abnormals as a percentage of sales and operating revenue (percentage)</td>
<td>7.7</td>
<td>7.1</td>
<td>8.5</td>
</tr>
<tr>
<td>Earnings before interest and tax (EBIT) as a percentage of sales and operating revenue (percentage)</td>
<td>9.0</td>
<td>8.3</td>
<td>8.4</td>
</tr>
</tbody>
</table>

* Excludes proceeds on sale (and on sale and leaseback) of non-current assets, and interest revenue which is included in net interest expense.
Information for shareholders is provided in this Annual Report and in a separate Financial Report.


A copy of the Financial Report, including the Independent Audit Report, is available to all shareholders, free of charge, upon request. The Financial Report can be requested by telephone (toll free within Australia 1800 177 747, overseas 61 2 8234 5470).
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2000

The Directors of Qantas Airways Limited (Qantas) 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 2000 and the Audit Report thereon.

DIRECTORS
The Directors of Qantas at any time during or since the financial year are:
Margaret Jackson (appointed Chairman 1 August 2000)
Gary Pemberton, AC (former Chairman, retired 1 August 2000)
James Strong
Geoff Dixon (appointed 1 August 2000)
Gary Toomey #
Bob Ayling (resigned 10 April 2000)
Mike Codd, AC
John Ducker, AO (retired 31 August 2000)
Trevor Eastwood, AM
Jim Kennedy, AO, CBE
Trevor Kennedy, AM
Lord Marshall (appointed 1 July 2000) *
Roger Maynard
Nick Tait.

Details of Directors, their experience and any special responsibilities are set out on pages 24 to 25.

* Lord Marshall is the Chairman of British Airways Plc. When it is not possible for him to attend Qantas Board Meetings, he is represented by an alternate, who is either Derek Stevens or Roger Maynard.

^ Derek Stevens was an alternate for Bob Ayling, former Chief Executive Officer of British Airways Plc, until 10 April 2000. From 10 April 2000 to 1 July 2000 he was a Director of Qantas in his own right. Since 1 July 2000 Derek Stevens has been an alternate for Lord Marshall.

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 $581.3 million (final ordinary dividend 11 cents per share and special dividend 37 cents per share) for the year ended 30 June 2000 (1999: final ordinary dividend 11 cents per share and special dividend of 13.5 cents per share). The final dividend will be fully franked and follows a fully franked interim ordinary dividend of $133.3 million (11 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 is contained on pages 6 to 19. 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 not otherwise disclosed in this Annual Report.

EVENTS SUBSEQUENT TO BALANCE DATE
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 that, in the opinion of the Directors, has significantly affected, or may 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
The Review of Operations on pages 6 to 19 includes 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 would be likely to result in unreasonable prejudice to the Qantas Group.

DIRECTORS’ MEETINGS
The number of Directors’ Meetings held (including Meetings of Committees of Directors) and number of Meetings attended by each of the Directors of Qantas during the financial year are as follows:

# On 13 September 2000, subsequent to the signing of this Directors’ Report, Gary Toomey resigned as a Director of Qantas and Peter Gregg was appointed as Chief Financial Officer and an Executive Director of Qantas.
CONTINUED

FOR THE YEAR ENDED 30 JUNE 2000

DIRECTORS’ INTERESTS AND BENEFITS

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

<table>
<thead>
<tr>
<th>Directors</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>Margaret Jackson</td>
<td>95,348</td>
<td>25,348</td>
</tr>
<tr>
<td>Gary Pemberton</td>
<td>119,404</td>
<td>109,196</td>
</tr>
<tr>
<td>James Strong</td>
<td>11,630</td>
<td>11,422</td>
</tr>
<tr>
<td>Gary Toomey</td>
<td>26,906</td>
<td>26,698</td>
</tr>
<tr>
<td>Bob Ayling</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Trevor Kennedy</td>
<td>120,800</td>
<td>20,800</td>
</tr>
</tbody>
</table>

DIRECTORS’ AND EXECUTIVE OFFICERS’ EMOLUMENTS

The Board of Directors determines the overall remuneration policy and packages applicable to Board members and senior executives of the Qantas Group. The broad remuneration policy is to ensure that each remuneration package properly reflects the duties and responsibilities of the relevant individual and that remuneration is competitive in attracting, motivating and retaining people of the highest calibre.

Directors’ and executives’ remuneration includes fees or salaries (as appropriate), superannuation contributions, performance bonuses, other benefits, and retirement and resignation payments.

Short-term incentives

Executive Directors and other executives participate in an annual performance-based reward scheme introduced for all executives in the 1995/96 financial year. This scheme provides for cash performance bonuses to be paid where predetermined objectives are met. Performance objectives include the achievement of a predetermined level of annual profit and annual profit enhancement targets.

Long-term incentives

Executive Directors and certain senior executives participate in a Long-Term Incentive Plan introduced in the 1996/97 financial year, which provides for a bonus payable at the earlier of the expiry of the relevant senior executive’s service contract or after five years, based on the financial performance of the Qantas Group. The incentives payable under this Plan are not included in remuneration until this time.

The annual level of incentive that notionally vests at the end of each financial year during the five year period of the Plan, is determined on a range of criteria including the Qantas Total Shareholder Return (TSR) ranking amongst the top 100 listed Australian companies and also against the TSRS of a predetermined basket of international airlines listed on overseas stock exchanges.

Entitlements over unissued ordinary shares in Qantas are also issued to Executive Directors and other senior executives under the Qantas Long-Term Executive Incentive Plan introduced in the current year (refer “Share Entitlements” below).

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

Audit Committee

<table>
<thead>
<tr>
<th>Directors</th>
<th>Qantas Board</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attended</td>
<td>Held 1</td>
</tr>
<tr>
<td>Margaret Jackson</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Gary Pemberton</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>James Strong</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Gary Toomey</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Bob Ayling</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Mike Codd</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>John Ducker</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Trevor Eastwood</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Jim Kennedy</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Roger Maynard</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Derek Stevens</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Nick Tait</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

1. Reflects the number of meetings held during the financial year.
2. Attended in an ex-officio capacity.
3. When not present in person, represented by an alternate, being Roger Maynard or Nick Tait during the 30 June 2000 financial year.
4. When not present in person, represented by an alternate, being Nick Tait during the 30 June 2000 financial year.
5. When not present in person for two of these meetings, represented by an alternate, being Roger Maynard during the 30 June 2000 financial year.

Qantas Board Committee & Security Committee

<table>
<thead>
<tr>
<th>Directors</th>
<th>Attended</th>
<th>Held 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margaret Jackson</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Gary Pemberton</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>James Strong</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Gary Toomey</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Bob Ayling</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Mike Codd</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>John Ducker</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Trevor Eastwood</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Jim Kennedy</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Roger Maynard</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>
### DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (continued)

Details of the nature and amount of each major element of the emoluments of each Director of Qantas and each of the five named officers of Qantas and the Qantas Group receiving the highest emoluments are set out as follows:

<table>
<thead>
<tr>
<th>Non-Executive Directors</th>
<th>Fees $</th>
<th>Non-Cash Benefits $</th>
<th>Superannuation Contributions $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margaret Jackson</td>
<td>59,500</td>
<td>19,469</td>
<td>4,165</td>
<td>83,134</td>
</tr>
<tr>
<td>Gary Pemberton</td>
<td>250,000</td>
<td>7,197</td>
<td>7,067</td>
<td>264,264</td>
</tr>
<tr>
<td>Bob Ayling</td>
<td>36,890</td>
<td>20,465</td>
<td>3,752</td>
<td>57,645</td>
</tr>
<tr>
<td>Mike Codd</td>
<td>53,600</td>
<td>7,067</td>
<td>77,817</td>
<td></td>
</tr>
<tr>
<td>John Ducker</td>
<td>65,500</td>
<td>4,585</td>
<td>70,916</td>
<td></td>
</tr>
<tr>
<td>Trevor Eastwood</td>
<td>47,600</td>
<td>18,377</td>
<td>69,309</td>
<td></td>
</tr>
<tr>
<td>Jim Kennedy</td>
<td>47,600</td>
<td>15,332</td>
<td>66,398</td>
<td></td>
</tr>
<tr>
<td>Trevor Kennedy</td>
<td>47,600</td>
<td>18,377</td>
<td>69,309</td>
<td></td>
</tr>
<tr>
<td>Roger Maynard</td>
<td>53,600</td>
<td>3,752</td>
<td>57,352</td>
<td></td>
</tr>
<tr>
<td>Derek Stevens</td>
<td>10,710</td>
<td>750</td>
<td>11,460</td>
<td></td>
</tr>
<tr>
<td>Nick Tait</td>
<td>53,600</td>
<td>3,752</td>
<td>65,352</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>Fixed Annual Remuneration $</th>
<th>Performance Bonus $</th>
<th>Non-Cash Benefits $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Strong</td>
<td>1,320,840</td>
<td>763,152</td>
<td>15,865</td>
<td>2,099,857</td>
</tr>
<tr>
<td>Gary Toomey</td>
<td>810,000</td>
<td>486,000</td>
<td>10,310</td>
<td>1,306,310</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive Officers (excluding Directors)</th>
<th>Fixed Annual Remuneration $</th>
<th>Performance Bonus $</th>
<th>Non-Cash Benefits $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geoff Dixon</td>
<td>810,000</td>
<td>486,000</td>
<td>17,306</td>
<td>1,313,306</td>
</tr>
<tr>
<td>David Burden</td>
<td>501,000</td>
<td>250,500</td>
<td>90,747</td>
<td>842,247</td>
</tr>
<tr>
<td>Steve Mann</td>
<td>397,500</td>
<td>198,750</td>
<td>3,198</td>
<td>599,448</td>
</tr>
<tr>
<td>Paul Edwards</td>
<td>336,800</td>
<td>168,400</td>
<td>83,544</td>
<td>588,744</td>
</tr>
<tr>
<td>Sandra McPhee</td>
<td>314,500</td>
<td>157,250</td>
<td>88,676</td>
<td>560,426</td>
</tr>
</tbody>
</table>

1. Fees comprise both Directors’ fees and Committee fees.
2. Non-cash benefits include car parking, and travel and accommodation discounts obtained from time to time by Directors and executives, some of which are through agreements entered into by the Qantas Group. Certain travel benefits are available on similar terms and conditions as those offered to other senior executives and employees of the Qantas Group. The amount of non-cash benefits disclosed above has been determined on a “cost to the company” basis.
3. Directors’ fees for British Airways Directors of Qantas are paid directly to British Airways Plc.
4. Fixed annual remuneration includes base salary, motor vehicle allowance and salary sacrifice superannuation contributions.
5. Geoff Dixon was appointed a Director of Qantas on 3 August 2000.

In addition to the amounts noted above, $1,000 of Qantas shares were issued under the Qantas Profitshare Scheme to eligible employees (which excludes Non-Executive Directors). This equated to 208 shares at the prevailing issue price. These amounts have been excluded from the above disclosure as they involved no cost to Qantas.
SHARE ENTITLEMENTS

On 17 November 1999, Qantas awarded a total of 10,219,000 entitlements to be issued shares in Qantas to 146 senior executives under the Qantas Long-Term Executive Incentive Plan which was approved by shareholders at the 1999 Annual General Meeting. These entitlements may vest and be convertible to shares between three and five years following award date, conditional on the executive remaining a Qantas Group employee and on the achievement of specific performance hurdles set by the Board. These hurdles are set by reference to the percentile performance of Qantas (based upon average relative total shareholder return) within a modified S&P ASX 200 Index and within an international airline “peer group”.

To the extent that any entitlements vest, they may be converted into shares within eight years of award in proportion to the gain in share price from the date the entitlements are awarded to the date they are converted to shares. Entitlements not converted to shares within eight years of award will expire.

No entitlements have vested or expired other than by way of eligible employees leaving Qantas as yet under the Plan, nor have any shares been issued. Entitlements will be included in remuneration once they have vested.

Entitlements awarded under the Plan during the year include amounts granted to Executive Directors and the five most highly remunerated Executive Officers of Qantas and the Qantas Group as follows:

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>Number of Entitlements</th>
<th>Exercise Price</th>
<th>Expiry Date</th>
<th>Value per Entitlement</th>
<th>Total Value Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Strong</td>
<td>1,110,000</td>
<td>4.99</td>
<td>17 November 2007</td>
<td>0.50</td>
<td>555,000</td>
</tr>
<tr>
<td>Gary Toomey</td>
<td>545,000</td>
<td>4.99</td>
<td>17 November 2007</td>
<td>0.50</td>
<td>272,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive Officers (excluding Directors)</th>
<th>Number of Entitlements</th>
<th>Exercise Price</th>
<th>Expiry Date</th>
<th>Value per Entitlement</th>
<th>Total Value Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geoff Dixon</td>
<td>545,000</td>
<td>4.99</td>
<td>17 November 2007</td>
<td>0.50</td>
<td>272,500</td>
</tr>
<tr>
<td>David Burden</td>
<td>252,000</td>
<td>4.99</td>
<td>17 November 2007</td>
<td>0.50</td>
<td>126,000</td>
</tr>
<tr>
<td>Steve Mann</td>
<td>200,000</td>
<td>4.99</td>
<td>17 November 2007</td>
<td>0.50</td>
<td>100,000</td>
</tr>
<tr>
<td>Paul Edwards</td>
<td>88,000</td>
<td>4.99</td>
<td>17 November 2007</td>
<td>0.50</td>
<td>44,000</td>
</tr>
<tr>
<td>Sandra McPhee</td>
<td>88,000</td>
<td>4.99</td>
<td>17 November 2007</td>
<td>0.50</td>
<td>44,000</td>
</tr>
</tbody>
</table>

Total entitlements outstanding at 30 June 2000 under the Plan are as follows:

<table>
<thead>
<tr>
<th>Expiry Date</th>
<th>Exercise Price</th>
<th>Number of Entitlements</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 November 2007</td>
<td>4.99</td>
<td>9,965,000</td>
</tr>
</tbody>
</table>

1. All entitlements were granted during the financial year. No entitlements have been granted since the end of the financial year.
2. These entitlements do not allow the holder to participate in any share issue of Qantas or the Qantas Group.
3. The market price of Qantas shares at 30 June 2000 was $3.36.
4. The estimated value per entitlement disclosed above is calculated at 30 June 2000 using a Black-Scholes model.
5. 254,000 entitlements lapsed during the year due to the resignation or retirement of the entitlement holder.
ENVIRONMENTAL REGULATIONS

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.

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Qantas Group’s activities expose it to changes in interest rates, foreign exchange rates and fuel prices. It is also exposed to credit risks from its operations. The Qantas Group manages these risk exposures using various financial instruments, based upon a set of policies approved by the Board. Compliance with these policies is strictly monitored by management and reported to the Board.

It is the Qantas Group’s policy not to enter, issue or hold derivative financial instruments solely for speculative trading purposes.

INDEMNITIES AND INSURANCE

Under Clause 12.1 of the Qantas Constitution, Qantas is required to indemnify, to the extent permitted by law, each officer 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; 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 page 29 and the secretaries of Qantas, being Brett Johnson, Garie Hillier and Steve Heesh, have the benefit of the indemnity in Clauses 12.1 to 12.4 of the Qantas Constitution, which also applies to all executive officers of Qantas. Qantas has insured against amounts which it may be liable to pay on behalf of officers pursuant to Clauses 12.1 to 12.4 of the Qantas Constitution 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.

ROUNDS

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:

JAMES STRONG
Chief Executive and Managing Director
7 September 2000
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000

SANTAS GROUP

<table>
<thead>
<tr>
<th>Notes</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
</tbody>
</table>

SALES AND OPERATING REVENUE

Net passenger revenue  | 6,975.6  | 6,437.5 |
Net freight revenue    | 543.0    | 553.4   |
Tours and travel revenue| 551.8    | 510.3   |
Other sources *        | 1,036.4  | 947.5   |
TOTAL SALES AND OPERATING REVENUE | 9,106.8  | 8,448.7 |

EXPENDITURE

Manpower and staff related| 2,295.8  | 2,206.0 |
Selling and marketing    | 1,051.0  | 947.9   |
Aircraft operating – variable| 1,732.7  | 1,679.4 |
Fuel and oil             | 863.2    | 761.6   |
Property                 | 215.2    | 216.1   |
Computer and communication| 352.4    | 346.1   |
Depreciation and amortisation| 634.0    | 540.4   |
Non-cancellable operating lease rentals| 127.9    | 107.8   |
Tours and travel cost of sales| 482.8    | 439.0   |
Capacity hire, insurance and other| 535.6    | 502.6   |
TOTAL EXPENDITURE        | 8,290.6  | 7,746.9 |

EARNINGS BEFORE INTEREST AND TAX (EBIT)

Net interest expense    | (111.2) | (100.1) |
OPERATING PROFIT BEFORE TAX AND ABNORMALS

Abnormal items          | 57.8    | 60.8    |
TOTAL EARNINGS           | 762.8   | 662.5   |

NET PROFIT BEFORE TAX

Income tax expense       | (244.9) | (241.6) |
NET PROFIT AFTER TAX

Outside equity interests in net (profit)/loss | (0.6) | 0.7    |
TOTAL PROFIT AFTER TAX | 517.9 | 420.9 |

NET PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY

Retained profits at the beginning of the financial year| 1,124.1 | 1,094.1 |
TOTAL AVAILABLE FOR APPROPRIATION | 1,641.4 | 1,515.7 |
Dividends provided for or paid | (714.6) | (391.6) |
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR | 926.8 | 1,124.1 |

* Excludes proceeds on sale (and on sale and leaseback) of non-current assets, and interest revenue which is included in net interest expense.
The Profit and Loss Statement should be read in conjunction with the Discussion and Analysis on page 35 and the Notes to the Financial Statements on pages 40 to 44.
DISCUSSION AND ANALYSIS OF THE PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000

REVIEW OF FINANCIAL PERFORMANCE
• Operating profit before tax and abnormals of $705.0 million was up 17.2 percent on the prior year.
• Abnormal gain before income tax of $57.8 million represented a profit on part sale of the investment in EQUANT NV.
• The income tax expense for the year included an abnormal credit of $45.0 million which related to the restatement of deferred tax balances due to changes in the company tax rate.
• Net profit after tax of $517.9 million was up 23.0 percent on last year.
• The fully franked final ordinary dividend of 11 cents per share brings fully franked ordinary dividends for the year to 22 cents per share, 3 cents higher than last year.
• The fully franked special dividend of 37 cents per share is 23.5 cents higher than last year.
• Earnings per share increased by 20.9 percent to 42.8 cents.
• Return on shareholders' equity improved by 4.3 percentage points to 18.1 percent whilst return on total gross assets improved by 1.2 percentage points to 15.4 percent.

REVIEW OF SALES AND OPERATING REVENUE
• Sales and operating revenue increased by 7.8 percent to $9,106.8 million due to:
  – an increase in net passenger revenue of 8.4 percent to $6,975.6 million due to higher capacity (ASKs), higher seat factors and higher yield; and
  – an increase in other revenue of 9.4 percent to $1,364.4 million, due to the expansion of loyalty programs, co-branded credit cards and increased third party contract work.

REVIEW OF EXPENDITURE
• Total expenditure increased by 7.0 percent on a capacity increase of 4.0 percent and a revenue increase of 7.8 percent. Significant movements include:
  – increases in selling and marketing expenditure of 10.9 percent, caused by higher sales commissions in line with higher revenue and increased advertising expenditure;
  – increases in fuel and oil expenditure of 13.3 percent as a direct result of fuel prices increasing by 44 percent during the year, partially offset by fuel hedging benefits totalling $275.4 million; and
  – increased depreciation and amortisation of 17.3 percent reflecting capital expenditure on aircraft acquisitions and other product and service improvements over the last two years.

REVIEW OF OTHER PROFIT AND LOSS ITEMS
• Net interest expense increased by 11.1 percent due to higher net debt.
• Income tax expense, excluding abnormal items, increased by 22.5 percent in line with increased profitability. The effective tax rate was 38.2 percent.

IMPACT OF EXCHANGE RATES ON THE PROFIT AND LOSS STATEMENT
The Qantas Group is exposed to foreign exchange rate fluctuations on the Australian dollar value of foreign currency denominated revenue and expenditure. The Qantas Group earns revenue in approximately 80 different countries, reflecting its route structure and the location of ticket sales. The Qantas Group’s foreign currency costs are primarily denominated in United States dollars and relate largely to fuel and engineering and maintenance materials.

The Qantas Group manages its foreign currency exposures by using a variety of long-term and short-term financial instruments, in accordance with its risk management policies. The overall economic impact of exchange rate movements on the profit result in comparison to last year was $16.1 million adverse.
# Balance Sheet

**As at 30 June 2000**

## Qantas Group

### CURRENT ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>118.2</td>
<td>43.0</td>
</tr>
<tr>
<td>Receivables</td>
<td>1,742.5</td>
<td>1,855.3</td>
</tr>
<tr>
<td>Net receivables under hedge/swap contracts</td>
<td>200.9</td>
<td>157.5</td>
</tr>
<tr>
<td>Inventories</td>
<td>267.9</td>
<td>240.3</td>
</tr>
<tr>
<td>Other</td>
<td>108.3</td>
<td>88.1</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>2,437.8</td>
<td>2,384.2</td>
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</tbody>
</table>

### NON-CURRENT ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>603.0</td>
<td>590.8</td>
</tr>
<tr>
<td>Net receivables under hedge/swap contracts</td>
<td>1,788.4</td>
<td>1,478.9</td>
</tr>
<tr>
<td>Investments</td>
<td>43.0</td>
<td>35.2</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>7,108.7</td>
<td>6,653.0</td>
</tr>
<tr>
<td>Intangibles</td>
<td>25.0</td>
<td>26.7</td>
</tr>
<tr>
<td>Other</td>
<td>31.2</td>
<td>57.8</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td>9,569.3</td>
<td>8,842.4</td>
</tr>
</tbody>
</table>

### TOTAL ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>12,007.1</td>
<td>11,226.6</td>
</tr>
</tbody>
</table>

### CURRENT LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>1,869.2</td>
<td>1,521.2</td>
</tr>
<tr>
<td>Borrowings</td>
<td>582.4</td>
<td>496.6</td>
</tr>
<tr>
<td>Net payables under hedge/swap contracts</td>
<td>233.5</td>
<td>190.2</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,046.6</td>
<td>820.0</td>
</tr>
<tr>
<td>Revenue received in advance</td>
<td>1,181.0</td>
<td>1,012.5</td>
</tr>
<tr>
<td>Deferred lease benefits/income</td>
<td>41.6</td>
<td>38.9</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>4,954.3</td>
<td>4,079.4</td>
</tr>
</tbody>
</table>

### NON-CURRENT LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>2,530.8</td>
<td>2,577.7</td>
</tr>
<tr>
<td>Net payables under hedge/swap contracts</td>
<td>419.5</td>
<td>312.9</td>
</tr>
<tr>
<td>Provisions</td>
<td>747.0</td>
<td>752.8</td>
</tr>
<tr>
<td>Deferred lease benefits/income</td>
<td>499.0</td>
<td>410.9</td>
</tr>
<tr>
<td>Other</td>
<td>52.1</td>
<td>33.0</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT LIABILITIES</strong></td>
<td>4,188.4</td>
<td>4,087.3</td>
</tr>
</tbody>
</table>

### TOTAL LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>9,142.7</td>
<td>8,166.7</td>
</tr>
</tbody>
</table>

### NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>2,864.4</td>
<td>3,059.9</td>
</tr>
</tbody>
</table>

## Shareholders' Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>1,882.0</td>
<td>1,882.0</td>
</tr>
<tr>
<td>Reserves</td>
<td>54.0</td>
<td>52.8</td>
</tr>
<tr>
<td>Retained profits</td>
<td>926.8</td>
<td>1,124.1</td>
</tr>
<tr>
<td>Shareholders' equity attributable to members of the Company</td>
<td>2,862.8</td>
<td>3,058.9</td>
</tr>
<tr>
<td>Outside equity interests in controlled entities</td>
<td>1.6</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>TOTAL SHAREHOLDERS' EQUITY</strong></td>
<td>2,864.4</td>
<td>3,059.9</td>
</tr>
</tbody>
</table>

---

The Balance Sheet should be read in conjunction with the Discussion and Analysis on page 37 and the Notes to the Financial Statements on pages 40 to 44.
DISCUSSION AND ANALYSIS OF THE BALANCE SHEET
AS AT 30 JUNE 2000

The net assets of the Qantas Group decreased by 6.4 percent to $2,864.4 million during the past financial year. Major items are discussed below.

REVIEW OF ASSETS

• Current receivables reduced by 6.1 percent, largely as a result of the prior year including US$350 million of proceeds from the issue of unsecured notes. Trade debtors increased in line with increased revenue.

• Net receivables/payables under hedge/swap contracts increased by 15.3 percent to $1,306.3 million primarily due to the movement in foreign exchange rates. Net receivables/payables under hedge/swap contracts represents:
  – cross-currency swaps used to hedge long-term foreign currency borrowings;
  – deferred gains/losses on forward foreign exchange contracts used to hedge capital expenditure; and
  – net deferred losses associated with hedges of foreign currency revenue relating to future transportation services designated to service long-term debt.

• Inventory levels increased by 11.5 percent due to higher expenditure on engineering expendables and consumable stores supporting the growth in fleet numbers.

• Property, plant and equipment increased by 6.8 percent, reflecting capital expenditure on aircraft acquisitions and refinancings, aircraft reconfigurations and terminal and lounge improvements.

REVIEW OF LIABILITIES

• Accounts payable and total borrowings increased by 8.4 percent due to increased activity and commercial paper issues offset by debt repayments made during the year.

• Provisions increased by 14.0 percent as a result of higher dividends, higher tax payable due to increased profitability and increases in employee entitlement provisions, reflecting wage increases.

• Revenue received in advance reflects passenger and freight forward sales which are taken to revenue when the tickets are utilised or the freight uplifted. This balance increased by 16.6 percent due to a higher level of forward sales compared to last year, in part due to higher activity.

REVIEW OF SHAREHOLDERS’ EQUITY

• A total of 5.7 million new shares were issued during the year under the Qantas Profitshare Scheme.

GEARING

Qantas Group gearing (including the notional capitalisation of non-cancellable leases) on a hedged basis at 30 June 2000 was 44:56 compared to 40:60 at 31 December 1999 and 39:61 at 30 June 1999. The increase in gearing is primarily due to the special dividend and the inclusion of all aircraft leases.

The Qantas Dividend Reinvestment Plan is to be reinstated prior to the payment of the special dividend in December 2000. This reinstatement is to assist in providing equity to fund future capital expenditure while maintaining gearing at an acceptable level.

Gearing is determined by dividing the book value of the Qantas Group’s net debt (short and long-term debt 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 shareholders’ equity.
## Statement of Cash Flows

For the Year Ended 30 June 2000

### Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers</td>
<td>9,066.6</td>
<td>8,693.5</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(7,135.8)</td>
<td>(7,129.4)</td>
</tr>
<tr>
<td>Interest received</td>
<td>90.5</td>
<td>80.4</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(175.5)</td>
<td>(168.9)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>26.9</td>
<td>17.9</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(272.9)</td>
<td>(285.2)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>1,599.8</strong></td>
<td><strong>1,208.3</strong></td>
</tr>
</tbody>
</table>

### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(1,141.8)</td>
<td>(1,233.3)</td>
</tr>
<tr>
<td>Payments for aircraft security deposits</td>
<td>(10.6)</td>
<td>(11.4)</td>
</tr>
<tr>
<td><strong>Total payments for purchases of property, plant, equipment and aircraft security deposits</strong></td>
<td><strong>(1,152.4)</strong></td>
<td><strong>(1,244.7)</strong></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>10.3</td>
<td>88.5</td>
</tr>
<tr>
<td>Proceeds from sale and leaseback of property, plant and equipment</td>
<td>819.0</td>
<td>467.0</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>60.4</td>
<td>60.9</td>
</tr>
<tr>
<td>Payments for investments, net of cash acquired</td>
<td></td>
<td>(0.6)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>(262.7)</strong></td>
<td><strong>(628.9)</strong></td>
</tr>
</tbody>
</table>

### Cash Flows from Financing Activities

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of borrowings/swaps</td>
<td>(798.9)</td>
<td>(345.7)</td>
</tr>
<tr>
<td>Debt prepayments on sale and leaseback of property, plant and equipment</td>
<td>(819.0)</td>
<td>(467.0)</td>
</tr>
<tr>
<td><strong>Total debt repayments</strong></td>
<td><strong>(1,617.9)</strong></td>
<td><strong>(812.7)</strong></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>505.9</td>
<td>526.0</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(430.0)</td>
<td>(109.7)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td><strong>(1,542.0)</strong></td>
<td><strong>(396.4)</strong></td>
</tr>
</tbody>
</table>

### Reconciliation of Cash Provided By/(Used In):

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities</td>
<td>1,599.8</td>
<td>1,208.3</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(262.7)</td>
<td>(628.9)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>(1,542.0)</td>
<td>(396.4)</td>
</tr>
<tr>
<td><strong>Net (decrease)/increase in cash held</strong></td>
<td><strong>(204.9)</strong></td>
<td><strong>183.0</strong></td>
</tr>
<tr>
<td>Cash at the beginning of the financial year</td>
<td>893.7</td>
<td>710.7</td>
</tr>
<tr>
<td><strong>Cash at the end of the financial year</strong></td>
<td><strong>688.8</strong></td>
<td><strong>893.7</strong></td>
</tr>
</tbody>
</table>

The Statement of Cash Flows is to be read in conjunction with the Discussion and Analysis on page 39 and the Notes to the Financial Statements on pages 40 to 44.
DISCUSSION AND ANALYSIS OF THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2000

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 operating activities were $1,599.8 million, an increase of 32.4 percent versus the prior year, primarily due to increases in receipts from customers due to higher activity, revenue and profit.
• Net interest payments, income tax payments and payments to suppliers were at a level comparable with the prior year.

REVIEW OF CASH FLOWS FROM INVESTING ACTIVITIES
• Cash flows used in investing activities decreased by 58.2 percent, or $366.2 million. This decrease is largely due to:
  – an increase in proceeds from aircraft sale and leaseback transactions of $352.0 million which were used to prepay the associated hire-purchase liability; partially offset by
  – a decrease of $78.7 million in proceeds from sale of aircraft and other assets.
• Capital expenditure payments of $1,141.8 million were in line with the prior year and related to aircraft acquisitions and refinancings, aircraft reconfigurations and terminal and lounge improvements.
• Proceeds of $60.4 million were generated from the sale of investments, primarily being the sale of part of the investment in EQUANT NV during the year.

REVIEW OF CASH FLOWS FROM FINANCING ACTIVITIES
• Cash flows used in financing activities increased by $1,145.6 million largely as a result of:
  – higher repayments of borrowings and swaps by $453.2 million as debt matures and the repayment of commercial paper drawn down during the year;
  – increases in debt prepayments of $352.0 million relating to aircraft sale and leaseback transactions; and
  – an increase in dividends paid of $320.3 million, primarily due to the payment of the 1999 special dividend of 13.5 cents per share during the year.
• Proceeds from borrowings during the year relate to the issue of commercial paper.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

1. BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT
The Concise Financial Report has been prepared in accordance with the Corporations Law, Accounting Standard AASB 1039 Concise Financial Reports and applicable Urgent Issues Group Consensus Views. The Concise Financial Statements and specific disclosures required by AASB 1039 have been derived from the Qantas Group’s 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 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 current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Qantas Group and, except where there is a change in accounting policy, are consistent with those of the prior year.

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

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

<table>
<thead>
<tr>
<th>QANTAS GROUP</th>
<th>2000 $m</th>
<th>1999 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>9,072.1</td>
<td>8,430.8</td>
</tr>
<tr>
<td>Dividend revenue</td>
<td>34.7</td>
<td>17.9</td>
</tr>
<tr>
<td>TOTAL SALES AND OPERATING REVENUE</td>
<td>9,106.8</td>
<td>8,448.7</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>88.5</td>
<td>73.6</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>10.3</td>
<td>88.5</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>2.4</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds from sale of investment (abnormal item)</td>
<td>58.0</td>
<td>60.9</td>
</tr>
<tr>
<td>Proceeds from sale and leaseback transactions</td>
<td>819.0</td>
<td>467.0</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td>10,085.0</td>
<td>9,138.7</td>
</tr>
</tbody>
</table>

2. REVENUE

3. ABNORMAL ITEMS
The following abnormal items have been credited to net profit after tax during the current financial year:

<table>
<thead>
<tr>
<th>Item</th>
<th>2000 $m</th>
<th>1999 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit on sale of investment in EQUANT NV</td>
<td>57.8</td>
<td>60.8</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>(20.8)</td>
<td>(21.9)</td>
</tr>
<tr>
<td>Tax credit arising from the restatement of deferred tax balances due to the change in the company tax rate</td>
<td>37.0</td>
<td>38.9</td>
</tr>
<tr>
<td>TOTAL ABNORMAL ITEMS AFTER INCOME TAX</td>
<td>82.0</td>
<td>38.9</td>
</tr>
</tbody>
</table>
### 4. DIVIDENDS

Dividends proposed or paid by Qantas are:

<table>
<thead>
<tr>
<th>Type</th>
<th>Cents per Share</th>
<th>Total Amount $m</th>
<th>Date of Payment</th>
<th>Franked Tax Rate %</th>
<th>Percentage Franked %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Interim ordinary</td>
<td>11.0</td>
<td>133.3</td>
<td>29 March 2000</td>
<td>36</td>
<td>100</td>
</tr>
<tr>
<td>2000 Final ordinary</td>
<td>11.0</td>
<td>133.3</td>
<td>4 October 2000</td>
<td>34</td>
<td>100</td>
</tr>
<tr>
<td>2000 Special</td>
<td>37.0</td>
<td>488.0</td>
<td>13 December 2000</td>
<td>34</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>59.0</td>
<td>714.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999 Interim ordinary</td>
<td>8.0</td>
<td>95.0</td>
<td>31 March 1999</td>
<td>36</td>
<td>100</td>
</tr>
<tr>
<td>1999 Final ordinary</td>
<td>12.0</td>
<td>133.2</td>
<td>1 December 1999</td>
<td>36</td>
<td>100</td>
</tr>
<tr>
<td>1999 Special</td>
<td>13.5</td>
<td>163.4</td>
<td>1 December 1999</td>
<td>36</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>32.5</td>
<td>391.6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**QANTAS GROUP**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross amount of retained profits and reserves which could be distributed as franked dividends out of existing franking credits or out of franking credits arising from the payment of income tax in the forthcoming year – franked at 36 percent</td>
<td>110.6</td>
<td>438.4</td>
</tr>
<tr>
<td>Restatement of franking account balance to 34 percent *</td>
<td>63.6</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>TOTAL FRANKING ACCOUNT BALANCE AT 34 PERCENT</strong></td>
<td><strong>174.2</strong></td>
<td>n/a</td>
</tr>
</tbody>
</table>

* Represents the restatement of the franking account balance at 30 June 2000, being $690.3 million.

The above amount represents the balance of the franking accounts as at 30 June 2000, after taking into account adjustments for:

(a) franking credits that will arise from the payment of income tax payable for the current financial year;
(b) franking debits that will arise from the payment of the final dividends for the current financial year; and
(c) franking credits that may be prevented from being distributed in subsequent years.
5. SEGMENT INFORMATION

INDUSTRY SEGMENTS

The Qantas Group operates predominantly in one industry segment, being the transportation of passengers and freight on services within and to or from Australia.

GEOGRAPHICAL SEGMENTS

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

<table>
<thead>
<tr>
<th>QANTAS GROUP</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Passenger, freight and services revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>4,618.7</td>
<td>4,221.8</td>
</tr>
<tr>
<td>United Kingdom and Europe</td>
<td>855.8</td>
<td>816.1</td>
</tr>
<tr>
<td>Japan</td>
<td>631.0</td>
<td>561.2</td>
</tr>
<tr>
<td>South East Asia/North East Asia</td>
<td>646.0</td>
<td>649.6</td>
</tr>
<tr>
<td>Americas and the Pacific</td>
<td>783.5</td>
<td>688.5</td>
</tr>
<tr>
<td>Other regions</td>
<td>308.7</td>
<td>351.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,843.7</strong></td>
<td><strong>7,289.0</strong></td>
</tr>
<tr>
<td>Other operating revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tours and travel revenue</td>
<td>551.8</td>
<td>510.3</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>711.3</td>
<td>649.4</td>
</tr>
<tr>
<td><strong>Total sales and operating revenue</strong></td>
<td><strong>9,106.8</strong></td>
<td><strong>8,448.7</strong></td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest revenue</td>
<td>88.5</td>
<td>73.6</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>10.3</td>
<td>88.5</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>2.4</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds from sale of investment (abnormal item)</td>
<td>58.0</td>
<td>60.9</td>
</tr>
<tr>
<td>Proceeds from sale and leaseback transactions</td>
<td>819.0</td>
<td>467.0</td>
</tr>
<tr>
<td><strong>Total other revenue</strong></td>
<td><strong>978.2</strong></td>
<td><strong>690.0</strong></td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>10,085.0</strong></td>
<td><strong>9,138.7</strong></td>
</tr>
</tbody>
</table>

SEGMENTAL ANALYSIS OF NET ASSETS AND PROFIT CONTRIBUTION

For the financial year ended 30 June 2000, the principal assets of the Qantas Group comprised the aircraft fleet, all, except two, 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.

Operating profit resulting from turnover generated in each geographic area according to origin of sale is not disclosed as it is neither practical nor meaningful to allocate the Qantas Group’s operating expenditure on that basis.

Disclosure is made of a more appropriate measure of profit contributions in accordance with the Qantas Group’s internal reporting system, being the earnings before interest and tax (EBIT) contributed by the international and domestic airline operations and subsidiary operations.
5. SEGMENT INFORMATION (continued)

Earnings before interest and tax

<table>
<thead>
<tr>
<th>Segment</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>International airline operations</td>
<td>374.8</td>
<td>308.3</td>
</tr>
<tr>
<td>Domestic airline operations</td>
<td>272.0</td>
<td>256.8</td>
</tr>
<tr>
<td></td>
<td>646.8</td>
<td>565.1</td>
</tr>
<tr>
<td>Subsidiary operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qantas Holidays Group</td>
<td>28.1</td>
<td>12.9</td>
</tr>
<tr>
<td>Regional Airlines Group</td>
<td>67.2</td>
<td>51.5</td>
</tr>
<tr>
<td>Qantas Flight Catering Group</td>
<td>39.4</td>
<td>32.3</td>
</tr>
<tr>
<td>Other subsidiaries</td>
<td>34.7</td>
<td>40.0</td>
</tr>
<tr>
<td>TOTAL SUBSIDIARY OPERATIONS</td>
<td>169.4</td>
<td>136.7</td>
</tr>
</tbody>
</table>

EARNINGS BEFORE INTEREST AND TAX (EBIT) 816.2 701.8

Intersegment pricing is determined on an arm’s length commercial basis.

6. SHARE CAPITAL

Issued and paid up capital

1,211,059,282 (1999: 1,205,392,530) ordinary shares, fully paid

1,882.0 1,882.0

DIVIDEND REINVESTMENT PLAN

The Qantas Dividend Reinvestment Plan is to be reinstated so that it applies for the special dividend of 37 cents per share to be paid on 13 December 2000, and for the payment of dividends declared in the future.

7. CONTINGENT LIABILITIES

RELATED PARTIES

Guarantees to support borrowings and finance lease commitments to other parties on behalf of controlled entities — 7.1
Guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties by controlled entities 136.5 164.7
Guarantees and letters of comfort to support leveraged and operating lease commitments to other parties on behalf of associated companies 3.0 3.9

139.5 175.7

OTHER PARTIES

General guarantees in the normal course of business 118.5 108.6
Contingent liabilities relating to current and threatened litigation 33.7 10.0

152.2 118.6

291.7 294.3

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 $244.1 million (1999: $261.8 million) in the event the agreements are terminated prior to expiry of the loans.
7. CONTINGENT LIABILITIES (continued)

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. Only in exceptional circumstances, including the insolvency of major international banks, will the Qantas Group be required to make any 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 predetermined level. This is reflected by the balance of aircraft security deposits held with certain financial institutions and included in current and non-current receivables totalling $562.6 million (1999: $531.1 million).

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 foreign currency borrowings have been denominated in surplus net revenue currencies, 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 2000, total unrealised exchange losses on hedges of net revenue designated to service long-term debt were $374.7 million compared to $272.2 million as at 30 June 1999.

8. EARNINGS PER SHARE

Earnings per share based on net profit after tax attributable to members of the Company

2000: 42.8 cents
1999: 35.4 cents

There is no material difference between basic and diluted earnings per share for the above years. The calculation of earnings per share is based upon the weighted average number of shares outstanding during the year.

Weighted average number of ordinary shares used in the calculation of earnings per share

2000: 1,209.3 million
1999: 1,189.7 million

9. EVENTS SUBSEQUENT TO BALANCE DATE

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 that, in the opinion of the Directors, has significantly affected, or may 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.
INDEPENDENT AUDIT REPORT ON THE CONCISE FINANCIAL REPORT

TO THE MEMBERS OF QANTAS AIRWAYS LIMITED

SCOPE


Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the full Financial Report of Qantas Airways Limited and its controlled entities for the financial year ended 30 June 2000. Our audit report on the Financial Report was signed on 7 September 2000 and was not subject to any qualification.

Our procedures in respect of the audit of the Concise Financial Report included testing that the information in the Concise Financial Report is consistent with the Financial Report and examination, on a test basis, of evidence supporting the amounts, Discussion and Analysis, and other disclosures which were not directly derived from the full Financial Report. These procedures have been undertaken to form an opinion whether, in all material respects, the Concise Financial Report is presented fairly in accordance with Accounting Standard AASB 1039 Concise Financial Reports issued in Australia.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the Concise Financial Report of Qantas Airways Limited and its controlled entities for the financial year ended 30 June 2000 complies with Accounting Standard AASB 1039 Concise Financial Reports.

KPMG

DOUG JUKES
Partner
Sydney, 7 September 2000

DIRECTORS’ DECLARATION

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 financial year ended 30 June 2000, set out on pages 34 to 44:

(a) has been derived from the Financial Report for the financial year; and

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

Signed pursuant to a Resolution of the Directors:

James Strong
Chief Executive and Managing Director
7 September 2000
**FIVE YEAR SUMMARY**

**QANTAS GROUP FOR THE YEAR ENDED 30 JUNE 2000**

### PROFIT AND LOSS STATEMENT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES AND OPERATING REVENUE</strong> *</td>
<td>$m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>$(8,290.6)</td>
<td>$(7,746.9)</td>
<td>$(7,549.8)</td>
<td>$(7,317.2)</td>
<td>$(7,096.0)</td>
</tr>
<tr>
<td><strong>EARNINGS BEFORE INTEREST AND TAX</strong></td>
<td>$m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest expense</td>
<td>$(111.2)</td>
<td>$(100.3)</td>
<td>$(103.7)</td>
<td>$(96.3)</td>
<td>$(103.0)</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT BEFORE TAX AND ABNORMALS</strong></td>
<td>$m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abnormal Items</td>
<td>$57.8</td>
<td>$60.8</td>
<td></td>
<td>(17.2)</td>
<td></td>
</tr>
<tr>
<td><strong>NET PROFIT BEFORE TAX</strong></td>
<td>$m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>$(244.9)</td>
<td>$(241.6)</td>
<td>$(173.0)</td>
<td>$(151.0)</td>
<td>$(154.7)</td>
</tr>
</tbody>
</table>

### SHARE INFORMATION

- **Earnings per share** (cents): 42.8, 35.4, 26.8, 23.6, 24.2
- **Dividends per share** (cents): 59.0, 32.5, 13.5, 13.0, 13.0
- **Dividend payout ratio** (%): 137.9, 91.8, 50.4, 55.1, 53.7
- **Share price – high**: $5.28, $5.00, $3.21, $3.15, $2.47
- **Share price – low**: $3.12, $2.27, $2.13, $1.79, $2.03
- **Weighted average number of ordinary shares**: 1,209.3, 1,189.7, 1,138.6, 1,069.6, 1,017.9
- **Net tangible asset backing per share**: $2.34, $2.52, $2.49, $2.15, $2.35

### EARNINGS BEFORE INTEREST AND TAX

- International airline operations: $374.8, $308.3, $271.9, $274.7, $267.8
- Domestic airline operations: $272.0, $256.8, $213.4, $168.3, $163.6
- Subsidiary operations: $169.4, $136.7, $96.4, $74.2, $73.0

### PROFIT AND LOSS PERFORMANCE INDICATORS

- **Interest cover times**: 7.3, 7.0, 5.6, 5.4, 4.9
- **Return on shareholders' equity (excl operating leases)** (%): 18.1, 13.8, 10.3, 9.5, 10.1
- **Return on shareholders' equity (incl operating leases)** (%): 18.3, 14.6, 10.8, 10.8, 13.5

### STATEMENT OF CASH FLOWS

- **Net cash provided by operating activities**: $1,599.8, $1,208.3, $1,218.4, $1,110.8, $936.4
- **Net cash used in investing activities**: $(262.7), $(628.9), $(668.0), $(71.1), $(152.4)
- **Net cash used in financing activities**: $(1,542.0), $(396.4), $(592.3), $(744.3), $(721.0)
- **Net (decrease)/increase in cash held**: $(204.9), $308.3, $271.9, $274.7, $267.8
- **Capital expenditure**: $(1,141.8), $(1,233.3), $(769.6), $(81.6)

### BALANCE SHEET

- **Total assets**: $12,007.1, $11,226.6, $10,358.8, $9,852.1, $9,221.6
- **Total liabilities**: $9,142.7, $8,166.7, $7,396.4, $7,181.1, $6,785.0
- **Share capital**: $1,882.0, $1,882.0, $1,177.3, $1,117.1, $1,035.5
- **Reserves**: $54.0, $52.8, $689.0, $699.9, $574.4
- **Retained profits**: $926.8, $1,124.1, $1,094.1, $947.4, $824.9
- **Total shareholders’ equity**: $2,864.4, $3,059.9, $2,962.4, $2,671.0, $2,436.6

### BALANCE SHEET STATISTICS

- **Net debt on balance sheet**: $925.8, $782.8, $737.4, $1,049.1, $1,607.5
- **Net debt including off balance sheet debt**: $2,503.6, $2,334.7, $2,226.8, $2,680.7, $3,558.1
- **Net debt including off balance sheet debt and revenue hedge receivables**: $2,128.9, $1,862.5, $1,856.8, $2,461.3, $3,435.7
- **Net debt to net debt plus equity**: 24.76, 20.80, 20.80, 28.72, 40.60
- **Net debt to net debt plus equity including off balance sheet debt**: 48.52, 42.58, 44.56, 51.49, 62.38
- **Net debt to net debt plus equity including off balance sheet debt and revenue hedge receivables**: 44.56, 39.61, 40.60, 49.51, 61.39

* Excludes proceeds on sale (and on sale and leaseback) of non-current assets, and interest revenue which is included in net interest expense.
## OPERATIONAL STATISTICS

### INTERNATIONAL – SCHEDULED SERVICES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried</td>
<td>000</td>
<td>6,953</td>
<td>6,581</td>
<td>6,623</td>
<td>6,698</td>
</tr>
<tr>
<td>Revenue passenger kilometres (RPKs)</td>
<td>m</td>
<td>48,236</td>
<td>45,178</td>
<td>44,511</td>
<td>45,266</td>
</tr>
<tr>
<td>Available seat kilometres (ASKs)</td>
<td>m</td>
<td>64,879</td>
<td>62,679</td>
<td>63,034</td>
<td>63,169</td>
</tr>
<tr>
<td>Revenue seat factor</td>
<td>%</td>
<td>74.3</td>
<td>72.1</td>
<td>70.6</td>
<td>71.7</td>
</tr>
<tr>
<td>Revenue freight tonne kilometres (RFTKs)</td>
<td>m</td>
<td>1,718</td>
<td>1,783</td>
<td>1,829</td>
<td>1,799</td>
</tr>
<tr>
<td>Available freight tonne kilometres (AFTKs)</td>
<td>m</td>
<td>2,398</td>
<td>2,565</td>
<td>3,085</td>
<td>2,872</td>
</tr>
</tbody>
</table>

### DOMESTIC – SCHEDULED SERVICES

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried</td>
<td>000</td>
<td>10,646</td>
<td>10,111</td>
<td>9,738</td>
<td>9,622</td>
</tr>
<tr>
<td>Revenue passenger kilometres</td>
<td>m</td>
<td>13,959</td>
<td>12,956</td>
<td>12,415</td>
<td>12,385</td>
</tr>
<tr>
<td>Available seat kilometres</td>
<td>m</td>
<td>17,369</td>
<td>16,554</td>
<td>15,952</td>
<td>15,882</td>
</tr>
<tr>
<td>Revenue seat factor</td>
<td>%</td>
<td>80.4</td>
<td>78.3</td>
<td>77.8</td>
<td>78.0</td>
</tr>
</tbody>
</table>

## CORE AIRLINE PERFORMANCE STATISTICS

### TRAFFIC AND CAPACITY

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried</td>
<td>000</td>
<td>17,599</td>
<td>16,692</td>
<td>16,361</td>
<td>16,320</td>
</tr>
<tr>
<td>Revenue passenger kilometres</td>
<td>m</td>
<td>62,195</td>
<td>58,134</td>
<td>56,926</td>
<td>57,651</td>
</tr>
<tr>
<td>Available seat kilometres</td>
<td>m</td>
<td>82,248</td>
<td>79,233</td>
<td>78,986</td>
<td>79,051</td>
</tr>
<tr>
<td>Revenue seat factor</td>
<td>%</td>
<td>75.6</td>
<td>73.4</td>
<td>72.1</td>
<td>72.9</td>
</tr>
<tr>
<td>Average passenger journey length</td>
<td>km</td>
<td>3,534</td>
<td>3,483</td>
<td>3,479</td>
<td>3,533</td>
</tr>
<tr>
<td>Available tonne kilometres (ATKs)</td>
<td>m</td>
<td>11,117</td>
<td>10,928</td>
<td>11,151</td>
<td>10,887</td>
</tr>
</tbody>
</table>

### FINANCIAL

| Revenue per RPK | cents | 10.42 | 10.34 | 10.16 | 9.82 | 10.53 |

## QANTAS GROUP PERFORMANCE STATISTICS

### TRAFFIC AND CAPACITY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried</td>
<td>000</td>
<td>20,485</td>
<td>19,236</td>
<td>18,865</td>
<td>18,606</td>
</tr>
<tr>
<td>Revenue passenger kilometres</td>
<td>m</td>
<td>64,149</td>
<td>59,863</td>
<td>58,619</td>
<td>59,199</td>
</tr>
<tr>
<td>Available seat kilometres</td>
<td>m</td>
<td>85,033</td>
<td>81,765</td>
<td>81,537</td>
<td>81,440</td>
</tr>
<tr>
<td>Revenue seat factor</td>
<td>%</td>
<td>75.4</td>
<td>73.2</td>
<td>71.9</td>
<td>72.7</td>
</tr>
<tr>
<td>Aircraft in service at balance date</td>
<td>#</td>
<td>147</td>
<td>135</td>
<td>146</td>
<td>148</td>
</tr>
</tbody>
</table>

### FINANCIAL

| Passenger yield (per RPK) | cents | 10.87 | 10.75 | 10.56 | 10.15 | 10.80 |

##GLOSSARY

**Revenue passenger kilometres (RPKs)**
Number of paying passengers carried, 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.

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

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

The shareholder information set out below was applicable as at 6 September 2000.

**DISTRIBUTION OF ORDINARY SHARES**

Analysis of ordinary shareholders by size of shareholding:

<table>
<thead>
<tr>
<th>Number of Shares</th>
<th>Ordinary Shares Held</th>
<th>Number of Shareholders</th>
<th>% of Issued Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-1,000 *</td>
<td>21,417,333</td>
<td>36,807</td>
<td>1.77</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>175,363,550</td>
<td>96,877</td>
<td>14.48</td>
</tr>
<tr>
<td>5,001-10,000</td>
<td>48,774,206</td>
<td>7,011</td>
<td>4.03</td>
</tr>
<tr>
<td>10,001-100,000</td>
<td>63,268,423</td>
<td>3,057</td>
<td>5.22</td>
</tr>
<tr>
<td>100,001 and over</td>
<td>902,235,770</td>
<td>186</td>
<td>74.50</td>
</tr>
<tr>
<td></td>
<td>1,211,059,282</td>
<td>143,938</td>
<td>100.00</td>
</tr>
</tbody>
</table>

* 3,790 shareholders hold less than a marketable parcel of shares in Qantas Airways Limited.

**TWENTY LARGEST SHAREHOLDERS**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Ordinary Shares Held</th>
<th>% of Issued Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Airways Investments (Australia) Pty Limited</td>
<td>302,764,820</td>
<td>25.00</td>
</tr>
<tr>
<td>Chase Manhattan Nominees Limited</td>
<td>119,956,835</td>
<td>9.91</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>97,206,496</td>
<td>8.03</td>
</tr>
<tr>
<td>BT Custodial Services Pty Limited</td>
<td>93,256,341</td>
<td>7.70</td>
</tr>
<tr>
<td>Westpac Custodian Nominees Limited</td>
<td>58,931,649</td>
<td>4.87</td>
</tr>
<tr>
<td>AMP Life Limited</td>
<td>21,943,688</td>
<td>1.81</td>
</tr>
<tr>
<td>Queensland Investment Corporation</td>
<td>21,358,762</td>
<td>1.76</td>
</tr>
<tr>
<td>MLC Limited</td>
<td>21,333,486</td>
<td>1.76</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited</td>
<td>16,420,493</td>
<td>1.36</td>
</tr>
<tr>
<td>Commonwealth Custodial Services Limited</td>
<td>14,283,109</td>
<td>1.18</td>
</tr>
<tr>
<td>AN2 Nominees Limited</td>
<td>12,379,686</td>
<td>1.02</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>8,167,996</td>
<td>0.67</td>
</tr>
<tr>
<td>AMP Nominees Pty Limited</td>
<td>8,054,201</td>
<td>0.67</td>
</tr>
<tr>
<td>BT Custodians Limited</td>
<td>6,343,363</td>
<td>0.52</td>
</tr>
<tr>
<td>CSS Board</td>
<td>4,557,112</td>
<td>0.38</td>
</tr>
<tr>
<td>MLEQ Nominees Pty Limited</td>
<td>3,946,266</td>
<td>0.33</td>
</tr>
<tr>
<td>GIO Personal Investment Services Limited</td>
<td>3,788,766</td>
<td>0.31</td>
</tr>
<tr>
<td>BT Life Limited</td>
<td>3,580,233</td>
<td>0.30</td>
</tr>
<tr>
<td>PSS Board</td>
<td>3,100,263</td>
<td>0.26</td>
</tr>
<tr>
<td>Commonwealth Life Limited</td>
<td>2,909,915</td>
<td>0.24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,211,059,282</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

**SUBSTANTIAL SHAREHOLDERS**

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

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Ordinary Shares Held</th>
<th>% of Issued Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Airways Investments (Australia) Pty Limited</td>
<td>302,764,820</td>
<td>25.00</td>
</tr>
<tr>
<td>Principal Mutual Holding Company</td>
<td>108,601,402</td>
<td>8.97</td>
</tr>
<tr>
<td>Capital Group Companies, Inc.</td>
<td>61,171,750</td>
<td>5.05</td>
</tr>
</tbody>
</table>
DIRECTORY

REGISTERED OFFICE
Qantas Airways Limited
ACN 009 661 901
Qantas Centre
Level 9 Building A
203 Coward Street
Mascot NSW 2020
Australia
Telephone 61 2 9691 3636
Facsimile 61 2 9691 3339
Internet Address www.qantas.com.au

QANTAS SHARE REGISTRY
60 Carrington Street
Sydney NSW 1115
Australia
Telephone 61 2 8234 5470 or 1800 177 747
Facsimile 61 2 8234 5050

STOCK EXCHANGE
Australian Stock Exchange
20 Bridge Street
Sydney NSW 2000
Australia

DEPOSITARY FOR AMERICAN DEPOSITARY RECEIPTS
The Bank of New York
ADR Division
101 Barclay Street
New York NY USA
Telephone 1 212 815 2218
Facsimile 1 212 571 3050

GENERAL COUNSEL & COMPANY SECRETARY
Brett Johnson

FINANCIAL CALENDAR

2000
30 June Year end
17 August Preliminary final result announcement
6 September Record date for final dividend
4 October Final dividend payable
15 November Record date for special dividend
16 November Annual General Meeting, Sydney
13 December Special dividend payable

2001
22 February Half year result announcement
7 March Record date for interim dividend
4 April Interim dividend payable
30 June Year end
16 August Preliminary final result announcement
5 September Record date for final dividend
3 October Final dividend payable
21 November Annual General Meeting, Melbourne

NOTICE OF MEETING

The Annual General Meeting of Qantas Airways Limited
will be held at 2:00pm on Thursday 16 November 2000 in
the Bayside Banquet Hall at the Sydney Convention Centre,
Darling Harbour, Sydney.

FINANCIAL REPORT

Shareholders seeking a copy of the Financial Report,
which will be provided free of charge, should contact the
Qantas Share Registry.