Annual Report 2008

QANTAS

Contents

Over recent years, the Qantas Group has made a series of far-reaching decisions:

- **To create two flying brands that deliver unrivalled flexibility**
- **To invest in the world's most fuel efficient aircraft**
- **To unlock the potential of our portfolio businesses**
- **To find substantial and sustainable cost reductions and efficiencies**
- **To set new benchmarks for premium product and service**

In 2007/08, these decisions culminated in a record performance.

As the future becomes more challenging, these key decisions will ensure Qantas continues to deliver for our shareholders, customers, employees and the people of Australia.

A New Aviation Era

Bigger, better, quieter. Introducing the Qantas A380, the most technologically advanced aircraft ever made.

With…

Interiors conceived by Marc Newson, one of the world's leading designers, featuring:

- State-of-the art First cabin, offering customers privacy and luxury in their own suite
- Fully-flat new generation Skybed and dedicated lounge area in Business class
- A Premium Economy cabin with extra wide Recaro seats
- New ergonomically designed Recaro seats and self-service refreshment bars in Economy class
- On demand entertainment system with over 1,000 entertainment options and onboard connectivity

Plus…

- Neil Perry inspired menus in First, Business and Premium Economy cabins
- Award winning wine selections in First and Business classes
- New designer amenities, from exclusive collections by Collette Dinnigan and Akira Isogawa in First class… to comfort kits in Economy class

And…

- An almost silent cabin experience inflight and take-off noise reduced by half
- Cutting-edge fuel efficiency, offering reduced consumption and emissions per passenger compared with the B747

Financial Highlights

Revenue
+7.5 per cent to $16.2 billion
Profit before tax
+45.9 per cent to $1.4 billion
Earnings per share
+47.6 per cent to 50.2 cents
Dividends declared per share
+16.7 per cent to 35.0 cents
Cash returned to shareholders
+175.8 per cent to $1.1 billion

Sales and other income ($M)

$16,191.9 million
+7.5 per cent

08	16,191.9
07	15,060.4
06	13,660.6*
05	12,563.9*
04	11,353.7*

Profit before related income tax expense ($M)

$1,407.6 million
+45.9 per cent

08	1,407.6
07	965.1
06	671.2*
05	914.3*
04	964.6*

*As reported prior to the adoption of Interpretation 13 – Customer Loyalty Programmes. 2004 information is as reported under previous GAAP.

Passengers carried
38.6 million
Flights and destinations
6,720 services per week
Network spanning
146 destinations in 38 countries
Sustainable Future benefits
+$3 billion savings over five years
Emission efficiency savings
+1.3 million tonnes over two years

Dividends declared (cents per share)

08	35.0
07	30.0
06	22.0
05	20.0
04	17.0

Passengers carried (000)

08	38,621
07	36,449
06	34,075
05	32,658
04	30,076

“Qantas is well placed to chart its way forward in what is the most challenging environment the airline industry has ever faced”

Leigh Clifford
Chairman

Chairman's Report

In 2007/08 the Qantas Group achieved its largest ever profit.

In 2007/08, the Qantas Group capitalised on a positive operating environment for much of the year to achieve its largest ever profit.

Qantas announced a profit before tax of $1,408 million for the year ended 30 June 2008, a 46 per cent increase on the previous year's result.

Highlights

Highlights of the 2007/08 year included:

- profit before tax of $1,408 million;
- net profit after tax of $970 million;
- revenue of $16.2 billion;
- earnings per share of 50.2 cents; and
- operating cash flow of $2.1 billion.

The Directors declared a fully franked final ordinary dividend of 17 cents per share, taking the total year's dividend to 35 cents per share – a Qantas record.

Key Drivers of the Result

- Strong performances by the flying businesses, with demand in most domestic and international markets leading to a 1.2 per cent yield improvement and a 0.8 per cent improvement in seat factor to 80.7 per cent for the Group. Jetstar's domestic build-up and international expansion led to a 42 per cent growth of its profit before tax to $116 million.
- Superior margin management continued to deliver significant capacity growth while containing costs. Despite capacity growth of 4.0 per cent and CPI increases of 3.4 per cent, operating expenditure only increased by 5.6 per cent and unit costs reduced by 2.3 per cent.
- Continuing efficiency improvements across the Group under the Sustainable Future Program, with $747 million in benefits over the year.
- Liquidated damages receivable of $291 million, partially offset by accelerated depreciation and asset write-downs of $165 million.

Qantas has a highly committed and capable workforce and I thank all employees for their contribution over the year.

The performance of the Qantas flying businesses in the fourth quarter of 2007/08 was negatively affected by higher fuel costs, a softening in demand, intense competition, particularly in domestic leisure markets and a significant increase in domestic and international market capacity.

A New Aviation Environment

Qantas, like all domestic and global airlines, confronted a transformation in its operating environment in the second half of the 2007/08 year.

Over the course of the year the crude oil price doubled from US$70 per barrel to US$140 per barrel. Through an effective hedging strategy, Qantas was able to partially mitigate the impact of this cost impost for the 2007/08 year. With fuel now comprising approximately 35 per cent of total costs, Qantas cannot be immune from the impact of sustained high crude oil prices and higher jet fuel refining margins.

Alongside higher fuel costs, weaker economic conditions may continue to have a negative impact on the flying businesses over the coming year.

Capital Management

Prudent capital management is an essential component of Qantas' underlying strength. A strong balance sheet gives the Group the flexibility to acquire and manage resources in order to respond effectively to changing conditions. This year the Board announced an interim dividend of 18 cents per share and is pleased to announce a final dividend of 17 cents per share. The Board will continue to strive for the optimal balance between rewarding shareholders and maintaining an investment grade credit rating, taking into account the needs of the business.

CEO Appointment and Board Changes

The Board appointed Alan Joyce Chief Executive Officer Designate and invited him to join the Board with immediate effect on 28 July 2008. Alan is an outstanding executive with wide experience in all facets of the airline industry and the Board considers him the best person to take Qantas forward in a very challenging environment. Alan has been with the Qantas Group since 2000, has led Jetstar since 2004 and previously worked in senior roles for Ansett and Aer Lingus.

Alan's appointment becomes effective on 28 November 2008, when Geoff Dixon steps down following the Annual General Meeting.

On behalf of the Qantas Board, I would like to pay tribute to the outstanding leadership of Geoff Dixon who, together with his team, has led Qantas successfully through numerous challenges since his appointment as Chief Executive Officer in 2000 and ensured that today Qantas is recognised as one of the best managed airlines in the world.

Both Paul Anderson and James Packer retired as Directors (in August 2007 and April 2008 respectively). Margaret Jackson AC retired in November 2007 after 15 years' distinguished service to the Board, including seven as Chairman. Peter Gregg will step down as Chief Financial Officer and Director on 30 September 2008. Peter was integral to this airline's success over the past decade. Colin Storrie will be our new Chief Financial Officer and will join the Board on 30 September 2008. Mike Codd AC will retire from the Board in October 2008, after more than 16 years' service. Three new Non-Executive Directors were appointed to the Qantas Board in June and July 2008: Richard Goodmanson, Barbara Ward and Paul Rayner. These individuals bring wide international business and aviation experience to the Board.

QF30

On 25 July 2008, QF30 from Hong Kong to Melbourne was diverted to Manila following an incident that caused a hole in the aircraft's fuselage. While this was a dramatic incident, the performance of the pilots and cabin crew during that difficult situation was testimony to their professionalism, skills and dedication. Safety remains our top priority.

Outlook

The likelihood of significantly higher fuel prices in the future presents all airlines with considerable challenges. But with its strong balance sheet, commitment to sustainable business practices (including for the first time, a stand-alone report on our performance as a sustainable business, available online at qantas.com), two-brand strategy, a portfolio of globally competitive and efficient businesses, and more fuel efficient fleet coming on stream, Qantas is well placed to chart its way forward in what is the most challenging environment the airline industry has ever faced, compounded by the downturn in global financial markets.

To establish a platform for the Qantas Group's future prosperity, Qantas has made a series of strategic decisions over recent years.

We have worked hard to achieve the underlying efficiencies that will enable Qantas to cope with a higher cost base caused by fuel price rises. We have invested to provide the best range and quality of product and service offerings for our customers and we have progressively put in place stronger commercial arrangements, both internally and externally.

Key Decisions

- In 2000, we committed ourselves to new generation aircraft that should give Qantas one of the most fuel efficient fleets in the world over the coming decade.
- In 2003, we committed ourselves to becoming more efficient – and stripped billions out of our cost base.
- Again in 2003, we commenced a major program to invest over $2 billion in Qantas international and domestic product and services – an investment that has consistently placed Qantas in the world's top five premium airlines.
- We initiated a two-brand strategy with the establishment of Jetstar in 2004 – providing unrivalled flexibility to adjust fleet, routes and service offerings to the specific needs of our customers and to maximise returns.
- More recently we commenced segmenting all areas of our business to maximise each area's operating efficiency and growth potential. The emergent Frequent Flyer, Holidays and Freight businesses are the result.

These decisions ensure Qantas is well placed to survive and succeed as the new world aviation order – based on higher fuel prices and a stronger drive towards globalisation – unfolds.

Efficiency and Fleet

Through the Sustainable Future Program, Qantas was able to achieve the targeted result of $3 billion in savings over the five years from 2003 to 2008. This has given Qantas a strong balance sheet and made possible the strategic spending necessary to achieve further productivity gains.

The recent arrival of the first of our 20 big, quiet, fuel efficient A380s has been a milestone for Qantas – and will be a joy for Australian travellers.

The arrival of the B787s from next year will be a major contributor to efficiency and, as the cornerstone of the 21st century Qantas fleet, should ensure Qantas has one of the world's most fuel efficient fleets. Qantas has the largest order into Boeing of any airline in the world, with 65 firm orders for the B787 and purchase rights for another 50.

Qantas is undertaking a range of related fuel and environmental initiatives to reduce fuel costs and minimise our impact on the environment.

Two-Brand Strategy

The Qantas Group is still the only legacy airline to have successfully introduced a low cost carrier into markets alongside its premium brand and grown both businesses.

Jetstar is delivering cost leadership in the Australian market and is emerging as a true Pan-Asian brand.

Flowing into service over the coming two years, Qantas customers will experience the results of years of hard work and investment. Fantastic new aircraft, but also a complete design philosophy orchestrated by Creative Director Marc Newson, ports and facilities upgraded, a seamless experience from the ground into the air, new lounges, and a new level of service excellence – taking the Qantas standard of premium flying to a whole new level.

Operational Reliability

In July 2008, an oxygen cylinder failed on the B747-400 operating flight QF30 from Hong Kong to Melbourne and the flight diverted to Manila. The outstanding performance of the QF30 pilots and crew, backed up by the Qantas Care Team, was testament to their training and professionalism. This incident resulted in extensive reporting of a huge range of engineering matters affecting Qantas flights that all airlines routinely deal with. The Civil Aviation Safety Authority (CASA) subsequently conducted a review of Qantas' engineering and maintenance operations and its key findings showed there had been no significant change in Qantas' rate of reported incidents over the past two years and that there was no direct link between any of these incidents.

During the final quarter of the year, an industrial dispute between Qantas and the Australian Licensed Aircraft Engineers Association affected the reliability of the network. We are now working to bring our network performance back to the standards which have earned us a reputation as one of the best and most reliable airlines in the world.

Qantas' system of airworthiness checks and performance targets remains as rigorous as ever and our policy of safety before schedule will always be sacrosanct.

Commercial Arrangements

The Group is now well-advanced in the segmentation process, which is contributing to greater efficiency and global competitiveness. Today we have our two flying businesses. But we also have our Frequent Flyer program, a freight company, a holidays business, an engineering business, a flight training school and a catering business. Each one of these businesses now has a sharpened focus on its own commercial opportunities, including organic growth, acquisitions, global cost-competitiveness and attracting customers beyond the Qantas Group.

In the past Qantas has faced regulatory obstacles to full consolidation. But the global trend towards consolidation is strengthening. Meanwhile, we have valuable relationships with other airlines – Qantas is a major player in **one**world and has important bilateral partnerships with British Airways, American Airlines and many others.

As I close my tenure at Qantas, I would like to thank all my colleagues for their professionalism over many years of unrelenting change. Qantas people have risen magnificently to the challenges put before them so far and their contribution has been integral to the Group's success.

I am delighted to hand over to Alan Joyce as my successor. I have no doubt that, with Alan's leadership, a great new chapter will be written in the Qantas story.

For my own part, I leave Qantas with gratitude and satisfaction. I have every confidence that this great Australian company has built a platform of strength, flexibility and dynamism to be a successful global player in the new aviation world that will unfold over the coming years.

Chief Executive Officer's Report

I have every confidence that this great Australian company has built a platform of strength, flexibility and dynamism to be a successful global player in the new aviation world.

“Qantas people have risen magnificently to the challenges put before them so far and their contribution has been integral to the Group’s success.”

Geoff Dixon
Chief Executive Officer

Qantas

Qantas is the world's most experienced airline, operating new generation fleet and product, with a far-reaching network spanning Australia and the globe.

Within Australia, Qantas and QantasLink operate more than 4,000 flights to 51 destinations each week. Internationally, Qantas offers 750 services to Asia, the Pacific, North and South America, Europe and South Africa.

Qantas Highlights

The introduction of a new class of international travel: Premium Economy

Revolutionary new inflight product including state-of-the-art interiors and seating

New Business class lounges at key domestic airports

Pioneering new technology with the introduction of SMS and email capabilities on domestic flights

The first non-stop service between Australia and South America

Raising the bar on service levels with a new Customer Service Centre of Excellence

International

Strong increases in both yield and load factors on the Qantas international network resulted in an outstanding contribution to the overall Group performance.

The first Qantas A380 was delivered in September 2008, after seven years of detailed planning and preparation by dedicated project teams across the Qantas Group. The aircraft boasts new generation interiors that set an industry benchmark for comfort and style in all classes, including the new Premium Economy cabin.

Qantas expanded its reach to a new continent with the announcement of its first non-stop service to Buenos Aires from November 2008.

Qantas added capacity on growth routes, including the USA, China and Hong Kong in 2007/08, and announced plans for increased capacity to South Africa.

Qantas employed 635 new cabin crew to service the airline's international fleet. Further recruitment will continue to 2010.

In March 2008, Qantas announced it would establish a new Customer Service Centre of Excellence in Sydney to provide enhanced training for more than 18,000 Qantas staff. The Centre, opening in December 2008, will provide training to complement the new generation of inflight product.

Qantas, The World's Most Experienced Airline was the theme of a major advertising campaign launched in some of Qantas' most important international markets including North America, the United Kingdom and Asia. The campaign featured Qantas' award winning inflight product and some of Australia's iconic destinations.

The Skytrax World Airline Awards in August 2008, judged by more than 15 million travellers, ranked Qantas number three in the world and awarded Qantas Best Airline Australasia, Best First Lounge and Best Economy Catering. This was the sixth consecutive year that Qantas had been listed in the world's top five airlines – one of only two airlines to achieve this.

Network Developments

North America: New York services increased from five per week to daily in August 2007 and three additional weekly services to Los Angeles were introduced in March 2008 – one from Sydney and two from Brisbane. Honolulu services increased from three to four per week in April 2008. Qantas currently operates 47 services per week to the USA, including Honolulu (43 to mainland USA). The introduction of the A380 in October 2008 will result in some adjustment to the frequency of the B747-400 aircraft to the USA from early 2009.

China: Qantas increased services between Australia and China with an additional return service between Sydney and Shanghai in August 2007. Two new services per week between Melbourne and Shanghai commenced in March 2008. Qantas now offers 10 services per week between the two countries.

Hong Kong: Qantas expanded services to Hong Kong and is now operating 31 flights per week including double daily flights from Sydney, 10 from Melbourne, four from Brisbane and three from Perth. Qantas Hong Kong services are operated by either A330-300 or B747-400 aircraft.

South America: The first non-stop service from Australia to Buenos Aires will commence in November 2008. Three return B747-400 services per week will offer connections to other destinations in South America, including Brazil. These will complement Qantas' six weekly existing codeshare services to Santiago, Chile.

India: Three A330-200 non-stop return services per week were introduced between Sydney and Mumbai in February 2008, replacing three one-stop services via Darwin.

South Africa: An additional weekly service between Sydney and Johannesburg will be introduced from December 2008, increasing frequency on the route from five to six per week, in addition to five weekly codeshare services between Perth and Johannesburg.

635

Qantas employed 635 new cabin crew to service the airline's international fleet.

New Zealand: Qantas introduced a second weekly service between Sydney and Queenstown in September 2008, in addition to the winter ski season supplementary services of one per week each from Sydney, Melbourne and Brisbane.

Japan: In response to continuing high fuel prices, Qantas announced in June 2008 it would withdraw its thrice-weekly Melbourne to Tokyo services and reduce its Sydney to Tokyo weekly services from nine to seven from September 2008. Double daily B767-300 Cairns-Tokyo services will be replaced by a daily Jetstar A330 service in December 2008.

Indonesia: Qantas announced in June 2008 that it would withdraw its four weekly Perth-Bali services and its thrice-weekly Perth-Jakarta services, to be replaced by Jetstar on those routes.

Special Events: Eight Qantas supplementary services were provided to carry pilgrims to and from World Youth Day in Sydney in July 2008: six B747-300 services between Sydney and Rome and two B747-300 services between Sydney and Los Angeles. Qantas flew daily A330 services between Sydney and Beijing between 4 and 24 August 2008, supplementing its usual thrice-weekly services, to carry spectators, officials and athletes to and from the Beijing Olympics.

The first Qantas A380 was delivered in September 2008, with new generation interiors that set an industry benchmark for comfort and style in all classes, including the new Premium Economy.

Product Developments

- Qantas commenced taking bookings for its A380 services in June 2008, with the first scheduled passenger flight operating to Los Angeles in October 2008.
- The new Premium Economy cabin, available on all Qantas A380s, was unveiled in February 2008 and is being introduced progressively on the airline's international B747-400 fleet. Premium Economy features more space, higher levels of service, Neil Perry inspired menus, a range of premium wines and beverages, priority check-in, dedicated cabin crew, additional hand baggage allowance, priority boarding and disembarkation and self-service bar. Customer satisfaction with Premium Economy is already very high at over 85 per cent.
- The new Qantas First Lounge in Sydney received a prestigious Australian International Design Award in May 2008. Designed by Marc Newson, the First Lounges in Sydney and Melbourne offer a full concierge service, restaurant and chair-side waiter service, day spa and state-of-the-art business facilities. Customer satisfaction ratings are consistently at 95 per cent or above.
- Qantas was recognised as having the Best First Class Cellar in the prestigious Cellars in the Sky Awards in February 2008. Judged by a panel of wine experts for Business Traveller and Wine International magazines in London, Qantas also won Best Business Class Sparkling and a special award for Consistency of Wines across Business and First classes. The awards recognised both the airline's commitment to its inflight wine program and the quality of Australian wines.

95%

Customer satisfaction ratings are consistently at 95 per cent or above for the Qantas First Lounges in Melbourne and Sydney.

- Qantas announced in March 2008 it would open a new Customer Service Centre of Excellence in Sydney to provide enhanced training for over 18,000 managers and frontline staff across the Qantas Group including telephone sales, cabin crew and airport staff. The Centre, opening in December 2008, will refine the airline's service performance to match its premium product on the ground and in the air. In addition to modern classroom facilities, the purpose-built Centre will feature zones dedicated to First, Business, Premium Economy and Economy offerings.
- Enhancements to the First class bedding and sleep products were introduced in June 2008, including new soft furnishings and pyjamas with matching accessories by Akira Isogawa. Other additions include larger amenities collections designed by Collette Dinnigan and Akira Isogawa and with products by Payot.
- Qantas unveiled new-look interiors in its First and Economy cabins for the entire B747-400 fleet. Marc Newson designed a fresh colour scheme and new seat fabrics, curtains and carpets. Larger inflight entertainment screens for First class have also been installed.
- Qantas introduced its City*flyer* brand to the New Zealand domestic market, backed by a multi-million dollar investment in product and service. Qantas Club lounges in Auckland, Christchurch and Wellington underwent a $3 million upgrade including new fittings and furnishings. QuickCheck kiosks were installed at Auckland, Christchurch and Wellington domestic terminals.
- Qantas opened its new lounges at Tokyo's Narita Airport in July 2007 and at the Tom Bradley International Terminal in Los Angeles in November 2007.

Domestic

Qantas remains the airline of choice for Australian business travellers with its strong brand positioning, extensive network, schedule frequency and full service product offering.

Qantas recorded a strong performance in the domestic market in 2007/08, with overall capacity growth of 4.8 per cent over the previous year to offer 23 million seats across its domestic network.

The Qantas Group has continued to adapt the mix of Qantas, QantasLink and Jetstar services on domestic routes to best meet market needs and retain the flexibility to respond to changes in demand.

Network Developments

- In Western Australia, Qantas increased capacity in 2007/08 with an additional 11 weekly services between Perth and Port Hedland, three between Perth and Broome, two between Perth and Newman and 11 between Perth and Karratha. Two new services and a range of aircraft upgrades enabled Qantas to boost capacity on the Perth-Kalgoorlie route. All B747-300 aircraft operating between Melbourne and Perth have been replaced with A330-200 aircraft and B747-300 aircraft on the Sydney-Perth route are being progressively replaced with A330-200 and B767-300 aircraft. Capacity on the Perth-Brisbane route was also increased and a new weekly B737-800 service from Karratha to Brisbane was introduced in November 2007.
- Capacity was increased to the Northern Territory, including the addition of four B737-800 services per week between Alice Springs and the east coast during the high season. A high season daily daylight B737-800 service between Sydney and Darwin was also introduced.

85%

Customer satisfaction with Premium Economy is already very high at over 85 per cent.

- Capacity was added to Canberra with 15 additional return services per week from Sydney and 12 from Melbourne.
- In response to continuing high fuel prices, Qantas announced it would withdraw from two unprofitable routes – Gold Coast-Sydney and Ayers Rock-Melbourne. Ayers Rock-Sydney services were also reduced from August 2008.

Product Developments

- Qantas opened dedicated Business class lounges at the Sydney, Melbourne and Brisbane terminals in July 2008. The lounges offer services unmatched in the domestic market, with spacious layouts, private seating arrangements, a barista service, a generous selection of hot food and enhanced business services such as private work suites and complimentary wireless internet access. A new Business class lounge is set to open in Canberra in late 2008.
- The refurbished Qantas Club in Perth was opened in May 2008, with increased seating capacity and more space and entertainment areas. Complimentary facilities include high speed internet access.
- Qantas Meeting Rooms opened in the Sydney and Melbourne domestic terminals in early 2008, offering unique multi-purpose venues with gourmet catering and premium facilities for up to 20 people. Customers can now host meetings without leaving the airport, saving the time and cost of travel into the city.
- Qantas unveiled new look interiors for its entire fleet of B767-300, B737-800 and B737-400 aircraft operating domestic services in Australia and New Zealand. Marc Newson designed a fresh colour scheme along with new seat fabrics, curtains, and carpets. New pillows, blankets and tableware in all cabins complement the interiors and extra cushioning in Business class ensures a new level of flying comfort.
- Following highly successful trials, Qantas announced the introduction of new technology on its domestic fleet, enabling customers to send and receive email and SMS via mobile phone or personal electronic device. The technology will become available from late 2008 and initially be installed on a number of B767-300 and A330-200 aircraft.
- The popular Qantas City***flyer*** product for business travellers was introduced on routes from Adelaide to Canberra, Brisbane and Perth.
- Qantas WebConnect, a series of internet workbenches and wireless hotspots, is now available in Sydney, Melbourne, Brisbane and Perth.
- Qantas continues to develop QuickCheck kiosk services in domestic airports around Australia, including the capability to upgrade on departure using Frequent Flyer points and to add Frequent Flyer details to bookings. QuickCheck facilities were introduced in Adelaide, in addition to those already available in Sydney, Canberra, Brisbane, Melbourne and Perth.

Qantas recorded a strong performance in the domestic market in 2007/08, with overall capacity growth of 4.8 per cent over the previous year to offer 23 million seats across its domestic network.

2008

Qantas opened dedicated Business class lounges at the Sydney, Melbourne and Brisbane terminals in July 2008.

Regional

QantasLink is the Qantas Group's dedicated regional airline, with a fleet of 47 aircraft serving 50 metropolitan and regional destinations with approximately 2,000 flights each week.

During the year, QantasLink continued to add substantial capacity to its operations, in particular to support key regional routes and dynamic economic growth in Western Australia, Queensland and the Northern Territory. Capacity growth has now averaged 16 per cent each year for the past three years.

To support future growth, QantasLink announced a $400 million investment in an additional 12 Bombardier Q400 aircraft, which were delivered from July 2008. This brings the total investment in Q400s to over $650 million since 2006. QantasLink has options and purchase rights for a further 24 Q400s. These new aircraft will enable QantasLink to retire all of its Dash 8-100 aircraft.

QantasLink also brought into service three additional B717 aircraft, bringing its total B717 fleet to 11, and entered into short-term wet lease agreements with Alliance Airlines for two Fokker 100 aircraft to further increase capacity in Western Australia and Queensland.

QantasLink's contribution to regional tourism was recognised this year with the airline's induction into the Outback Queensland Tourism Awards Hall of Fame after winning Major Tour and Transport Operator three years in a row.

Network Developments

- Additional capacity was added in Western Australia to the regional destinations of Broome, Kalgoorlie, Karratha, Newman, Paraburdoo and Port Hedland. A new Paraburdoo-Newman service was also introduced.
- Queensland capacity was increased with additional services and larger Q400 aircraft on many key routes including Biloela/Blackwater, Bundaberg, Emerald, Gladstone, Hervey Bay and Roma/Charleville. QantasLink was awarded new Air Service Contracts by the Queensland Government to continue serving Western and Far North Queensland communities for a further five years from April 2008.
- In the Northern Territory, QantasLink commenced codeshare services with Airnorth in September 2007 to provide services from Darwin to Broome, Kununurra and Perth, while in South Australia, QantasLink commenced codeshare services with Alliance Airlines in December 2007 to provide services from Adelaide to Olympic Dam. Capacity on the Brisbane-Mackay route was increased from June 2008, with QantasLink forming a partnership with Alliance Airlines to operate 13 weekly return services using Alliance Airlines 100-seat Fokker 100 aircraft.
- In response to high fuel prices, QantasLink exited the loss-making Melbourne-Wollongong route in July 2008 and permanently withdrew from previously suspended services between Newcastle and both Melbourne and Sydney.

Other Developments

- QantasLink established the fully-funded QantasLink Pilot Trainee Program in March 2008 to accelerate the supply of pilots for its operations. The Program, offered through an approved training school in Moorabbin, Victoria, will train approximately 100 new pilot graduates during 2008. The first group of 14 graduates was employed by QantasLink in June 2008.
- A new $13 million Q400 flight simulator became operational in Sydney in April 2008. The simulator is an essential resource for QantasLink's Pilot Trainee Program.
- QantasLink received the Best Major Transport Award at the 2007 Mid North Coast Tourism Awards and was a finalist in the same category at the 2007 NSW Tourism Awards.

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$400m

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qantas.com

With over six and a half million visits each month, qantas.com is Australia's number one travel site* and one of the world's leading airline websites.

qantas.com continued to build its position as a complete travel solution, offering hotel and flight packages, a range of domestic and international hotels and access to car hire and insurance.

In 2007/08, qantas.com became available to a greater number of Qantas customers worldwide, with the rollout of online booking capability in an additional 26 countries outside Australia.

During the year, qantas.com underwent a major redesign and now offers enhancements such as:

- Qantas' new carbon offset program, enabling customers to elect to offset their share of flight emissions at the time of booking;
- a new *Book Now Pay Later* function, which allows customers to book their flight online and defer payment until closer to their departure date;
- new international fare displays, presenting more options to customers;
- a new suite of online solutions for business customers including the new Qantas Business Plus and the upgraded Qantas Travel Tracker reporting tool;
- an online Upgrade Calculator for Frequent Flyers and recognition for Frequent Flyers during the commercial booking process to enable viewing of points earned for that booking; and
- a new design and calendar search capability for Frequent Flyer redemption bookings on Qantas and partner airlines.

In July 2008, in association with the launch of the new enhancements to the Qantas Frequent Flyer Program, the Any Seat Awards redemption engine was launched, allowing Frequent Flyers to book any seat on a Qantas or Jetstar flight with either points or a combination of Points Plus Pay.

qantas.com was awarded Best Website Customer Experience 2008 in the Airlines and Travel Agents category at the Global Reviews Annual Website Customer Experience Awards.

*Source: Hitwise.

Alliances

Qantas is a founding member of the **one**world alliance, which offers seamless service to more than 660 destinations in 134 countries, reciprocal lounge access and Qantas Frequent Flyer benefits across the **one**world network.

In April 2008, **one**world welcomed Mexicana as its newest member-elect, further enhancing the alliance's pre-eminent position in Central and Latin America and the USA. Mexicana is expected to join **one**world in 2009.

Beyond **one**world, Qantas is a party to 25 codeshare agreements and various other partnerships with international carriers. These offer customers an expanded network, more flights and Frequent Flyer benefits and create cost and efficiency benefits for the airlines involved.

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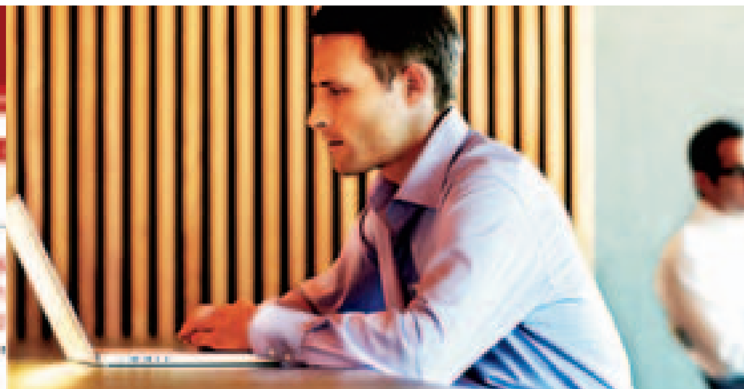


6.5m

With over six and a half million visits each month, qantas.com is Australia's number one travel site and one of the world's leading airline websites.

Jetstar

Jetstar emerged as a true pan-Asian brand, entering new markets in South East Asia and unveiling a new relationship with the Vietnam-based carrier Jetstar Pacific.

Jetstar carried 9.2 million passengers in 2007/08, up 20 per cent on the previous year, with total operating capacity increasing by 44 per cent.

Jetstar Highlights

All day, every day low fares in the Australian domestic market and now into Asia

Unlocking cost efficiencies in the network, with a reduction in real operating costs, excluding fuel, of nine per cent per Available Seat Kilometre and aircraft utilisation at an industry high

Entering new markets – with new services to Tokyo from Cairns and the Gold Coast and to Bali and Jakarta from Perth

Investing in the success of the Jetstar brands, with significant investment in new aircraft

Jetstar

The Jetstar airline brands continued their solid growth, domestically and across South East Asia, in 2008.

Capacity continued to increase with Jetstar now offering upwards of 1,700 weekly services to over 40 destinations.

Jetstar continued to drive efficiencies with innovative offerings such as reduced fares for passengers travelling without checked baggage.

Jetstar is now a pan-Asian brand, with new operations evolving in high growth Asian markets.

Jetstar established a hub in Darwin in September 2008 to provide better access to Jetstar's growing networks in Singapore and Vietnam. Jetstar will base three aircraft in Darwin by mid 2009.

Low Fares

Jetstar strengthened its position as Australia's low fares airline with significant promotions throughout the year, including:

- 10,000 one way fares for one dollar;
- 5,000 one way fares for one cent; and
- 5,000 one way fares for five cents.

Other significant low fares campaigns included Take a Friend for $4 on a range of domestic and international services to celebrate Jetstar's fourth birthday in May 2008.

International

Jetstar is the world's largest value-based long-haul carrier and the fastest-growing airline flying to and from Australia, having doubled its international operating capacity over the last financial year. Jetstar operates a fleet of six two-class A330s to destinations in Asia and to Hawaii while short-haul international services operate from Australia to Christchurch in New Zealand and to Singapore from Darwin.

Flights from Darwin to Ho Chi Minh City commenced in September 2008. From October 2008, Jetstar will base A320 aircraft in Perth for direct services to Denpasar and Jakarta.

Jetstar also announced its entry to the Tokyo market from December 2008, flying to Narita from the Gold Coast and Cairns, following the exit of Qantas from the Cairns-Tokyo route. From December 2008, Jetstar will operate the majority of Qantas Group services between Japan and Australia, with 19 weekly services.

As part of a range of schedule changes in response to high fuel prices, Jetstar announced in June 2008 the withdrawal of its Sydney-Kuala Lumpur services from September 2008, and that Sydney-Ho Chi Minh City services would operate via Darwin using A320 aircraft from September 2008.

The addition of the B787 Dreamliner to Jetstar's fleet in late 2009 will open up significant long-haul expansion opportunities. Jetstar will be the first Australian airline to take delivery of the new B787.

Domestic

Jetstar's services now represent 16 per cent of the Australian domestic market.

Jetstar operates over 1,100 domestic flights each week to 20 Australian destinations, operating a fleet of 28 A320 aircraft and two A321 aircraft.

In response to record fuel prices, Jetstar ceased flying Sydney-Whitsunday Coast, Adelaide-Sunshine Coast, and Brisbane-Hobart in July 2008 and reduced some Adelaide, Avalon and Cairns services.

Jetstar remains the largest carrier into the Gold Coast, with more than 140 return services each week, including up to 10 Sydney-Gold Coast services per day.

1,700

Jetstar capacity continued to increase with upwards of 1,700 weekly services to over 40 destinations.

Jetstar Pacific

Jetstar and Pacific Airlines entered into a major strategic and commercial partnership, with the Vietnamese carrier relaunching as Jetstar Pacific in May 2008. The deal completes Pacific Airlines' transformation to Vietnam's only low cost carrier and will support future growth within the domestic Vietnamese and intra-Asia markets. A Vietnamese portal at jetstar.com has been developed to support these plans for growth.

A future fleet of up to 30 A320 aircraft is planned for introduction by 2014 for domestic Vietnamese and intra-Asia services.

The Qantas Group plans to increase its ownership in Jetstar Pacific to 30 per cent by 2010 and the carrier is supported by a management team that includes Jetstar and Qantas executives.

Jetstar Asia

The Qantas Group has a 45 per cent interest in Jetstar Asia and its sister airline, Singapore-based Valuair.

Jetstar Asia and Valuair operate in their own right and now fly to 14 destinations in 10 Asian countries – Cambodia, Hong Kong, Indonesia, Macau, Malaysia, Myanmar, the Philippines, Taiwan, Thailand and Vietnam. Jetstar Asia operates a fleet of four A320 aircraft, while Valuair operates two A320s.

Jetstar is the world's largest value-based long-haul carrier and the fastest-growing airline flying to and from Australia, operating a fleet of six two-class A330s to destinations in Asia and to Hawaii.

Product Developments

- The introduction and strong customer take-up of *JetSaver Light* in February 2008, a new fare that provides customers with the option to travel with only carry-on baggage for a cheaper price. 20 per cent of passengers now choose *JetSaver Light* across Jetstar's domestic network.
- Increased traffic on jetstar.com – up 30 per cent. The site, which offers five different languages, now attracts over three million visitors per month.
- The launch of one of the most successful carbon offset programs in the Australian airline industry, with currently over 12 per cent of Jetstar's online customers choosing to offset their travel.
- The introduction of domestic web check-in across the Jetstar network and the installation of self-service kiosks in six key Jetstar airports.
- Expanded participation for Jetstar's customers in the enhanced Qantas Frequent Flyer Program, which now covers all fare types.

Awards

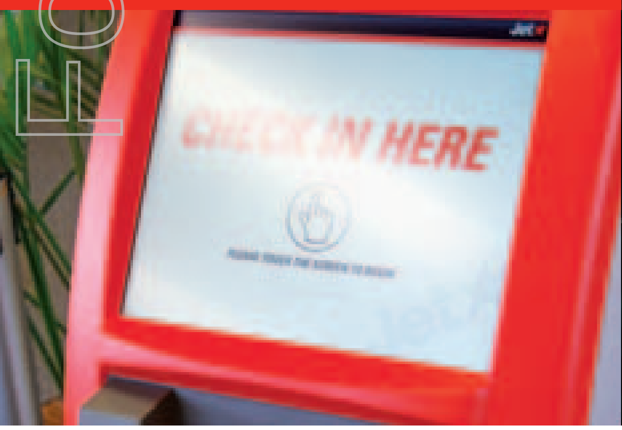
Jetstar was ranked in the world's top three low cost carriers by Skytrax in August 2008, while Jetstar Asia was named Best Low Cost Carrier in Asia and South East Asia. Last year, Jetstar was recognised as Best Low Cost Carrier, Best Low Cost Carrier in the Asia Pacific and Best Cabin Crew – Australia and New Zealand.

The Centre for Asia Pacific Aviation named Jetstar the Low Cost Airline of the Year in the Asia Pacific region for the second time in November 2007.

Jetstar received an Operational Excellence Award from Airline Business Magazine in July 2007.

+30%

Increased traffic on jetstar.com – up 30 per cent, with more than three million visitors per month.



Fleet

The Qantas Group's fleet strategy is based on investing in the most sustainable and technologically advanced aircraft, taking into consideration safety, fuel efficiency, passenger comfort, cost and environmental factors such as noise emissions.

The Qantas Group has the flexibility to match different aircraft types to shifting customer requirements and network demands.

The Qantas Group spends around $3 billion each year on the ongoing renewal and growth of its fleet, with current aircraft orders worth $35 billion at list prices. More than 200 new aircraft are scheduled for delivery from August 2008, which will facilitate the retirement of older aircraft.

The new generation A380 delivered in September 2008 and the B787 Dreamliner to be delivered from late 2009 remain central to the future of the Group's flying businesses. Both types, including the variants of the B787, were carefully assessed to ensure they matched the specific performance, market and route requirements of the Qantas Group.

The fuel efficiency and lower emissions technology of these models compared to currently available aircraft of similar size will provide an important contribution to the efficiency savings required for a sustainable future.

Milestones

In July 2007, Qantas announced it would increase its B787 commitment by 20 to 65 firm orders. The first B787 aircraft will be delivered in late 2009.

In October 2007, Qantas announced the purchase of 12 additional 72-seat Bombardier Q400 aircraft. These aircraft, delivered from July 2008, fly at jet-like speeds and will increase capacity and service frequency on key regional routes. The Q400 offers a 35 per cent improvement in fuel efficiency compared to similar sized jet aircraft and will facilitate the retirement of QantasLink's Dash 8-100 fleet by the end of 2008.

In November 2007, Qantas unveiled its short-haul fleet plan for the next decade by announcing the acquisition of up to 188 narrowbody aircraft to support the further growth of its two brands, Qantas and Jetstar, in Australia and Asia. The Group will acquire 68 A320/A321 aircraft plus 40 options and purchase rights, and 31 B737-800 aircraft plus 49 options and purchase rights. The firm aircraft will be delivered over a six-year period, with options securing additional delivery slots through to 2017.

A380

Qantas will take delivery of its 20 A380 aircraft between September 2008 and 2013.

As well as providing vital capacity into constrained airports such as Los Angeles and London, the world's biggest passenger aircraft will offer a 10 per cent reduction in fuel consumption per passenger compared with the B747 and a substantially decreased noise footprint.

The new generation A380 and the B787 Dreamliner remain central to the future of the Group's flying businesses.

$3b

The Qantas Group spends around $3 billion each year on the ongoing renewal and growth of its fleet.

B787

The Qantas Group's order for up to 115 B787 aircraft, including 65 firm orders, will enable the gradual replacement of the existing B767-300 fleet.

The B787 will offer a more than 20 per cent reduction in fuel consumption per passenger compared with the B767, a 50 per cent smaller noise footprint, greater freight capacity and a greater range capability, enabling Jetstar and Qantas to fly more point-to-point services without the need to operate via hubs.

Jetstar, which will take delivery of the first 15 B787s for long-haul international flying, was originally expected to operate the new aircraft from 2008 but manufacturing delays announced by Boeing have pushed the delivery date back to late 2009.

Qantas is expected to begin operating the B787 during 2012, 15 months later than the original schedule.

Fleet Renewal

At 30 June 2008, the Qantas Group operated a fleet of 224 passenger aircraft and four freighter aircraft.

In response to continuing high fuel prices, the retirement of the four remaining B747-300 and six Dash 8-100 aircraft have been brought forward to December 2008.

Between 30 June and 31 October 2008, the following aircraft will have entered service:

- one A380;
- one A330-200;
- one A320-200;
- three B737-800s; and
- three Bombardier Q400s.

Passenger Aircraft Fleet (as at 30 June 2008)

Qantas Group

Aircraft Type	1 July 2007	Additions/ (Disposals)	30 June 2008	Qantas, incl QantasLink	Jetstar	Total
B747-400ER	6		6	6		6
B747-400	24		24	24		24
B747-300	4		4	4		4
B767-300ER	29		29	29		29
B737-800	33	2	35	35		35
B737-400	21		21	21		21
B737-300	6	(1)	5	5		5
A330-200	4	6	10	4	6	10
A330-300	10		10	10		10
A320	24	4	28		28	28
A321		2	2		2	2
B717-200	14		14	14		14
Dash 8 100/200/300	31	(4)	27	27		27
Q400	7	2	9	9		9
Total Passenger Fleet	**213**	**11**	**224**	**188**	**36**	**224**

20%

The B787 will offer a more than 20 per cent reduction in fuel consumption per passenger compared with the B767.

Portfolio and Service Businesses

Qantas has graduated from an airline with a few related subsidiaries to a modern Group of diverse, though related, business entities.

By building a portfolio business model, the Group is creating a more resilient enterprise, better able to handle the shocks and challenges unique to the aviation industry.

Each business draws strength from the network associations of the Group but also seeks its own local and global markets.

Portfolio and Service Businesses Highlights

Frequent Flyer
The relaunch of the Frequent Flyer Program, including new Any Seat Awards, allowing members to access any seat on any Qantas or Jetstar flight in addition to the existing Awards system

Freight
Strategic acquisitions by Qantas Freight Enterprises in new markets in Australia and Asia as part of an increasingly global footprint

Qantas Holidays
The creation of a new group in conjunction with Jetset Travelworld, bringing together three of the strongest brands in travel

Frequent Flyer

The Qantas Frequent Flyer Program is Australia's leading loyalty program, with more than five million members and 350-plus program partners.

During the year, Qantas Frequent Flyer underwent significant restructuring to become a stand-alone segment of the Qantas Group, paving the way for a new ownership structure.

Qantas Frequent Flyer has a dedicated management team and in-house sales, marketing, operations, and administration functions.

A range of enhancements to the program was launched on 1 July 2008, establishing it as a world leader among loyalty programs in terms of the value it offers members and the breadth of product choices available.

Qantas Frequent Flyer now offers three different options for obtaining award seats:

- Qantas and Jetstar Any Seat Awards, which allows members to use points for any seat, including taxes and charges, on any flight with a QF or JQ flight number;
- Points Plus Pay, which allows members to use a combination of points and a credit/charge card payment for Qantas and Jetstar Any Seat Awards and in the Qantas Frequent Flyer online store; and
- Qantas and Partner Classic Awards, the traditional option of using a set number of points for a limited number of seats on Qantas, Jetstar and partner airlines, with no change to the availability or points required.

Major enhancements have been made to the online Qantas Frequent Flyer store, which now offers over 700 products and vouchers for which members can use their points. The Points Plus Pay option is also available for most products.

Members can earn points with more than 350 program partners worldwide, including airlines, car rentals, hotels, financial institutions and retailers. By combining points earned from many partners into a single Frequent Flyer account, members can earn awards more quickly.

The enhancements make Qantas Frequent Flyer a more powerful loyalty program, as well as a strong business in its own right.

Qantas has been exploring a minority Australian initial public offering (IPO) of the Qantas Frequent Flyer business. The IPO of Qantas Frequent Flyer will be value accretive to Qantas shareholders and the business has been appropriately structured in preparation. To ensure an IPO generates appropriate value for shareholders, regard has been given to the condition of equity markets. In this period of heightened volatility, it was deemed appropriate to defer the IPO. Preparations continue for a minority IPO in the first half of 2009.

Qantas Holidays

Qantas Holidays is Australia's leading travel wholesaler, with over 42 destinations covering Australia, Asia, Africa, Europe, the Pacific and North and South America.

Qantas Holidays is the only major Australian travel wholesaler that offers Qantas Frequent Flyer points on the purchase of its holiday packages.

As well as working with Qantas Group airlines, Qantas Holidays markets value-based travel packages for other airlines under the Viva! Holidays brand in Asia, Europe and Hawaii.

Qantas Holidays continues to be a market leader in special holiday packages for cultural and sporting events, with an extensive product portfolio that includes the Australian Open Tennis Championships, the Formula 1 Australian Grand Prix and stage shows such as Phantom of the Opera.

Business Developments

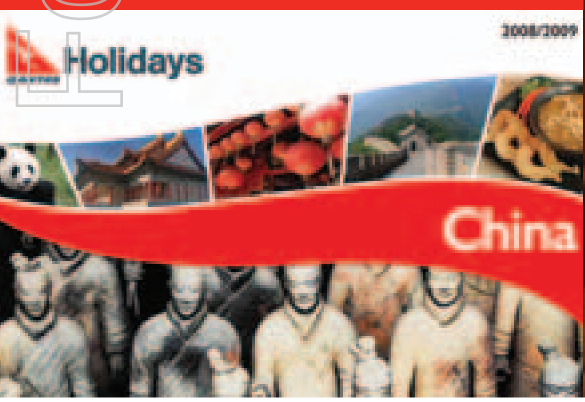
Qantas Holidays, together with Qantas Business Travel, joined with Jetset Travelworld to create one group in July 2008.

Under the arrangement, Jetset, which acquired Qantas Holidays and Qantas Business Travel, is now 58 per cent owned by the Qantas Group. Jetset is listed on the Australian Securities Exchange (ASX) and the various businesses continue to operate under their existing brand names.

The new Jetset Travelworld Ltd, a Qantas Group company, is well equipped to withstand consolidation in the market and capitalise on future growth opportunities.

5m

The Qantas Frequent Flyer program is Australia's leading loyalty program with more than five million members and 350-plus program partners.



Freight

Qantas Freight Enterprises is growing an increasingly global footprint and investing in high potential businesses and major technology to improve operational effectiveness and service.

Qantas Air Freight

Qantas Air Freight markets the cargo capacity on all Qantas and Jetstar international services. It also operates three wet leased B747-400 dedicated freighter aircraft, which service major international trade routes where Qantas does not operate passenger aircraft cargo capacity.

Qantas Air Freight generates over 45 per cent of its revenue from Asia. The triangle from Asia to the USA and then to Australia is the core of the network and Qantas Air Freight also operates to Dubai, Europe and North Africa.

Qantas Air Freight is Australia's largest operator of cargo handling terminals with facilities throughout Australia and one in Los Angeles. During 2007/08, these facilities handled 620,000 tonnes of air freight for Qantas, Jetstar and other carriers. Significant service improvements have been achieved during 2007/08. The opening of Australia's first off-airport air cargo handling terminal has improved turnaround times in Sydney. An upgrade of the Melbourne terminal will be completed in November 2008, providing superior temperature controlled facilities for sensitive perishables.

During the year, Qantas Air Freight acquired Jets Transport Express, a bonded trucking business which operates between all major Australian capital cities. With trailers purpose-designed to handle air freight pallets, Jets Transport Express enables Qantas Air Freight to offer a seamless transfer between international and domestic services.

Qantas Air Freight is investing in a major project to improve capacity utilisation and yield management systems and processes, and to strengthen integration with customers and other participants in the supply chain.

Qantas Air Freight also holds an Air Operators Certificate and operates four B737 freighter aircraft which are wet leased to Australian air Express.

Qantas Express

In Australia, Qantas Express operates two joint ventures with Australia Post, offering market leading, time definite express services with Australian air Express, Australia's premier domestic express air freight service company, and Star Track Express, a leading road express transport and logistics solutions provider.

The recent investment in new automated sortation technology will improve Australian air Express' productivity and customer service levels.

Qantas completed its first move into the Asian express market in August 2007, with the acquisition of DPEX Worldwide, which offers standard and express courier services to cost-conscious and small to medium sized enterprises. The DPEX network was extended during 2007/08 to cover Europe through a commercial arrangement with GeoPost. DPEX is also expanding its Australian footprint through the recent acquisition of the remaining 50 per cent of Jupiter Air Oceania.

Qantas Group Flight Training

Qantas Group Flight Training was established in March 2008, with a view to becoming a stand-alone flight training business.

The new business utilises the Qantas Group's simulator facilities in Melbourne and Sydney. Initiated with 11 simulators, the business operates a total of 14 simulators, with a further three in the process of installation or manufacture.

The new structure enables the business to explore joint venture and offshore opportunities and financing options, leveraging the worldwide reputation of Qantas for operational expertise and safety related training.

620,000

During 2007/08, Qantas Air Freight facilities handled 620,000 tonnes of air freight for Qantas, Jetstar and other carriers.

Engineering

Qantas Engineering operates the largest Maintenance Repair and Overhaul (MRO) business in Australia. With facilities in Avalon, Brisbane, Melbourne and Sydney, Qantas Engineering employs around 6,000 people.

Within an increasingly global, competitive and consolidated environment, Qantas Engineering continues to transform into a sustainable, stand-alone MRO business providing competitive services to the Qantas Group and winning and serving global clients in Asia.

Business Highlights

In December 2007, Qantas Engineering and Malaysia Airlines' maintenance arm MAS Aerospace Engineering agreed to establish a joint venture company to provide maintenance from Malaysia. This new company will target the rapidly growing Asia-Pacific MRO market and perform overflow maintenance for the Qantas Group. Qantas will have significant input into the management, engineering and quality systems of the new company.

Qantas announced the formation of a joint venture with global MRO Lufthansa Technik AG in April 2008 to secure jet engine maintenance in Australia. This will retain the jobs of 140 engineers in Melbourne and align the Qantas reputation for skill and safety with Lufthansa Technik's global reach and expertise.

Qantas Engineering is investing $200 million in the future of the business with a major project to drive improved business processes and replace IT infrastructure, coming on top of $300 million already committed to training and facilities.

More than 100 engineering apprentices graduated from Qantas Engineering's apprentice training program in 2008 and another 110 apprentices entered the program.

Qantas Defence Services

Qantas Defence Services (QDS) partners with global aerospace companies to provide aviation maintenance services for current and future Australian Defence Force programs.

Following a successful joint bid with EADS-CASA to provide the RAAF with a tanker version of the A330-200, Qantas commenced conversion work on the first A330 in June 2008 at its upgraded hangar in Brisbane. The conversion program will involve over 100 QDS staff at the upgraded facility.

Within an increasingly global, competitive and consolidated environment, Qantas Engineering continues to transform into a sustainable, stand-alone MRO business providing competitive services to the Qantas Group and winning and serving global clients in Asia.

$200m

Qantas Engineering is investing $200 million in improving business processes and replacing IT infrastructure, coming on top of $300 million already committed to training and facilities.

Airports

Qantas is investing millions of dollars to create stylish, streamlined and efficient airport facilities and lounges for passengers in Australia and overseas.

Domestic

Qantas continues to upgrade its leased domestic terminals to meet current and future capacity requirements and to ensure their readiness for the introduction of new, larger aircraft.

- In Melbourne, additional check-in, baggage and security screening facilities were introduced in December 2007 and further upgrades are planned.
- The $10 million upgrade of the Qantas domestic terminal at Canberra Airport began in January 2008, delivering improved check-in and baggage systems, an additional aerobridge and a larger Qantas Club and Chairmans Lounge. Qantas is also working with the airport on designing a new multi-user terminal, which is expected to be operating from 2010.
- In Perth, Qantas is progressing with a $50 million upgrade of its domestic terminal, which will provide additional check-in, security, baggage facilities and aerobridges, a new Chairmans Lounge and an expanded Qantas Club. Planning has begun for a new Qantas Business class lounge at Perth Airport, which is due to open in 2010.

International

- In China, Qantas moved into the new Terminal 3 at Beijing Airport in February 2008 and in Shanghai to Pudong's International Terminal 2 in March 2008.
- Following the move of British Airways to the new Terminal 5 at London Heathrow in March 2008, planning is underway for Qantas' move from Terminal 4 to Terminal 3 in the second half of 2009.

Product and Infrastructure Developments

- The new Altea Departure Control – Customer Management system now manages all physical and electronic check-in, passenger boarding and aircraft departures for Qantas at domestic and international ports.
- A Station Operations Control Centre opened in June 2008 at Sydney Airport, through which all day to day airport operations are managed, enabling a more streamlined and coordinated customer response.
- Qantas is working with airport operators on a rollout of fixed ground power units to, where possible, switch from aircraft to terminal power and air conditioning to significantly reduce fuel-based emissions.

Qantas Catering Group

The Qantas Catering Group consists of the premium Catering business Q Catering and the meal component manufacturer Snap Fresh.

Q Catering, formerly known as QFCL and Caterair, services customers through seven centres located in Adelaide, Brisbane, Cairns, Melbourne, Perth and Sydney, while Snap Fresh operates a state-of-the-art facility in Brisbane.

Q Catering employs more than 3,000 people and prepares more than 39 million meals for 275,000 flights every year for 35 airlines, including Qantas and QantasLink.

This year Q Catering welcomed Cathay Pacific, Etihad Airways and AirAsia X as new customers and achieved ISO 22000 certification, the world's best practice food safety management system.

A multi-faceted change program is underway throughout the Qantas Catering Group, focusing on customer service, operations and food technology as well as implementing improved water management strategies. The program, which aims to improve quality and to deliver cost efficiencies, includes substantial infrastructure redevelopments for Q Catering Brisbane, Melbourne, Perth and Snap Fresh facilities, a network-wide transport fleet modernisation and the use of improved production methodologies.

3,000

Q Catering employs more than 3,000 people and prepares more than 39 million meals for 275,000 flights every year for 35 airlines.

Sustainability

Sustaining the Qantas Spirit is about behaving ethically, operating in a responsible way and nurturing the communities of Australia.

Overview

As the national carrier, Qantas and its people have always had a strong sense of social responsibility. Qantas will sustain this commitment into the 21st century.

Australia is a sparsely populated and physically isolated nation with no realistic alternative to air transport. Qantas plays an essential role in nurturing family ties, encouraging business links, freight and tourism, supporting Australians through times of trouble, while delivering fully on behalf of shareholders.

Qantas makes a direct contribution to national export revenue and to domestic and regional tourism. Annual international tourism export revenue amounts to approximately $6 billion and annual domestic tourism expenditure to approximately $17.3 billion.

Qantas also makes a large indirect contribution to the national economy. Access Economics found that for each $1 million in revenue earned by Qantas, $2.1 million was generated in Australian output and 8.4 jobs were created.

The Qantas Group contributed nearly $34 billion to the economy's output, including approximately $18 billion to the non-aviation sector, and created nearly 136,000 jobs economy-wide.

Sustainability is an important part of the Qantas Group's Risk Management program. This report assists Qantas in discharging its obligations under Principle 7 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition.

The Corporate Governance Statement (page 46) provides information on governance structures and risk management.

Access Economics found that for each $1 million in revenue earned by Qantas, $2.1 million was generated in Australian output and 8.4 jobs were created.

Challenges and Priorities

The most important sustainability issues facing the Qantas Group are:

- maintaining a zero fatality record for aviation safety and security. Safety is a core value of the Qantas brand;
- protecting the health and welfare of our employees through reduction in injuries. A healthy and engaged workforce improves operational efficiency through lower costs and improved productivity;
- reducing fuel consumption and the environmental impact of greenhouse gas emissions. The combination of increasing fuel costs with the introduction of emissions trading exposes Qantas to significant financial risk;
- creating and sustaining a diverse and talented workforce. Qantas' People Strategy focuses on attracting, growing and retaining talent by developing a gender and culturally diverse, multi-generational workforce. This ensures Qantas is well prepared to manage human capital risks including an ageing workforce and skilled labour shortages, while maintaining competitive labour costs; and
- supporting the national economy and the community. For more than 87 years, Qantas has been the 'Spirit of Australia'. Qantas recognises its unique duty to the people of Australia and, through its wide-ranging and innovative community initiatives, continues this proud tradition.

Sustainable Future Program

Corporate sustainability is complemented by the Qantas Group's Sustainable Future Program, which focuses on improving the management of resources, increasing productivity and reducing waste. Executive remuneration is directly linked to the success of the program.

136,000

The Qantas Group contributed nearly $34 billion to the economy's output, including approximately $18 billion to the non-aviation sector, and created nearly 136,000 jobs economy-wide.

Safety

Safety is the number one priority of Qantas.

The Qantas Group operates more than 330,000 flights each year. As with any airline, Qantas is not immune from incidents arising from time to time. What distinguishes Qantas from other airlines is its world-class management systems and safety programs, which ensure optimum response in managing and learning from incidents when they do arise. This ability, combined with constant vigilance and proactive prevention, is fundamental to Qantas maintaining its leading safety record and reputation.

Qantas carries the International Air Transport Association's (IATA) Operational Safety Audit Certification and is subjected to rigorous biennial renewals of this internationally recognised safety audit program. Qantas is regularly subject to additional external audits by around 75 external organisations. Qantas' safety standards are also scrutinised by the Group's internal audit program with over 320 internal checks conducted this year.

The Qantas Group has a formal Integrated Safety Management System that brings together all aspects of operational safety, occupational health and safety and the environment, ensuring a consistent best practice approach that also delivers legislative compliance.

An essential condition of successful safety management is the creation of a broader safety culture. Qantas employees are encouraged to report all incidents that could affect operational safety. Inflight performance data from every flight is captured and analysed to provide continuous monitoring of crew and aircraft performance.

Qantas continues to implement new and innovative tools to improve safety. Recent initiatives include:

- Global Positioning System technology to provide pilots with enhanced three-dimensional guidance when operating into a range of airports;
- the latest training programs for managing human error in areas such as engineering, flight operations and cabin crew; and
- observational audit programs based on the most recent human factors research.

Security

Qantas has been at the forefront of aviation security for many years and continues to enhance its capabilities to identify, assess and manage security risks. Qantas maintains an active and influential dialogue with governments and industry operators globally.

Specific developments include improved information flow between Qantas Group Security and Australian Government and overseas government security agencies, as well as broader risk assessment dimensions that incorporate terrorism and crime and corruption risks to the business.

This collaboration is crucial in achieving greater harmonisation of security measures and supporting research and development of emerging security technologies.

Security awareness, training, and the adoption of the latest technologies are fundamental in assisting Qantas to comply with regulatory requirements, implement security measures commensurate with risks and anticipate emerging threats and issues.

Investment in Security Operations and Infrastructure

Qantas invests in enhanced closed circuit television technology, with a sophisticated network of over 1,500 cameras in operation across Australia. A dedicated Security Operations Centre monitors global security events 24 hours a day and also supports Jetstar Pacific, Jetstar Asia, Air Pacific and codeshare partners.

Training

Qantas provides a comprehensive annual security training program for over 12,000 air crew worldwide. Specialised training is provided to Qantas Group ground employees in critical operational areas including check-in, baggage, freight, engineering and catering. Qantas' security training programs exceed standards set by the International Civil Aviation Organization and the Australian Government.

One

Safety is the number one priority of Qantas.

Business Resilience

Qantas' business resilience framework manages the risks associated with terrorism, the threat of pandemics and the reliance on critical people and systems for the provision of everyday essential services, seeking to mitigate the impact of any major incident.

Inflight Health

Qantas is committed to the highest standard of customer and employee health, safety and wellbeing.

Qantas was one of the first international carriers to install defibrillators on its aircraft, allowing rapid assistance for passengers who experience cardiac arrest inflight. Defibrillators are also available on Jetstar's A330 international fleet. Qantas aircraft can communicate with specialist physicians in case of an inflight medical emergency and crew are equipped and trained to liaise with medical experts effectively. On all flights, videos are shown and/or information is provided regarding inflight health issues such as cabin pressure and dehydration and appropriate exercises to stimulate blood circulation to assist in preventing deep-vein thrombosis.

Qantas is a member of the International Air Transport Association Medical Advisory Group, which advises the global airline industry on aviation health issues.

In the event of an infectious disease outbreak, Qantas stands ready to respond to government directives and maintains the latest pandemic influenza knowledge and practice based on advice from the World Health Organization, Centre of Disease Control and the Australian Government.

	Physician or Medical Kits	First Aid Trained Cabin Crew	24/7 Inflight Medical Advisory Service
Qantas	✓	✓	✓
QantasLink	✓	✓	–
Jetstar	✓	✓	✓

People

Qantas is one of the country's largest employers with more than 90 percent of its 37,000 employees based in Australia. Their motivation, skill and dedication have enabled Qantas to meet the challenges facing the aviation industry.

Employer of Choice

The Qantas Group is a major driver of employment opportunities in the community. Qantas has created more than 8,000 jobs over the past decade and invests significantly in skilling its workforce to best practice standards, spending in excess of $280 million each year on staff training.

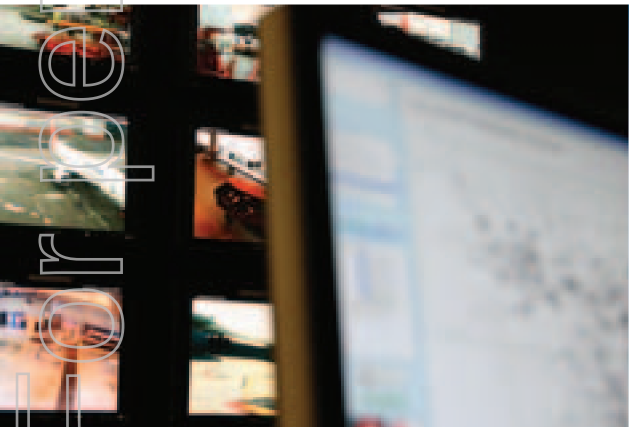
Qantas' objective is to be an employer of choice, engaging all members of its diverse workforce to be safe, green and customer-focused. The Group seeks to position itself as a responsible employer specifically by:

- building a diverse workforce, in particular through the Indigenous program;
- establishing policies and programs that help our staff to better balance their work/life needs; and
- fostering a commitment by our employees to ethical and sustainable work practices.

Diversity and Indigenous Programs

Qantas continues to expand its workforce diversity initiatives with a specific focus on employing and developing Indigenous Australians. The cornerstone of this work is the Reconciliation Action Plan which aims to:

- support existing Indigenous employees;
- increase the representation of Indigenous employees by June 2009;
- increase cultural awareness of Indigenous issues across the workforce; and
- promote reconciliation action to Qantas' corporate partners and customers.



12,000

Qantas provides a comprehensive annual security training program for over 12,000 air crew worldwide.

Other staff programs include a buddy and mentor network, the celebration and acknowledgement of significant dates and events, cultural awareness training and quarterly Indigenous employee forums.

Other important areas of focus include the recruitment and retention of women, particularly in management positions, and age and cultural diversity.

A detailed list of employment benefits and a summary of key performance metrics relating to People is available on pages 147 to 149.

Work/Life Initiatives

Qantas is committed to helping employees balance their careers with their personal commitments by continuing to build on its broad range of work/life initiatives, including:

- increasing the opportunities for part-time and flexible employment;
- the development of a third employer-sponsored childcare facility in Brisbane, due to open in October 2008. The Brisbane Joey Club will complement centres in Melbourne and Sydney;
- the expansion of the Employee Assistance Program to include free, confidential professional assistance for employees with critical financial issues and online counselling for employees who are absent from their home base for significant periods such as cabin crew and pilots; and
- the growth of our health and wellbeing programs including a quit smoking program, on-site Weight Watchers accessed by over 200 employees and access to discounted exercise and health classes on Qantas premises.

Qantas announced in November 2007 that it would further enhance parental entitlements through a range of measures including increasing:

- paid maternity leave from 10 to 12 weeks;
- paid adoption leave from 10 to 12 weeks; and
- the total period of parental leave (paid and unpaid) for the primary care-giver of a child from 52 weeks to 104 weeks.

Recruitment

Attracting, developing and retaining talented people is key to Qantas' sustainable future. Qantas Careers, an integrated recruitment portal launched in 2008, allows current and potential employees to access job opportunities and career information in one online space.

Talent Management

Qantas has continued to build on its suite of development programs, particularly focusing on developing emerging leaders, supporting women at Qantas and investing in graduates. Strong leadership skills are more valuable than ever and this approach is providing Qantas with a pipeline of excellent leaders.

Recognition

The Qantas Group employee recognition program, eXcel, recognises employee excellence in the areas of service, safety, innovation and environment throughout the year, culminating in an awards ceremony.

Industrial Relations

Qantas is committed to remaining profitable while offering its employees competitive employment terms and conditions, excellent benefits and a fulfilling career. The security of this employment is predicated upon Qantas maintaining a competitive cost base and delivering to our customers. As with other Australian businesses with a heritage of collective bargaining, from time to time industrial disputes occur which can disrupt our customers.

Qantas deals with 16 unions and is party to 33 awards and 44 union and four non-union enterprise agreements. In all its negotiations, Qantas seeks to deliver a fair and sustainable outcome for its employees and the company, to position the organisation well for future challenges and to avoid compromising the long-term sustainability of the organisation.

Qantas is committed to helping employees balance their careers with their personal commitments by continuing to build on its broad range of work/life initiatives.

37,000

Qantas is one of the country's largest employers with more than 90 per cent of its 37,000 employees based in Australia.

Occupational Health and Safety
The safety of its employees is of utmost importance to Qantas.

In 2008, Qantas experienced one staff fatality when an employee, Shirley Cuthbert, collapsed over a high lift truck guard rail at Brisbane Airport. This distressing event is an exception to the Group's record, culture and rigorous Occupational Health and Safety programs, which aim to bring safety on the ground to the same exceptional standard as in the air. Qantas has undertaken a detailed and comprehensive review of the relevant processes and procedures. Qantas has also cooperated with the investigating authorities. The coroner has yet to release a finding in relation to this fatality.

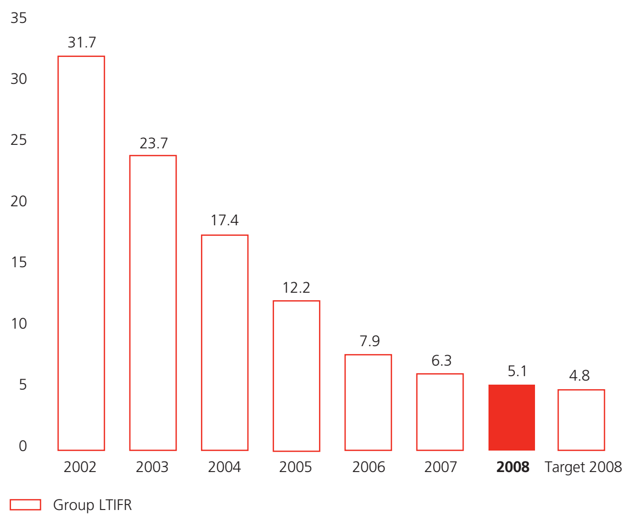
The goal of the Group's suite of Occupational Health and Safety programs, **be safe!**, is zero injuries and occurrences.

Measures to implement **be safe!** include:

- the continuous improvement of the Integrated Safety Management System;
- an Integrated Fatigue Risk Management Program which aims to minimise fatigue risk through training and the management of rostering;
- the Group eXcel employee recognition program, which rewards high safety performers. In 2008, 591 employees were nominated and 176 employees were recognised with an award; and
- the annual Safety Week, which celebrates success, boosts motivation and is a public affirmation of the Qantas Group's safety values.

Other programs include alcohol and other drugs, behavioural safety and supplier (contractor) management. Qantas continues to lobby the Australian Government for the same random alcohol and drug testing that applies to other industries such as mining and land transport.

Qantas Group LTIFR by Year



Performance

The Qantas Group is among the leaders in the aviation industry with respect to lost time injuries. 2008 proved to be a challenging year, and Qantas recorded a Lost Time Injury Frequency Rate of 5.1, falling just short of its target of 4.8. Improvement opportunities will be pursued through the identification of root causes of occurrences and the implementation of further education and safe work practices. A target of 4.0 has been set for 2008/09.

Prevention of serious injuries is an important area of focus. The Serious Injury Frequency Rate represents the loss of productive time of a week or more. This impacts significantly on employees, costs and efficiency. A 10 per cent reduction target for 2008/09 has been set.

Internal and external safety audits are conducted by business units, corporate Occupational Health and Safety personnel and government.

84%

Qantas has achieved an 84 per cent improvement rate in its Lost Time Injury Frequency Rate since 2002.

Environment and Climate Change

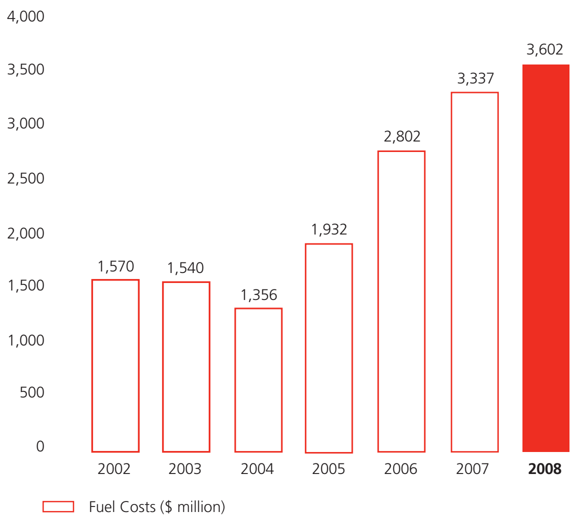
Aviation must play its part in minimising greenhouse gas emissions. Aviation accounts for two per cent of global CO_2 emissions and this could grow to three per cent by 2050.

Emissions trading schemes are in development in several jurisdictions in which Qantas operates: Australia (2010), New Zealand (2011) and the European Union (2012). These schemes could introduce material compliance costs for the Group. Qantas continues to press for harmonised schemes that create a level playing field for all participants and 'time to adapt' given the broad benefits aviation brings relative to the size of its carbon footprint.

Reducing Fuel Consumption

Qantas has no direct control over the market price of fuel.

Qantas Group Fuel Cost ($million)



Key risks include:

- limited ability to pass on additional fuel costs to customers;
- timing of delivery of new, more fuel efficient aircraft; and
- pace of innovation required to move to a lower emissions future.

To reduce greenhouse gas emissions and fuel costs, the Qantas Group must reduce fuel consumption.

Qantas is targeting a greater than 25 per cent improvement in emissions intensity by 2020 and has set an aspirational target of zero carbon emissions within 50 years, earlier if possible. This estimate is based on the planned arrivals of new technology aircraft, further operational efficiencies, the introduction of cleaner jet fuels and improvements in government controlled air traffic management systems.

Qantas' response to climate change is based on four pillars:

- measurement, target setting and transparency;
- mitigation;
- adapting for the future; and
- offsetting.

Measurement, Target Setting and Transparency

In 2007, the Qantas Group set a challenging environmental improvement target of a two million tonne efficiency saving of greenhouse gases and 7.5 per cent improvement in fuel efficiency by 2011.

In 2008, additional improvement targets have been established.

Targets to 2011

Improvement in fuel efficiency (litres of fuel/100 Revenue Tonne Kilometre)	7.5%
Reduce electricity consumption	10%
Reduce water consumption	25%
Reduce waste to land fill	25%

25%

Qantas is targeting a greater than 25 per cent improvement in emissions intensity by 2020.

Mitigation

Over 95 per cent of Qantas Group carbon emissions result from aircraft fuel consumed in the course of normal flying operations. The most effective mitigation strategy is to invest in advanced aviation technologies and improve the fuel efficiency of existing aircraft. Qantas' Fuel Conservation Program has achieved its target of $100 million savings over the last three years. In light of rapidly rising fuel costs, a target of $100 million savings has been set for 2008/09.

Managing environmental impacts is a complicated balancing act. Actions to mitigate one impact may adversely affect another. For example, the most fuel efficient flight path may reduce greenhouse gas emissions but may increase the number of people exposed to aircraft noise. In some cases, Qantas has been required to operate a fully noise compliant but less fuel efficient flight path in response to local community concerns.

Environmental performance is a key consideration of the Group's fleet strategy. Under a multi-billion dollar fleet investment program, Qantas is taking advantage of the latest technology in airframe and engine designs to deliver substantial reductions in carbon and noise emissions. New technology aircraft, such as the A380, the B787 Dreamliner and the Bombardier Q400, will deliver significant improvements in fuel efficiency (see Fleet, page 22).

Given the importance of improving fuel efficiency and reducing emissions, the Qantas Group continues to implement fuel conservation initiatives including:

- optimising flight paths through the use of Global Positioning System technology;
- optimising speed, based on daily variations in wind, temperature and weight, through Variable Cost Index Flight Planning;
- reducing weight onboard aircraft; and
- switching to ground power when an aircraft is at the terminal.

Jetstar will introduce additional fuel efficiency initiatives next year following successful trials in 2008. These include new techniques for cleaning and polishing aircraft to improve performance.

Jetstar's *JetSaver Light* offering, a new fare that provides customers with the option to travel with only carry-on baggage for a cheaper price, is reducing the operating weight of aircraft and thus reducing fuel requirements.

The Qantas Group's environmental improvement program, be**green**, was launched in 2008 to create environmental awareness, engage staff in environmental activities and provide the framework and strategies for Group-wide environmental management of fuel, energy, water and waste.

Initiatives include:

- reducing inflight waste;
- increasing recycling;
- improving the energy efficiency of facilities;
- expanding the Group's network of environmental champions; and
- providing recognition and rewards to employees for environmental innovation through an eXcel award scheme. In 2008, 46 employees or teams were nominated and 24 employees and one team were recognised with an award.

Adapting for the Future

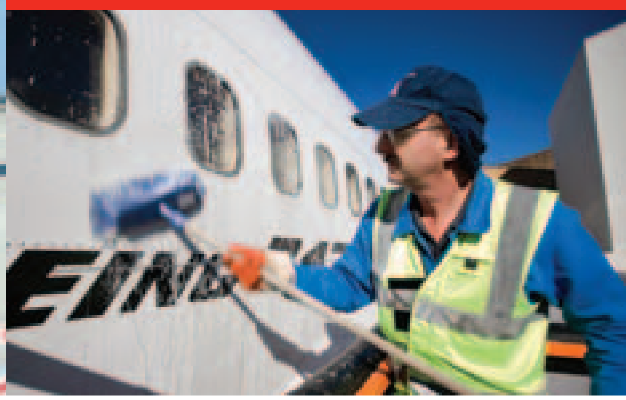
Qantas continues to work with aircraft and engine manufacturers and other industry participants to develop more fuel efficient aircraft and cleaner jet fuels.

Through the International Air Transport Association, Qantas is a signatory to the *Aviation Industry Commitment to Action on Climate Change Statement* of April 2008.

While pursuing new technologies in aircraft design and cleaner fuels, Qantas continues to work with business and local communities to adapt to changing environmental conditions. Examples of our recent initiatives include:

$100m

Qantas' Fuel Conservation Program has set a target of $100 million savings for 2008/09.



- the introduction of the *Qantas Award for Excellence in Sustainable Tourism* in 2008, with an accompanying national education campaign to encourage tourism businesses to implement environmentally sustainable business practices;
- the creation of an Environmental Sustainability Fund through the Qantas Foundation, with a mandate to support charities that set out to improve the environment; and
- continued support of Qantas' wildlife protection and assistance programs, such as helping to save the Tasmanian Devil through research scholarships at the University of Tasmania and raising funds for causes like the 'Ecocean' Whale Shark conservation program.

Offsetting

In September 2007, Qantas launched a Greenhouse Friendly™ accredited carbon offset program that allows Qantas and Jetstar passengers to calculate and offset their share of flight emissions when making a booking. All contributions go towards Australian based Greenhouse Friendly™ accredited abatement programs such as tree planting and energy efficiency projects, which either remove greenhouse gases from the atmosphere or avoid their release.

Qantas ensures that all contributions from customers go to their intended purpose.

To launch the program, Qantas pledged to:

- offset carbon emissions of every international and domestic Qantas Group flight on 19 September 2007, *Fly Carbon Neutral Day*, by planting 90,000 trees in conjunction with CO_2 Australia; and
- offset emissions for all employees travelling for business purposes and its ground transport vehicles.

By the end of the first year of the program, Jetstar and Qantas passengers had elected to offset 66,235 tonnes of greenhouse gases, which the Qantas Group has now purchased. Qantas has also paid for an additional 40,000 tonnes of offsets for *Fly Carbon Neutral Day*.

Jetstar

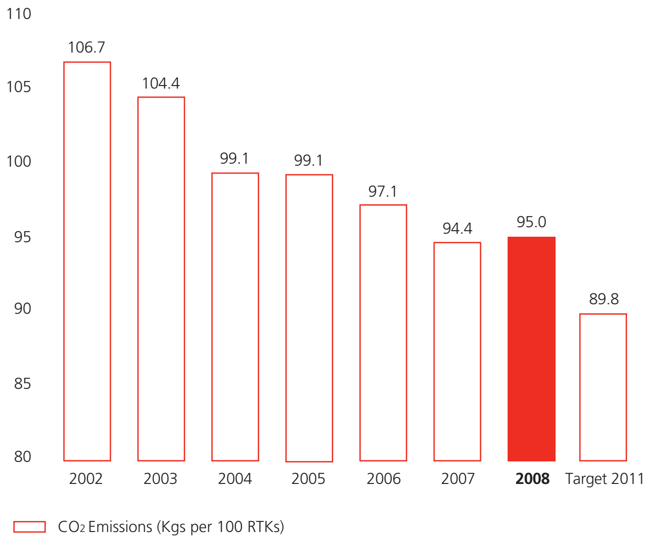
Jetstar's carbon offset program has become one of the most successful programs in the Australian airline industry. Jetstar has collected almost $600,000 to purchase abatement through progams approved by the Department of Climate Change. Approximately 12 per cent of all passengers booking at jetstar.com in Australia currently choose to offset their share of flight emissions.

Performance

For the two years to 2008, Qantas achieved efficency savings of 1.3 million tonnes of cabon dioxide and is in a strong position to reach its challenging 2011 target.

In 2008, there was a small decrease in fuel efficiency compared to 2007. This was caused by a decline in freight volumes and the introduction of Premium Economy on the B747-400 fleet, leading to a reduction in seats per aircraft.

Qantas Airline's Aviation CO_2 Efficiency (Kgs per 100 RTKs)



90,000

In conjunction with CO_2 Australia, Qantas planted 90,000 trees as part of *Fly Carbon Neutral Day*.

Community

The Qantas Group makes a significant contribution to the community, sporting and cultural life of Australia, notably in regional and remote communities.

Sharing the Spirit

Qantas launched its most significant community program – Sharing the Spirit – in 2004, with the aim of engaging its large and diverse customer base in supporting five charities – CanTeen, CARE Australia, Mission Australia, Starlight Children's Foundation Australia and UNICEF.

Change for Good

Now in its 17th year, the Change for Good partnership between Qantas and UNICEF has raised more than $18 million for children in more than 150 developing countries. More than $2 million was collected through passenger donations during the year.

National Breast Cancer Partnership

QantasLink formed a Diamond partnership with the National Breast Cancer Foundation in October 2007 and painted one of its Q400 aircraft pink to support the partnership, which will raise funds for research and raise breast cancer awareness in regional communities across Australia. QantasLink exceeded its fundraising goal of $500,000 in the 12 months to October 2008.

Workplace Giving

Workplace Giving was launched in August 2006 to enable Qantas employees to make regular charitable donations via salary sacrifice.

Spirit of Youth Awards

The Qantas Spirit of Youth Awards (SOYA) recognise and support the potential of talented young Australians artists. During the year, over 40,000 entries were submitted by young people aged between 12 and 26. SOYA winners received $5,000 cash and $5,000 in airfares to pursue creative opportunities abroad, along with mentoring from some of Australia's best known creative talents.

Charity Flights

Each year, Qantas operates special flights to support key charities. During the year, two flights raised more than $150,000 for the Royal Institute for Deaf and Blind Children and for the Melbourne Royal Children's Hospital Annual Good Friday Appeal. Qantas organises annual joy flights for the Rotary Club of Turramurra for disadvantaged and disabled youth, an initiative that has been in place for more than 40 years.

Other highlights include:

- as the Official Airline of World Youth Day, Qantas brought thousands of pilgrims to Australia in July 2008;
- a regional tour by Qantas Ambassador Peter Morrissey to address design students at TAFEs and universities in Canberra, Newcastle and Port Macquarie;
- athletics clinics conducted by Qantas Ambassador Cathy Freeman for children in Port Macquarie and Albury-Wodonga;
- the third annual Qantas AFL Kick-start Camp to develop young Indigenous players from remote areas;
- swim clinics conducted by Qantas Ambassador Kieren Perkins in a number of regional locations including Mildura, Dubbo, Bundaberg and Mount Isa;
- Clean Up Australia Day involvement by Qantas employees and their families in Alice Springs, Brisbane, Canberra, Darwin, Hobart, Melbourne and Sydney; and
- as part of its naming rights sponsorship of the Qantas Socceroos, the airline hosted a celebrity penalty shoot out in Melbourne in September 2007, raising $10,000 for CanTeen.

$500,000

QantasLink, in partnership with the National Breast Cancer Foundation, exceeded its fundraising goal of $500,000 in the 12 months to October 2008.

Sponsorships

Sporting bodies and events supported by the Qantas Group in 2007/08 included the Australian Football League, the Australian Olympic Committee, the Australian Olympic Team, Australian Rugby Union, Football Federation Australia, the Australian Open Tennis Championships and the Formula 1 Australian Grand Prix.

Arts institutions supported by Qantas include the Australian Ballet and The Dancers Company, AFI Awards, Helpmann Awards, Australian Brandenburg Orchestra, Australian Chamber Orchestra, Australian Youth Orchestra, Australia Business Arts Foundation, Bangarra Dance Theatre, Kookburra The National Musical Theatre Company, Museum of Contemporary Art, National Libraries of Australia, Opera Australia, Sydney Dance Company, Tropfest and musical productions such as Priscilla Queen of the Desert, Miss Saigon, Phantom of the Opera and Billy Elliot.

Assistance is also given at state and regional levels with partnerships including the Art Gallery of New South Wales, Canberra Symphony Orchestra, the Queensland Performing Arts Centre, Sydney Festival, Sydney Theatre Company and the Malthouse Theatre.

Jetstar

Jetstar continued its commitments to key community, sporting and educational organisations in 2007/08.

Jetstar is seeking to raise $3 million for World Vision through its StarKids initiative. Funds raised will support families living in poverty in Australia and in some of Jetstar's international destinations including Indonesia, Thailand and Vietnam. Jetstar donated $5 to StarKids for every domestic flight booked on jetstar.com on 30 August 2007. Jetstar's customers are able to make donations inflight and a Workplace Giving program offers Jetstar staff the opportunity to sponsor a child.

To support the Gold Coast, Jetstar has undertaken marketing and sales initiatives to promote increased tourism to the region and is the major sponsor of the National Rugby League team, the Jetstar Gold Coast Titans.

Jetstar provided sponsorship to AFL matches held in Tasmania and was a corporate partner of the Geelong Football Club's football volunteer program.

Jetstar is a major supporter of the Tasmanian Symphony Orchestra and its school education program. This partnership is in its fourth year.

Qantas Foundation

The Qantas Foundation – a charitable trust responsible for consolidating and expanding Qantas' charitable activities – was established in 2008.

The Foundation, which coexists alongside Qantas' existing community program Sharing the Spirit, is governed by an independent Board of Directors, and will provide support in areas including the environment, humanitarian relief and Australian contempory art. Objectives include:

- supporting the communities in which Qantas operates;
- increasing commitment to sustainability through participation in programs;
- improving governance of philanthropic initiatives; and
- improving visibility and maximising donations and other income generated for charitable purposes.

Qantas has donated $5.4 million – $3.4 million for the Qantas Foundation Art Encouragement Fund and $2 million for environment-related initiatives.

The first initiative of the Qantas Foundation Art Encouragement Fund was the creation of an annual art award, designed to support outstanding contemporary artists and to promote appreciation and awareness of Australian art within the broader community. The judging panel selected a winner from each state and territory who each received a total prize of $30,000 in cash and air travel to support future work.

The Qantas Foundation will seek donations from Qantas employees and the wider community through the Qantas Workplace Giving program and the Qantas Foundation website (www.qantas.com/foundation). Qantas has committed to funding all associated operating costs, ensuring that every dollar raised will go to its intended purpose. The Directors, Company Secretary and Auditor are providing services at no cost to the Foundation.

$5.4m

Qantas has donated $5.4 million –$3.4 million for the Qantas Foundation Art Encouragement Fund and $2 million for environment-related initiatives.

Leigh Clifford, AO
Chairman, Independent Non-Executive Director

Leigh Clifford was appointed to the Qantas Board on 9 August 2007 and as Chairman on 14 November 2007.

He is Chairman of the Qantas Nominations Committee.

Mr Clifford is a Director of Barclays Bank plc and the Murdoch Children's Research Institute. He is a Member of the Bechtel Board of Counselors.

Mr Clifford was most recently Chief Executive of Rio Tinto from April 2000 to April 2007. He stepped down from the Board of Rio Tinto on 30 April 2007 after serving as a Director of Rio Tinto plc and Rio Tinto Limited for 13 and 12 years respectively. His executive and board career with Rio Tinto spanned some 37 years, including a wide variety of operational and marketing roles in the coal and metalliferous operations of the Rio Tinto Group in Australia and overseas.

Mr Clifford was formerly Chairman of the Council of Mining and Metals, the Coal Industry Advisory Board of the International Energy Agency and a Director of Freeport-McMoRan Copper & Gold Inc.

Mr Clifford holds a Bachelor of Engineering and a Master of Engineering Science from the University of Melbourne.

In 2008, Mr Clifford was made an Officer of the Order of Australia.

Age: 61

Geoff Dixon
Chief Executive Officer

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

Mr Dixon is a Member of the Qantas Safety, Environment & Security Committee and Chairman of a number of controlled entities of the Qantas Group.

He is a Director of Consolidated Media Holdings Limited, Crown Limited and Air Pacific Limited. He was formerly a Director of Leighton Holdings Limited and Jetset Travelworld Ltd.

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

Before joining Qantas, Mr Dixon was Director of Marketing and Industry Sales at Ansett Australia and General Manager of Marketing and Corporate Affairs at Australian Airlines. He has also worked in the mining and media industries.

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

Age: 68

Alan Joyce
Chief Executive Officer Designate

Alan Joyce was appointed to the Qantas Board on 28 July 2008.

Mr Joyce will succeed Geoff Dixon as Chief Executive Officer following his retirement at the conclusion of the Qantas AGM on 28 November 2008.

He is a Director of Jetstar Pacific Airlines Aviation Joint Stock Company (in Vietnam) and a former Director of Orangestar Investment Holdings Pte Limited (holding company of Singapore-based Jetstar Asia and Valuair).

Mr Joyce was appointed Chief Executive Officer of Jetstar in October 2003.

Prior to his appointment at Jetstar, Mr Joyce spent over 15 years in leadership positions for full service carriers Qantas, Ansett and Aer Lingus.

At both Qantas and Ansett, he led the Network Planning, Schedules Planning and Network Strategy functions. Prior to that, Mr Joyce spent eight years at Aer Lingus, Ireland's national carrier, where he held a number of roles in Sales, Marketing, IT, Network Planning, Operations Research, Revenue Management and Fleet Planning.

Mr Joyce holds a Bachelor of Science in Applied Science (Physics and Mathematics) (Honours) and a Master of Science in Management Science. He is also a Fellow of the Royal Aeronautical Society.

Age: 42

Peter Gregg
Chief Financial Officer and EGM Strategy

Peter Gregg was appointed Chief Financial Officer and to the Qantas Board in September 2000. In August 2008, Mr Gregg announced he would step down as Chief Financial Officer on 30 September 2008.

Mr Gregg is a Director of Leighton Holdings Limited and Stanwell Corporation Limited. He is Chairman of both companies' Audit Committees.

Mr Gregg is a Director of a number of controlled entities and associated companies of the Qantas Group. He was formerly Chairman of Orangestar Investment Holdings Pte Limited and is a former Director of Air Pacific Limited and Jetset Travelworld Ltd.

Mr Gregg is responsible for Group Finance, Investor Relations, Strategy, Economics, IT Services, Shared Services and Strategic Procurement.

Previously Mr Gregg was Deputy Chief Financial Officer and Group Treasurer at Qantas. He was also Treasurer at Australian Airlines and has worked for the Queensland Government in various risk management roles.

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

Mr Gregg was CFO Magazine's CFO of the Year in 2006 and won the same recognition at the 2001 INSTO Distinction Awards.

Age: 53

Board of Directors

Mike Codd, AC

Independent Non-Executive Director

Mike Codd was appointed to the Qantas Board in January 1992. In October 2008, Mr Codd will retire from the Board after more than 16 years of service.

He is Chairman of the Qantas Safety, Environment & Security Committee and a Member of the Qantas Audit Committee.

Mr Codd is Chancellor of the University of Wollongong. He is a Director of the Wealth Management Companies of the National Australia Bank and Chairman of Ingeus Limited.

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

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

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

Mr Codd holds a Bachelor of Economics (Honours).

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

Age: 68

Peter Cosgrove, AC, MC

Independent Non-Executive Director

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

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

General Cosgrove is Vice-Chairman of the Australian Rugby Union and a Director of Cardno Limited. He is a consultant to Deloitte Touche Tohmatsu and is a Member of the Australian Institute of Company Directors. General Cosgrove is also Chairman of the South Australian Defence Industry Advisory Board and a Member of the Australian War Memorial Council.

General Cosgrove served in the Australian Army from 1965 and was the Chief of the Australian Defence Force from July 2002 until his retirement in July 2005.

He was in command of the international forces in East Timor from 1999 until the force was withdrawn in February 2000, for which General Cosgrove was appointed a Companion of the Military Division of the Order of Australia.

He was awarded the Military Cross for his service in Vietnam early in his career and has received several foreign awards including the Companion of the New Zealand Order of Merit (CNZM), Commander of the United States Legion of Merit, the Republic of Singapore's Distinguished Service Order and France's Legion D'Honneur.

General Cosgrove was Australian of the Year in 2001.

Age: 61

Patricia Cross

Independent Non-Executive Director

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

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

Mrs Cross is a Director of Wesfarmers Limited, National Australia Bank Limited and the Murdoch Children's Research Institute.

Mrs Cross was previously Chairman of Qantas Superannuation Limited and Deputy Chairman of Victoria's Transport Accident Commission. She was a Director of AMP Limited and Suncorp-Metway Limited. Mrs Cross was a Member of the Financial Sector Advisory Council, the Companies and Securities Advisory Committee, the Merrill Lynch Australasia Advisory Board and an Advisory Member of the Deloitte Touche Board of Partners. She has also served on a variety of not for profit boards.

Prior to becoming a professional company director in 1996, Mrs Cross held various senior executive positions with Chase Manhattan Bank, Banque Nationale de Paris and National Australia Bank in New York, Europe and Australia.

Mrs Cross holds a Bachelor of Science (Honours) from Georgetown University.

She is also a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management and a Fellow of the Finance and Treasury Association.

In 2003, Mrs Cross received a Centenary Medal for service to Australian society through the finance industry.

Age: 49

Board of Directors continued

Richard Goodmanson
Independent Non-Executive Director

Richard Goodmanson was appointed to the Qantas Board on 19 June 2008.

He is a Member of the Qantas Remuneration Committee.

Mr Goodmanson has served as Executive Vice President & Chief Operating Officer of E.I. du Pont de Nemours and Company, Inc. since May 1999. He is a Director of Rio Tinto plc, Rio Tinto Limited and the United Way of Delaware (as Past Chair) and is an economic advisor to the Governor of Guangdong Province.

From 1996 to 1999, he was President & Chief Executive Officer of America West Airlines.

Mr Goodmanson was previously Senior Vice President of Operations for Frito-Lay Inc. and was a Principal at McKinsey & Company Inc. He previously spent 10 years in heavy civil engineering project management, principally in South East Asia.

Mr Goodmanson was born in Australia and is a citizen of both Australia and the United States. He holds Bachelor degrees in Civil Engineering, Commerce, Economics and an MBA.

Age: 61

Garry Hounsell
Independent Non-Executive Director

Garry Hounsell was appointed to the Qantas Board in January 2005.

He is Chairman of the Qantas Audit Committee and a Member of the Qantas Nominations Committee.

Mr Hounsell is currently Chairman of PanAust Limited, a Director of Orica Limited and Nufarm Limited. Mr Hounsell is also Deputy Chairman of Mitchell Communication Group Limited.

He is also Chairman of Investec Global Aircraft Fund, Prudentia Investments Pty Ltd, a Director of Ingeus Limited and a Board Member of law firm Freehills.

Mr Hounsell is also a Director of The Macfarlane Burnet Institute for Medical Research and Public Health Ltd. He is a Fellow of The Institute of Chartered Accountants in Australia, a Certified Practising Accountant and a Fellow of the Australian Institute of Company Directors.

Mr Hounsell is a former Senior Partner of Ernst & Young and Chief Executive Officer and Country Managing Partner of Arthur Andersen.

He holds a Bachelor of Business (Accounting).

Age: 53

Paul Rayner
Independent Non-Executive Director

Paul Rayner was appointed to the Qantas Board on 16 July 2008.

He is a Member of the Qantas Audit Committee.

Mr Rayner is a Director of Boral Limited and Centrica plc (a company listed in the top 30 of the UK's FTSE 100, with energy businesses in the UK, North America and Europe, including British Gas). He also serves as a Member of Boral's Audit Committee and as Chairman of Centrica's Audit Committee.

From 2002 to April 2008, Mr Rayner was Finance Director of British American Tobacco plc, based in London. Mr Rayner joined Rothmans Holdings Limited in 1991 as its Chief Financial Officer and held other senior executive positions within the group, including Chief Operating Officer of British American Tobacco Australasia Limited from 1999 to 2001.

Previously Mr Rayner worked for 17 years in various finance and project roles with General Electric, Rank Industries and the Elders IXL Group.

Mr Rayner holds a Bachelor of Economics and a Master of Administration.

Age: 54

Dr John Schubert
Independent Non-Executive Director

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

He is a Member of the Qantas Safety, Environment & Security Committee and the Qantas Nominations Committee. Dr Schubert will succeed Mr Codd as Chairman of the Qantas Safety, Environment & Security Committee following Mr Codd's retirement in October 2008.

He is Chairman of the Commonwealth Bank of Australia and a Director of BHP Billiton Limited and BHP Billiton plc. He is also Chairman of G2 Therapies Limited and the Great Barrier Reef Foundation. Dr Schubert is an Honorary Member of the Business Council of Australia.

Dr Schubert commenced his career with Esso Australia Ltd as a professional engineer and held various positions with Esso in Australia and overseas. In 1983, he was appointed to the Board of Esso Australia. In 1985, Dr Schubert became Esso's Deputy Managing Director and in 1988 he became Esso's Chairman and Managing Director.

Dr Schubert was Managing Director and Chief Executive Officer of Pioneer International Limited from 1993 until 2000. From 2001 to 2003, he was the President of the Business Council of Australia. He was also previously Chairman of WorleyParsons Limited.

Age: 65

James Strong, AO

Independent Non-Executive Director

James Strong was appointed to the Qantas Board in July 2006.

He is Chairman of the Qantas Remuneration Committee.

Mr Strong was previously the Chief Executive Officer and Managing Director of Qantas between 1993 and March 2001, following an appointment to the Board in 1991.

He is Chairman of Woolworths Limited, Insurance Australia Group Limited, IAG Finance (New Zealand) Limited, Rip Curl Group Pty Ltd and the Australia Council for the Arts.

Mr Strong was formerly the Group Chief Executive of the DB Group in New Zealand and National Chairman of Partners of Corrs Chambers Westgarth. He was also Chief Executive Officer of Australian Airlines from December 1985 until September 1989. He has been admitted as a barrister and/or solicitor in various state jurisdictions in Australia.

In 2006, Mr Strong was made an Officer of the Order of Australia.

Age: 64

Barbara Ward

Independent Non-Executive Director

Barbara Ward was appointed to the Qantas Board on 19 June 2008.

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

Ms Ward is the Chairman of Country Energy (a New South Wales Government-owned energy services corporation) and a Director of Lion Nathan Limited and Brookfield Multiplex Funds Management Limited. She is also a Trustee of the Sydney Opera House Trust.

Ms Ward has previously served on the Board of a number of public companies including the Commonwealth Bank of Australia, Multiplex Limited, Allco Finance Group Limited, Record Investments Limited and Data Advantage Limited.

She has also served on the Board of a range of public sector entities including NorthPower as Chairman, Rail Infrastructure Corporation and Delta Electricity. Ms Ward was also previously on the Board of law firm Allens Arthur Robinson, as well as a number of not for profit organisations.

Prior to becoming a professional company director in 1998, Ms Ward was Chief Executive Officer of Ansett Worldwide Aviation Services from 1993 to 1998. Before that, Ms Ward held various positions in the finance department of TNT Limited, including General Manager Finance, and also served as a Senior Ministerial Adviser to The Hon PJ Keating.

Ms Ward holds a Bachelor of Economics and a Master of Political Economy.

Age: 54

Executive Team

Geoff Dixon
Chief Executive Officer

Alan Joyce
Chief Executive Officer Designate and Chief Executive Officer Jetstar

Peter Gregg
Chief Financial Officer and Executive General Manager Strategy

John Borghetti
Executive General Manager Qantas Airlines

Kevin Brown
Executive General Manager People

David Cox
Executive General Manager Qantas Engineering

Curtis Davies
Executive General Manager Services

Grant Fenn
Executive General Manager Freight Enterprises

David Hawes
Group General Manager Government and International Relations

Simon Hickey
Executive General Manager Loyalty

Brett Johnson
General Counsel

Rob Kella
Chief Risk Officer

Colin Storrie
Chief Financial Officer Designate and Deputy Chief Financial Officer

2008 Corporate Governance Statement

Overview

Corporate Governance is core to ensuring the creation, protection and enhancement of shareholder value. The Board maintains, and ensures that Qantas Management maintains, the highest level of corporate ethics. The Board comprises a majority of Independent Non-Executive Directors who, together with the Executive Directors, have extensive commercial experience and bring independence, accountability and judgement to the Board's deliberations to ensure maximum benefit to stakeholders including shareholders, customers, employees, suppliers, government regulators and members of communities where Qantas operates.

Qantas has elected to early adopt the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition (ASX Principles).

The Board Lays Solid Foundations for Management and Oversight

The Board has adopted a formal Charter. A copy of the Board Charter is available on the Corporate Governance section of the Qantas website (http://www.qantas.com.au/info/about/corporateGovernance).

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

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

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

Board Meetings

The Board holds seven formal Meetings a year. Additional Meetings are held as required. A two-day Meeting is held in June to review and approve the strategy and financial plan for the next financial year. The Board also meets with Executive Management to consider matters of strategic importance to Qantas.

Details of the Directors, their qualifications, skills and experience are detailed on pages 42 to 45. Attendance at 2007/08 Board and Committee Meetings is detailed on page 55.

Australian Provisions

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

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

The Board is Structured to Add Value

Qantas currently has 13 Directors (see details on pages 42 to 45). Ten Directors are Independent Non-Executive Directors elected by shareholders. The Independent Non-Executive Directors are:

Director	Year of Appointment
Leigh Clifford (Chairman)	2007
Mike Codd	1992
Peter Cosgrove	2005
Patricia Cross	2004
Richard Goodmanson	2008
Garry Hounsell	2005
Paul Rayner	2008
John Schubert	2000
James Strong	2006
Barbara Ward	2008

Independence

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

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

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

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

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

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

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

Qantas currently has three Executive Directors – Geoff Dixon (CEO), Alan Joyce (CEO Designate) and Peter Gregg (CFO). These Directors are not treated as independent.

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

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

Nominations Committee

The Nominations Committee:

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

The experience and qualifications of Members of the Nominations Committee are detailed on pages 42 to 45. Membership of and attendance at 2007/08 Nominations Committee Meetings are detailed on page 55.

2008 Corporate Governance Statement

Review of Board Performance

The Board continually assesses its performance, and that of its Committees, including an annual review of Board and Committee Charters. The Chairman discusses performance with each Director during the year. The Board also periodically engages the assistance of external consultants to undertake formal Board performance reviews. Such a review will take place during the coming year.

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

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

The Board Promotes Ethical and Responsible Decision-Making

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

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

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

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

Crime and Corruption Control Policy

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

Protected Disclosures

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

Major Transaction Protocol

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

Other Policies

Qantas also has formal policies relating to its legal and other obligations to all legitimate stakeholders. These include areas such as safety, service standards, occupational health and safety, employment practices, staff and contractor training, fair trading, consumer privacy and environmental protection. Each policy includes procedures for compliance and monitoring effectiveness.

The Board Safeguards the Integrity of Financial Reporting

Audit Committee

The Board has an Audit Committee which:

- currently has four Members who are Independent Non-Executive Directors;
- is chaired by Garry Hounsell, an Independent Non-Executive Director who is a Fellow of The Institute of Chartered Accountants in Australia and a Certified Practising Accountant;
- has a written Charter which is available on the Corporate Governance section of the Qantas website;
- includes Members who are all financially literate; and
- is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:
  - the reliability and integrity of financial information for inclusion in Qantas' Financial Statements;
  - enterprise-wide risk management (other than the risk management issues dealt with by the Board or delegated to the Safety, Environment & Security Committee (SESC));
  - compliance with legal and regulatory obligations (other than the compliance obligations monitored by the SESC), including audit, accounting, tax and financial reporting obligations;
  - compliance by all employees with all policies including the Qantas Code of Conduct & Ethics;
  - the integrity of the Qantas Group's internal control framework; and
  - safeguarding the independence of the internal and external auditors.

The experience and qualifications of Members of the Audit Committee are detailed on pages 42 to 45. Membership of and attendance at 2007/08 Audit Committee Meetings are detailed on page 55.

The Board and Audit Committee closely monitor the independence of the external auditor. Regular reviews occur of the independence safeguards put in place by the external auditor. As required by section 300(11D)(a) of the Corporations Act and clause 38 of the Audit Committee Charter, the Audit Committee has advised the Board that it is appropriate for the following statement to be included in the 2008 Directors' Report under the heading "Non-Audit Services":

"The Directors are satisfied that:

a. the non-audit services provided during the 2007/08 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act; and

b. any non-audit services provided during the 2007/08 financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:
   - KPMG services have not involved partners or staff acting in a managerial or decision making capacity within the Qantas Group or being involved in the processing or originating of transactions;
   - KPMG non-audit services have only been provided where Qantas is satisfied that the related function or process will not have a material bearing on the audit procedures;
   - KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes;
   - a description of all non-audit services undertaken by KPMG and the related fees have been reported to the Board to ensure complete transparency in relation to the services provided; and
   - the declaration required by section 307C of the Corporations Act confirming independence has been received from KPMG."

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

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

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

The Board Makes Timely and Balanced Disclosure

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

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

The Board Respects the Rights of Shareholders

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

Qantas makes all ASX announcements available via its website. In addition, shareholders who are registered, receive an email when there is a significant announcement.

The 2008 Notice of AGM will be provided to all shareholders and posted on the Qantas website, and the 2008 AGM will be available for viewing by live webcast. For shareholders unable to attend, a Question Form will accompany the Notice of Meeting, giving shareholders the opportunity to forward questions and comments to Qantas or the external auditor prior to the AGM.

Auditor at AGM

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

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

The Board Recognises and Manages Risk

The businesses operated by Qantas are complex and involve a range of strategic, operational, financial and legal risks. Recognising this, the Board has established a sound system of risk oversight and management and internal control designed to identify, assess, monitor and manage risk. The Audit Committee is primarily responsible for monitoring financial risks whilst the SESC is primarily responsible for monitoring operational risks. Both Board Committees are responsible for monitoring compliance with legal and regulatory obligations.

Policies have been developed that include components relating to oversight, risk profile, risk management and assessing the effectiveness of risk oversight and management. Qantas is continually aligning its system of risk management, internal compliance and control with principles included in the Australian/New Zealand Standard on Risk Management (AS/NZS 4360:2004) and the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework for evaluating internal controls.

Safety, Environment & Security Committee

In 1994, the Board established the SESC which:

- currently has five Members – the CEO and four Independent Non-Executive Directors;
- is chaired by Mike Codd, an Independent Non-Executive Director. Independent Non-Executive Director John Schubert will succeed Mike Codd as Chairman of the SESC following his retirement in October 2008;
- has a written Charter which is available on the Corporate Governance section of the Qantas website; and
- is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:
   - safety, health, environment and security matters;
   - enterprise-wide risk management (other than the risk management issues dealt with by the Board or delegated to the Audit Committee); and
   - compliance with legal and regulatory obligations (other than the compliance obligations monitored by the Audit Committee).

The experience and qualifications of Members of the SESC are detailed on pages 42 to 45. Membership of and attendance at 2007/08 SESC Meetings are detailed on page 55.

CEO/CFO Declaration

As required by section 295A of the Corporations Act, the CEO and CFO have declared that:

"In our opinion:

a. the financial records of Qantas for the year ended 30 June 2008 (Financial Period) have been properly maintained in accordance with section 286 of the Corporations Act;

b. the financial statements and the notes referred to in section 295(3)(b) of the Corporations Act for the Financial Period comply with the accounting standards and other mandatory professional reporting requirements; and

c. the financial statements and notes for the Financial Period give a true and fair view in accordance with section 297 of the Corporations Act."

2008 Corporate Governance Statement

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

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

Safety and Risk Leadership Committee
Qantas has established a Safety and Risk Leadership Committee (SRLC), whose members include Executive Management. The SRLC meets quarterly to identify all major risks, ensure appropriate risk management plans are in place and to monitor the effectiveness of the implementation of the risk management plans. The SRLC prepares a bi-monthly Group Risk and Audit Activity Report for the Board which is reviewed in detail by both the Audit Committee and the SESC.

Risk Review Group
Qantas has also established a Risk Review Group (RRG), which reports to the SRLC and is responsible for monitoring:

- the identification of material risks within the Qantas Group and that appropriate risk management processes are in place and operating effectively;
- action plans in place to address inconsistencies or gaps identified within the risk management, internal compliance and control system; and
- the review and update of risk infrastructure for relevance to the Qantas Group.

The RRG meets monthly and its members comprise risk practitioners and other representatives from across the Qantas Group.

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

The Board Remunerates Fairly and Responsibly

The Qantas Executive Remuneration Philosophy and Objectives is set out in full in the Directors' Report (from page 60).

Remuneration Committee
The Board has a Remuneration Committee which:

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

The experience and qualifications of Members of the Remuneration Committee are detailed on pages 42 to 45. Membership of and attendance at 2007/08 Remuneration Committee Meetings are detailed on page 55.

The remuneration of the Key Management Personnel is disclosed in the Remuneration Report from page 60. All equity-based Executive remuneration is made in accordance with plans approved by shareholders.

On retirement, Qantas Directors are entitled to statutory superannuation and certain travel entitlements which are reasonable and standard practice in the aviation industry (see pages 66 and 67).

Review of Executive Management Performance
At least annually, the Remuneration Committee undertakes a review of the performance of Executive Management against their Key Performance Indicators (KPIs). The process for evaluating the performance of Executive Management is detailed on page 62. Executive Management's performance for the 2007/08 year was assessed against individual KPIs in August 2008.

Performance Summary

for the year ended 30 June 2008

	Qantas Group		Increase/ (Decrease)
Income Statement	**2008 $M**	2007[1] $M	%
Sales and Other Income			
Net passenger revenue	**12,664.4**	11,920.1	6.2
Net freight revenue	**947.3**	902.5	5.0
Tours and travel revenue	**745.8**	775.1	(3.8)
Contract work revenue	**453.5**	434.3	4.4
Other	**1,380.9**	1,028.4	34.3
Sales and other income	**16,191.9**	15,060.4	7.5
Expenditure			
Manpower and staff related	**3,533.4**	3,334.7	6.0
Aircraft operating variable	**2,588.1**	2,608.4	(0.8)
Fuel	**3,602.1**	3,336.8	8.0
Selling and marketing	**755.6**	691.8	9.2
Property	**346.4**	350.5	(1.2)
Computer and communication	**382.4**	319.5	19.7
Tours and travel	**608.4**	641.7	(5.2)
Capacity hire	**269.8**	303.2	(11.0)
Ineffective and non-designated derivatives – closed positions	**42.8**	67.6	(36.7)
Other	**847.0**	644.7	31.4
Depreciation and amortisation	**1,469.3**	1,362.7	7.8
Non-cancellable operating lease rentals	**399.9**	415.3	(3.7)
Share of net profit of associates and jointly controlled entities	**(27.6)**	(46.5)	40.6
Expenditure	**14,817.6**	14,030.4	5.6
Operating result	**1,374.3**	1,030.0	33.4
Ineffective and non-designated derivatives – open positions	**(12.3)**	(54.1)	(77.3)
Profit before related income tax expense and net finance income/(costs)	**1,362.0**	975.9	39.6
Net finance income/(costs)	**45.6**	(10.8)	n/a
Profit before related income tax expense	**1,407.6**	965.1	45.9
Income tax expense	**(437.9)**	(292.3)	(49.8)
Profit for the year	**969.7**	672.8	44.1
Minority interest	**0.7**	0.2	250.0
Profit for the year attributable to members of Qantas	**969.0**	672.6	44.1
Balance Sheet			
Total assets	**19,700.1**	19,493.7	1.1
Total liabilities	**13,965.2**	13,853.9	0.8
Total equity	**5,734.9**	5,639.8	1.7
Cash Flow			
Net cash from operating activities	**2,128.4**	2,424.1	(12.2)
Net cash used in investing activities	**(1,322.6)**	(1,266.4)	4.4
Net cash used in financing activities	**(1,569.7)**	(696.8)	125.3
Net (decrease)/increase in cash and cash equivalents held	**(763.9)**	460.9	(265.7)
Performance Ratios			
Net debt to net debt plus equity (ratio)	**21:79**	20:80	n/a
Net debt to net debt plus equity including off Balance Sheet debt (ratio)	**43:57**	41:59	n/a
Basic earnings per share (cents)	**50.2**	34.0	47.6
Return on equity (percentage)	**16.9**	11.9	5.0
Return on equity including the notional capitalisation of non-cancellable operating leases on a hedged basis (percentage)	**15.5**	12.5	3.0
Profit before related income tax expense and net finance costs as a percentage of sales and other income (percentage)	**8.4**	6.5	1.9
Profit before related income tax expense as a percentage of sales and other income (percentage)	**8.7**	6.4	2.3

1 Comparatives have been restated for the early adoption of Interpretation 13 – Customer Loyalty Programmes.

Discussion and Analysis of Performance Summary

for the year ended 30 June 2008

Discussion and Analysis of the Income Statement

Qantas Group Operational Statistics and Performance Indicators[1]	Unit	Qantas Group 2008	2007	Increase/ (Decrease) %
Passengers carried	000	**38,621**	36,449	6.0
Revenue passenger kilometres (RPKs)	M	**102,466**	97,622	5.0
Available seat kilometres (ASKs)	M	**127,019**	122,119	4.0
Revenue seat factor	%	**80.7**	79.9	0.8 points
Passenger yield (passenger revenue per RPK)	cents	**11.81**	11.67	1.2
Average full-time equivalent employees	#	**33,670**	34,267	(1.7)
Operational passenger aircraft fleet at balance date	#	**224**	213	11 aircraft
Return on total revenue	%	**5.9**	4.5	1.4 points
Return on equity	%	**16.9**	11.9	5.0 points

1 A glossary of terms appears on page 152.

Review of Income Statement

- Profit before related income tax expense (PBT) was $1,407.6 million, an increase of $442.5 million or 45.9 per cent. Profit attributable to members of Qantas was $969.0 million. This was achieved on a 4.0 per cent increase in capacity and a robust demand environment during the first three quarters of the year in both domestic and international markets despite strong competition and higher fuel prices.
- PBT for Qantas operations (including QantasLink) totalled $935.3 million, an increase of $166.2 million. Net passenger revenue increased by 2.9 per cent reflecting an increase in seat factor to 81.4 per cent. Capacity decreased in the international market as a result of shifting some services to Jetstar. Domestically, QantasLink thrived on the introduction and the full year benefit of three new Q400 aircraft.
- Jetstar recorded a PBT result of $115.7 million, an increase of $33.8 million. Passenger revenue increased by $366.5 million or 35.8 per cent, largely driven by a 44.1 per cent increase in capacity, arising from the continued expansion of the Jetstar International network. Costs increased in line with increased activity and higher fuel prices.
- PBT for the portfolio businesses totalled of $353.0 million. Qantas Frequent Flyer was the largest contributor to the portfolio businesses with PBT of $233.9 million in the current year. This was an improvement of $23.3 million compared to the prior year.
- A number of non-operating items were included in the results for the year. These items were liquidated damages of $290.7 million, freight cartel provisions of $63.7 million and accelerated depreciation and asset write-downs of $164.5 million.

Review of Sales and Other Income

- Total sales and other income for the year increased by $1,131.5 million to $16.2 billion, an increase of 7.5 per cent on the prior year.
- Net passenger revenue increased by $744.3 million or 6.2 per cent to $12.7 billion. This reflected capacity growth of 4.0 per cent, a seat factor improvement of 0.8 percentage points and a yield increase of 1.2 per cent.
- Other revenue categories increased by $387.2 million to $3.5 billion, an increase of 12.3 per cent. This was primarily due to the recognition of liquidated damages as well as increases in freight revenue.

Review of Expenditure

- Total expenditure, including net financing costs and ineffective and non-designated derivatives – open positions, increased by $689.0 million or 4.9 per cent to $14.8 billion.
- Net expenditure cost per ASK decreased despite fuel cost increases. Underlying unit costs decreased by 2.3 per cent.
- Manpower and staff related expenditure increased by $198.7 million or 6.0 per cent to $3.5 billion. Activity growth and Enterprise Bargaining Agreement (EBA) and salary increases were offset by SFP benefits.
- Aircraft operating variable costs decreased by $20.3 million or 0.8 per cent to $2.6 billion largely due to reductions in aircraft operating expenses, offset by increases in landing fees.
- Fuel costs increased by $265.3 million or 8.0 per cent. The into-plane fuel price after hedging increased by 15.5 per cent. The volume of barrels consumed increased by 3.9 per cent in line with higher flying hours, increasing costs by $141.7 million. The volume increase would have been $60 million higher had it not been for fuel conservation SFP initiatives delivered during the year. Stronger Australian currency movements reduced fuel costs by $430.6 million.
- Selling and marketing expenditure increased by $63.8 million or 9.2 per cent due to increased marketing of both Jetstar and Qantas brands offset by SFP benefits on selling costs.
- Property costs decreased by $4.1 million or 1.2 per cent, mainly due to onerous lease provisions recognised against vacant properties in the prior year. This was partly offset by higher rental prices and hangar modifications to accommodate A380 aircraft.
- Computer and communication costs increased by $62.9 million or 19.7 per cent. This included an increase in outsourced Application Support costs partially offset by savings in manpower costs. Price increases, business growth and projects such as qantas.com, also added to costs which were partially offset by SFP benefits.

Discussion and Analysis of the Income Statement continued

- Tours and travel costs decreased by $33.3 million to $608.4 million, which is in line with the decline in revenue.
- Capacity hire costs decreased by $33.4 million or 11.0 per cent largely due to favourable foreign exchange (FX) movements and the reduction of code-share costs on withdrawn routes.
- Other expenditure increased by $202.3 million or 31.4 per cent. This included $109.3 million of additional cost due to FX hedging losses. Freight cartel costs and the operating costs of DPEX offset lower consulting costs due to the APA takeover bid in the prior year.
- Depreciation and amortisation costs increased by $106.6 million or 7.8 per cent, largely due to accelerated depreciation and asset write downs of $164.5 million.
- Non-cancellable operating lease charges decreased by $15.4 million or 3.7 per cent as a result of favourable FX gains.
- The share of net profit in associates and jointly controlled entities decreased by $18.9 million to $27.6 million. Higher earnings from Air Pacific were more than offset by lower earnings from Star Track Express, Fiji Resorts and Australian air Express and losses on the Jetstar Pacific investment.

Review of Other Income Statement Items

- The requirement to mark-to-market open derivative positions under AASB 139 resulted in ineffective derivative losses of $12.3 million in the current year compared to $54.1 million last year.
- Net finance costs decreased by $56.4 million, primarily due to a higher average cash balance and a higher cash rate. Higher capitalised interest reduced interest expense by $17.4 million.
- The favourable net impact of foreign exchange rate movements on overall PBT was $239.5 million.
- The effective tax rate increased from 30.3 per cent to 31.1 per cent. Basic earnings per share increased by 16.2 cents to 50.2 cents per share. This reflected the increased profit after tax for the year.

Discussion and Analysis of the Balance Sheet

The net assets of the Qantas Group increased by $95.1 million to $5,734.9 million during the year. The major movements are discussed below.

Review of Total Assets

- Cash and cash equivalents have decreased by $763.9 million, predominantly due to payments under the now suspended share buy-back.
- Total receivables increased by $217.2 million mainly due to an increase in liquidated damages receivable.
- Property, plant and equipment increased by $32.7 million. This reflected capital expenditure on new aircraft, modifications and related equipment, including the purchase of two B737-800 aircraft, three A330-200 aircraft and two Dash 8 Q400 aircraft, and progress payments on A380, B787, B737-800, A330 and A320 aircraft. The increase also reflects capitalised interest, offset by depreciation and amortisation charges.

Review of Total Liabilities

- Total liabilities increased by 0.8 per cent to $13,965.2 million largely due to higher payables, higher revenue received in advance offset by debt repayments.

Total of Equity

- Issued capital decreased by $505.7 million reflecting the share buy-back undertaken during the year. Reserves increased due to the movements in the fair value of fuel and foreign exchange derivatives during the year.

Gearing

- Qantas Group gearing (including off Balance Sheet debt) at 30 June 2008 was 43:57 compared to 41:59 at 30 June 2007. The gearing ratio has increased due to the share buy-back during the year resulting in lower cash balances at year end compared to last year.

Discussion and Analysis of the Cash Flow Statement

Review of Cash Flows from Operating Activities

- Cash flows provided from the operating activities decreased by $295.7 million to $2,128.4 million mainly due to the non-cash liquidated damages recognised during the year, higher tax payments on higher profits and sale proceeds of $188.1 million on aircraft spare parts which were included in last year's cash flows.

Review of Cash Flows from Investing Activities

Cash flows used in investing activities increased by 4.4 per cent or $56.2 million to $1,322.6 million.

- Capital expenditure increased by $141.9 million to $1,424.0 million, reflecting aircraft deliveries, higher aircraft progress and delivery payments combined with higher reconfiguration costs, engine modifications and spares.
- Proceeds from the disposal of investments represented the sale of the investment in Air New Zealand which were received in the 2007/08 year while the profit on the sale was recorded in the 2006/07 year.
- Net payments for investments of $48.5 million included the acquisition of Pacific Airlines and an increase in the ownership of the DPEX Transport Group and Kilda Express.

Review of Cash Flows from Financing Activities

- Cash flows used in financing activities increased by $872.9 million to a total of $1,569.7 million. Dividends, the share buy-back and repayment of borrowings all contributed to the outflow.

The Qantas Group held cash of $2,599.0 million as at 30 June 2008 and had access to additional funding of $500.0 million in stand-by facilities.

Contents

Financial Report

for the year ended 30 June 2008

Directors' Report

for the year ended 30 June 2008

The Directors of Qantas Airways Limited (Qantas) present their Report together with the Financial Statements of the consolidated entity, being Qantas and its controlled entities (Qantas Group), for the year ended 30 June 2008 and the Independent Audit Report thereon.

Directors

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

Leigh Clifford, AO
(appointed 9 August 2007 and Chairman from 14 November 2007)

Margaret Jackson, AC
(retired 14 November 2007)

Geoff Dixon

Alan Joyce
(appointed 28 July 2008)

Peter Gregg

Paul Anderson
(resigned 16 April 2008)

Mike Codd, AC

Peter Cosgrove, AC, MC

Patricia Cross

Richard Goodmanson
(appointed 19 June 2008)

Garry Hounsell

James Packer
(resigned 31 August 2007)

Paul Rayner
(appointed 16 July 2008)

John Schubert

James Strong, AO

Barbara Ward
(appointed 19 June 2008).

Details of Directors, their qualifications, experience and any special responsibilities, including Qantas Committee Memberships, are set out on pages 42 to 45.

Principal Activities

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

Dividends

The Directors declared a final dividend of $322.1 million (final dividend of 17.0 cents per share) for the year ended 30 June 2008 (2007: final dividend of 15.0 cents per share). The final dividend will be fully franked and follows a fully franked interim dividend of $342.0 million (18.0 cents per share), which was paid during the year.

Review of Operations and State of Affairs

A review of, and information about, the Qantas Group's operations, including the results of those operations and changes in the state of affairs of the Qantas Group during the year together with information about the financial position of the Qantas Group, appear on pages 10 to 41. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Qantas Group that occurred during the year under review.

Events Subsequent to Balance Date

On 25 July 2008, the Qantas Group completed the acquisition of a 58 per cent interest in Jetset Travelworld Ltd in exchange for the disposal of Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Ltd.

For further details refer to Note 34 in the Financial Statements.

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

Likely Developments

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

Directors' Meetings

The number of Directors' Meetings held (including Meetings of Committees of Directors) during 2007/08 are as follows:

	Qantas Board											
	Scheduled Meetings		Unscheduled Meetings		Audit Committee		Safety, Environment & Security Committee		Remuneration Committee		Nominations Committee	
Directors	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Leigh Clifford	8	8	2	2	2[2]	4	2[2]	2	3[2]	5	3[3]	3
Margaret Jackson	5	5	1	1	1[2]	1	1[2]	2	2[2]	5	3	3
Geoff Dixon	9	9	3	3	4[2]	4	2	3	5[2]	7	1[2]	5
Peter Gregg	9	9	3	3	4[2]	4	–	–	–	–	–	–
Paul Anderson	6	7	2	3	–	–	–	–	6	7	1[2]	4
Mike Codd	9	9	2	3	4	4	3	3	1[2]	7	3[2]	5
Peter Cosgrove	9	9	1	3	–	–	3	3	–	–	2[2]	5
Patricia Cross	9	9	3	3	3	4	–	–	7	7	3[2]	5
Richard Goodmanson	1	1	–	–	–	–	–	–	–	–	–	–
Garry Hounsell	8	9	3	3	4	4	2[2]	3	1[2]	7	4[4]	5
James Packer	–	3	–	1	–	–	–	–	–	–	–	–
John Schubert	9	9	3	3	–	–	3	3	–	–	5	5
James Strong	9	9	2	3	–	–	–	–	7	7	2[2]	5
Barbara Ward	1	1	–	–	–	–	–	–	–	–	–	–

1 Reflects the number of Meetings held during the time that the Director held office during the year.

2 Attended Meetings in an ex-officio capacity.

3 Leigh Clifford was appointed Chairman of the Nominations Committee on 14 November 2007. Mr Clifford attended one Meeting in an ex-officio capacity and the remainder as Committee Chairman.

4 Garry Hounsell was appointed to the Nominations Committee on 18 July 2007. Mr Hounsell attended one Meeting in an ex-officio capacity and the remainder as a Member of the Committee.

Directorships of Listed Companies Held by Members of the Board as at 30 June 2008 – for the period 1 July 2005 to 30 June 2008

Leigh Clifford

Qantas Airways Limited	– current, appointed 9 August 2007
Barclays Bank plc	– current, appointed 1 October 2004
Rio Tinto Limited[1]	– ceased, appointed 21 December 1995 and ceased 30 April 2007
Rio Tinto plc	– ceased, appointed 18 May 1994 and ceased 30 April 2007

Geoff Dixon[2]

Qantas Airways Limited	– current, appointed 1 August 2000
Consolidated Media Holdings Limited[3]	– current, appointed 31 May 2006
Crown Limited	– current, appointed 6 July 2007
Leighton Holdings Limited	– ceased, appointed 19 August 1999 and ceased 31 May 2006

Peter Gregg[2]

Qantas Airways Limited	– current, appointed 13 September 2000
Leighton Holdings Limited	– current, appointed 4 July 2006

Mike Codd

Qantas Airways Limited	– current, appointed 16 January 1992

Peter Cosgrove

Qantas Airways Limited	– current, appointed 6 July 2005
Cardno Limited	– current, appointed 26 March 2007

Patricia Cross

Qantas Airways Limited	– current, appointed 1 January 2004
National Australia Bank Limited	– current, appointed 1 December 2005
Wesfarmers Limited	– current, appointed 11 February 2003

Richard Goodmanson

Qantas Airways Limited	– current, appointed 19 June 2008
Rio Tinto Limited	– current, appointed 1 December 2004
Rio Tinto plc	– current, appointed 1 December 2004

Garry Hounsell[4]

Qantas Airways Limited	– current, appointed 1 January 2005
Mitchell Communication Group Limited	– current, appointed 1 September 2006
Nufarm Limited	– current, appointed 1 October 2004
Orica Limited	– current, appointed 21 September 2004

John Schubert

Qantas Airways Limited	– current, appointed 23 October 2000
BHP Billiton Limited	– current, appointed 1 June 2000
BHP Billiton plc[5]	– current, appointed 29 June 2001
Commonwealth Bank of Australia	– current, appointed 8 October 1991

James Strong

Qantas Airways Limited	– current, appointed 1 July 2006
IAG Finance (New Zealand) Limited	– current, appointed 9 November 2004
Insurance Australia Group Limited	– current, appointed 2 August 2001
Woolworths Limited	– current, appointed 10 March 2000

Barbara Ward

Qantas Airways Limited	– current, appointed 19 June 2008
Allco Finance Group Limited	– ceased, appointed 27 April 2005 and ceased 25 January 2008
Commonwealth Bank of Australia	– ceased, appointed 14 September 1994 and ceased 3 November 2006
Lion Nathan Limited	– current, appointed 21 February 2003
Multiplex Limited	– ceased, appointed 26 October 2003 and ceased 31 October 2007

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

2 In addition, Mr Dixon and Mr Gregg were appointed to the board of Jetset Travelworld Ltd effective 25 July 2008 and resigned from that board effective 15 September 2008.

3 Formerly Publishing and Broadcasting Limited.

4 In addition, Mr Hounsell has been appointed to the board of PanAust Limited effective 1 July 2008.

5 Dr Schubert was appointed to the board of BHP Limited in June 2000. As a result of the merger between BHP Limited and Billiton plc in 2001, he was appointed to the board of BHP Billiton plc.

Qualifications and Experience of each Person who is a Company Secretary of Qantas

Cassandra Hamlin – Company Secretary, Bachelor of Commerce, CA, FCIS

- joined Qantas in January 1996;
- responsible for the management of all Corporate Governance issues arising within the Qantas Group;
- 1996 to 2001 – various Qantas financial reporting roles, including Financial Reporting Manager;
- 2001 to 2005 – Head of Qantas Investor Relations;
- admitted as a Chartered Accountant with The Institute of Chartered Accountants in Australia in 1997;
- completed Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance in July 2007; and
- admitted as a Fellow of the Institute of Chartered Secretaries and Administrators (Australian Division) in December 2007.

Directors' Interests and Benefits

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

	Shares	
Director	**2008 Number**	2007 Number
Leigh Clifford	**45,000**	–
Geoff Dixon	**1,392,746**	1,032,746
Alan Joyce	**131,633**	n/a
Peter Gregg	**185,746**	294,996
Mike Codd	**13,408**	13,408
Peter Cosgrove[1]	**2,124**	2,124
Patricia Cross	**2,163**	2,163
Richard Goodmanson	**–**	n/a
Garry Hounsell	**33,811**	33,811
Paul Rayner	**15,000**	n/a
John Schubert	**34,753**	34,753
James Strong	**28,158**	28,158
Barbara Ward	**10,975**	n/a

1 In addition to this interest, General Cosgrove acquired 2,475 shares under the Qantas Deferred Share Plan by salary sacrificing part of his Director's fees.

In addition to the interests shown above, indirect interests in Qantas shares held on behalf of General Cosgrove, Mr Dixon, Mr Joyce and Mr Gregg under the Qantas Deferred Share Plan are as follows:

Peter Cosgrove	**Number**	Number
Deferred shares held in trust under:		
Non-Executive Director Share Plan	**2,475**	n/a

Geoff Dixon	**Number**	Number
Deferred shares held in trust under:		
2004 Executive Director Performance Share & Performance Rights Plan	**150,000**	150,000
2005 Executive Director Performance Share & Performance Rights Plan	**150,000**	150,000
2006 Executive Director Performance Share & Performance Rights Plan	**449,500**[1]	449,500
2007 Executive Director Performance Share & Performance Rights Plan	**258,000**	258,000
2007 Retention Plan	**1,000,000**	n/a
2008 Performance Share Plan	**287,000**[2]	n/a
	2,294,500	1,007,500
Rights granted under:		
2004 Executive Director Performance Share & Performance Rights Plan	**90,000**[3]	450,000
2006 Executive Director Performance Share & Performance Rights Plan	**300,000**	300,000
2007 Executive Director Performance Share & Performance Rights Plan	**300,000**	300,000
	690,000	1,050,000

1 Includes pre-tax sacrifice of cash incentive in respect of the 2005/06 year into 307,000 deferred shares.

2 The Board approved this award on 20 August 2008.

3 Mr Dixon may call for nil (2007: 187,650) of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next year, the remaining balance may be called for.

Directors' Interests and Benefits continued

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

1 The Board approved this award on 20 August 2008.
2 Mr Joyce may call for nil of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next year, the remaining balance may be called for.
3 Mr Joyce may call for nil of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next two years, the remaining balance may be called for.

Peter Gregg	Number	Number
Deferred shares held in trust under:		
2004 Executive Director Performance Share & Performance Rights Plan	**–**	45,000
2005 Executive Director Performance Share & Performance Rights Plan	**–**	90,000
2006 Executive Director Performance Share & Performance Rights Plan	**–**	85,500
2006 Retention Plan	**400,000**	400,000
2007 Executive Director Performance Share & Performance Rights Plan	**43,000**	86,000
2007 Retention Plan	**310,000**	n/a
2008 Performance Share Plan	**96,000**[1]	n/a
	849,000	706,500
Rights granted under:		
2004 Executive Director Performance Share & Performance Rights Plan	**18,000**[2]	90,000
2005 Executive Director Performance Share & Performance Rights Plan	**24,750**[3]	90,000
2006 Executive Director Performance Share & Performance Rights Plan	**100,000**	100,000
2007 Executive Director Performance Share & Performance Rights Plan	**100,000**	100,000
	242,750	380,000

1 The Board approved this award on 20 August 2008.
2 Mr Gregg may call for nil (2007: 37,530) of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next year, the remaining balance may be called for.
3 Mr Gregg may call for nil of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next two years, the remaining balance may be called for.

Share Entitlements

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

During the year, 2,728,952 Entitlements were converted to 516,085 shares and a further 39,533 Entitlements were cash settled. There were no Entitlements outstanding at 30 June 2008.

Rights

Performance Rights are awarded to select Qantas Group Executives under the Qantas Deferred Share Plan. Refer to page 65 for further details.

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

Performance Rights Plan	2008 Number	2007 Number
Rights outstanding as at 1 July	**5,038,800**	4,590,000
Rights granted	**2,545,000**	2,044,300
Rights lapsed	**(288,276)**	(279,000)
Rights vested	**(1,174,491)**	(1,316,500)
Rights outstanding as at 30 June	**6,121,033**	5,038,800

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

The following Rights were outstanding at 30 June 2008:

			Number of Rights					
Testing Period	Grant Date	Value at Grant Date	Net Vested 2008	Unvested 2008	Total 2008	Net Vested 2007	Unvested 2007	Total 2007
30 Jun 07 – 30 Jun 09[1]	18 Aug 04	$2.25	**–**	**51,000**	**51,000**	–	255,000	255,000
30 Jun 07 – 30 Jun 09[1]	21 Oct 04	$2.28	**–**	**108,000**	**108,000**	–	540,000	540,000
30 Jun 07 – 30 Jun 09[1]	13 Jan 05	$2.47	**102,033**	**147,700**	**249,733**	–	820,500	820,500
30 Jun 07 – 30 Jun 09[1]	20 Jun 05	$1.88	**–**	**1,000**	**1,000**	–	5,000	5,000
30 Jun 08 – 30 Jun 10[2]	17 Aug 05	$1.98	**–**	**395,000**	**395,000**	–	395,000	395,000
30 Jun 08 – 30 Jun 10[2]	22 Nov 05	$2.67	**–**	**883,000**	**883,000**	–	975,000	975,000
30 Jun 08 – 30 Jun 10[2]	28 Mar 06	$2.28	**–**	**18,000**	**18,000**	–	33,000	33,000
30 Jun 09 – 30 Jun 11[3]	22 Aug 06	$2.39	**–**	**345,000**	**345,000**	–	345,000	345,000
30 Jun 09 – 30 Jun 11[3]	4 Oct 06	$2.95	**–**	**1,125,300**	**1,125,300**	–	1,245,300	1,245,300
30 Jun 09 – 30 Jun 11[3]	19 Oct 06	$3.17	**–**	**400,000**	**400,000**	–	400,000	400,000
30 Jun 09 – 30 Jun 11[3]	12 Apr 07	$4.50	**–**	**–**	**–**	–	25,000	25,000
30 Jun 10 – 30 Jun 12[4]	12 Dec 07	$4.42	**–**	**905,000**	**905,000**	–	–	–
30 Jun 10 – 30 Jun 12[4]	31 Mar 08	$2.75	**–**	**1,640,000**	**1,640,000**	–	–	–
			102,033	**6,019,000**	**6,121,033**	–	5,038,800	5,038,800

1 While these Rights may convert to Qantas shares on the tenth anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2007.

2 While these Rights may convert to Qantas shares on the tenth anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2008.

3 While these Rights may convert to Qantas shares on the tenth anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which is to commence 30 June 2009.

4 While these Rights may convert to Qantas shares on the tenth anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which is to commence 30 June 2010.

Remuneration Report (Audited)
2007/08 Executive Remuneration Philosophy and Objectives

In 2003, the Board approved the establishment of the Qantas Executive Performance Plan (Performance Plan). Each year, the Board reviews whether the Performance Plan continues to be aligned to Qantas' business objectives and whether any changes are warranted. The overriding objective is to attract, retain and appropriately reward a capable Executive team to meet the unique challenges it faces as a major international airline based in Australia.

In early 2008, the Board undertook a detailed review of the Performance Plan and reconfirmed that it provides an appropriate reward framework for Qantas. Some changes have been implemented. These include:

- the adoption of an earnings per share (EPS) performance hurdle, in addition to a total shareholder return (TSR) performance hurdle for the long-term equity program; and
- the adoption of aspirational shareholding guidelines for members of the Executive Committee.

Details of the reward programs that make up the Performance Plan, are provided below.

Qantas' philosophy for the remuneration of its Executives continues to align the earnings of its Executives with their duties and responsibilities and to pay for performance.

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

- Fixed Annual Remuneration (FAR);
- the Performance Plan, comprising:
  - i. the Performance Cash Plan (PCP) – a short-term cash incentive;
  - ii. the Performance Equity Plan – a medium-term incentive, comprising the Performance Share Plan (PSP) and a long-term incentive, the Performance Rights Plan (PRP); and
  - iii. the Retention Plan (RP) – awards of deferred shares or cash to a small number of selected Executives whose retention is considered vital to the Qantas Group to provide a stable and talented executive team; and
- concessionary travel entitlements, targeted key milestone bonus arrangements and other discretionary benefits considered appropriate from time to time.

The Remuneration Committee (a committee of the Board) has the role of reviewing and making recommendations on the Qantas Executive Remuneration Policy.

In doing so, the Remuneration Committee seeks advice from a range of independent external advisors. The guiding principles applied by the Remuneration Committee in managing remuneration for Executives are that:

- appropriate market benchmarks are reviewed in setting all elements of reward;
- differentiation to recognise performance is involved in all pay increases, both fixed and 'at risk';
- 'at risk' pay decisions are based on a formal performance management system; and
- longer-term rewards align the interests of Executives with shareholders and support a culture of employee share ownership.

Overall, the mix of the remuneration program reflects market practice but is tailored to the specific circumstances of Qantas.

Reward Framework

<table>
<tr><td colspan="4">Fixed Annual Remuneration</td><td colspan="4">Set with reference to role, market and experience</td></tr>
<tr><td rowspan="5">Performance Plan</td><td colspan="2">Performance Cash Plan</td><td>Short-term</td><td colspan="4">Group Financial Target</td></tr>
<tr><td rowspan="3">Performance Equity Plan</td><td rowspan="2">Performance Share Plan</td><td rowspan="2">Medium-term</td><td colspan="4">Balanced Scorecard Target</td></tr>
<tr><td>Customer</td><td>Operational</td><td>People</td><td>Financial</td></tr>
<tr><td>Performance Rights Plan</td><td>Long-term</td><td colspan="4">Total Shareholder Return and Earnings Per Share hurdles</td></tr>
<tr><td colspan="3">Retention Plan</td><td colspan="4">Targeted incentives and retention arrangements for a small number of Executives, based on the Board's assessment of market conditions and the commercial needs of Qantas</td></tr>
<tr><td colspan="4">Other benefits, such as concessionary travel and salary sacrifice arrangements (e.g. for motor vehicles and superannuation)</td><td colspan="4">Reflect industry and market practice</td></tr>
</table>

Remuneration Report (Audited) continued

Total Reward Mix

Consistent with market practice, the proportion of remuneration attributable to each component of the Performance Plan is dependent on the level of responsibility of the Executive. The Board obtains independent advice on market practice and relevant benchmarking data from its external advisors in setting target reward amounts and mix.

The total reward mix on average is as follows:

	% of Total Reward Opportunity ('at Target')		
	FAR %	Performance Cash Plan %	Performance Equity Plan (PSP and PRP) %
Chief Executive Officer	40	30	30
Chief Financial Officer/Executive General Manager Qantas/Chief Executive Officer Jetstar	45	30	25
Other Executive General Managers	50	30	20
Other Executives depending on level of responsibility	55 – 85	7.5 – 20	7.5 – 25

The above table is used to determine the allocation of performance-based remuneration and is based on the Executive's FAR at the date of the allocation. This target reward mix is based on the value of equity grants, assuming vesting conditions are met and does not necessarily reflect the actual remuneration received by the Executive in the current year.

For those Executives selected to participate in the PRP, the 'at target' component of the Performance Equity Plan is presumed to be delivered in equal proportions via the PSP and the PRP.

The reward mix excludes any awards under the RP, which are made on an individual basis, and separately from the fixed versus variable considerations for each of the Executive levels.

Operation of Incentive Plans

Under all the Executive Incentive Plans operating within Qantas, the CEO may recommend changes to the Plans to the Board. The Board has discretion to amend the operation of the plans as appropriate, given changes in business circumstances or to recognise a particular degree of difficulty or the effects of events external to management, in any year. It is the Board's intention that any such change and its outcome for reward would be disclosed in the relevant Qantas Annual Report.

The Board has instituted a cap on the PCP pool of 200 per cent and a cap on the PSP pool of 120 per cent.

Qantas Code of Conduct & Ethics – Employee Share Trading Policy, Margin Loans and Hedging

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

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

Continuous Improvement

As mentioned above, Qantas regularly reviews all elements of its Executive remuneration philosophy and objectives to ensure they are appropriate from the perspective of governance, disclosure, reward and market conditions.

Summary of Eligibility

Set out below is a summary of each of the elements of remuneration provided to Key Management Personnel:

		Key Management Personnel		
	Elements of Remuneration	Non-Executive Directors	Executive Directors	Executives
Fixed remuneration	Fixed Annual Remuneration	✓	✓	✓
	Superannuation contributions	✓	✓	✓
	Travel entitlements	✓	✓	✓
	Other benefits	✓	✓	✓
Short-term incentives	Performance Cash Plan	–	✓	✓
Medium-term incentives	Performance Share Plan	–	✓	✓
Long-term incentives	Performance Rights Plan	–	✓	✓
	Retention Plan	–	✓	✓
Legacy plans	Executive Director/Senior Manager Long-Term Incentive Plan	–	✓	✓
Post employment/Other Long-term Benefits	End of service payments (discontinued)	–	–	✓
	Travel entitlements	✓	✓	✓

Remuneration Report (Audited) continued

Short-term Employee Benefits

Fixed Annual Remuneration

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

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

Cash FAR, as disclosed in the remuneration tables, is the FAR remaining after salary sacrifice components such as motor vehicles and superannuation have been deducted.

Executives are assumed to use their annual leave benefit in any year and any leave not taken at termination will be reflected in their termination benefit.

Non-Executive Directors

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

FAR and payments to Non-Executive Directors reflect the demands and responsibilities which are made of Non-Executive Directors and reflect the advice of independent remuneration consultants to ensure Non-Executive Director FAR and salary sacrifice payments are appropriate. The level of Non-Executive Director FAR is reviewed annually.

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

Cash Incentives – Performance Cash Plan

Purpose

The PCP is a cash incentive paid to Executives when the Qantas Group's key financial target is achieved over the year.

Approach

A cash pool for PCP awards to Executives is triggered if a threshold level of performance against the Qantas Group financial target is met. This means the Qantas Group financial result for the year is the first hurdle required to be satisfied.

For each participating Executive, the target reward under the PCP is set as a percentage of FAR. This percentage varies according to the Executive's level of responsibility. There is also differentiated distribution of the bonus payment pool to Executives based on individual performance.

Performance Measures and Rationale

Determining Payment Pool

For 2007/08, the financial target was profit before related income tax expense (PBT) adjusted for restructuring charges, the impact of approved accounting policy changes, adjustments for volatility from the mark-to-market of open hedge instruments under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement and any expense or provision required due to freight cartel litigation.The selection of PBT reflects the use of this measure as a key budget and financial measure both at Group and segment level within the Qantas Group.

This single measure applies to all Executives and results in no payment when profitability hurdles are not achieved.

The target is set annually as part of the budgeting process and approved by the Board. At the conclusion of the year, the PBT result is provided to the Board. The Board approves the size of the pool based on these results.

The 'at target' pool, i.e. the amount that would deliver the full PCP award to all participating Executives, is available when the target approved by the Board is met.

The threshold for payment is 75 per cent of target PBT. At the threshold, half of the PCP pool is available for distribution.

In the seven years that the PCP has been in place, the full 'at target' payment has been achieved twice and exceeded three times, with partial payment on one occasion and one year of nil payment.

Determining Individual Payments

Differentiation of payments among Executives based on individual performance is an important part of the approach to performance management at Qantas. The performance of each individual is assessed against their Key Performance Indicators (KPIs) for the year, and an Individual Performance Factor (IPF) assigned at year end. At the beginning of each year, performance objectives are set in the areas of customer service, operational performance, people achievements and financial performance. At the end of the year, each Executive's contribution is assessed against these criteria. Their contribution is also considered relative to other Executives in determining their IPF.

An Executive's actual reward is calculated by multiplying their 'at target' payment by their IPF. IPFs are generally in the range of 0.8 to 1.2 but can be down to 0 or up to 2.0. Across the group, IPFs are targeted to an average of 1, ensuring that differentiation occurs, but without increasing the cost of the bonus pool.

For example, if the Qantas Group PBT target is achieved and the Board awards 100 per cent of the PCP pool, the reward under this Plan for a Manager on a FAR of $120,000 with an 'at target' PCP opportunity of 10 per cent and an IPF 0.9 would be:

$120,000 (FAR)

x 10 per cent ('at target' opportunity)

x 100 per cent (PCP pool if Group target is met)

x 0.9 (IPF based on differentiated assessment)

= $10,800.

Non-cash Benefits

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

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

Concessionary Travel Entitlements

Travel concessions are provided to all permanent Qantas employees, consistent with practice in the airline industry. Travel at concessionary prices is on a sub-load basis, i.e. subject to considerable restrictions and limits on availability. It includes specified direct family members or parties.

In addition to this and consistent with practice in the airline industry, a small number of Directors and Senior Executives and their specified direct family members or parties are entitled to a number of free trips for personal purposes. Eligibility for new participants is generally restricted to members of the Qantas Executive Team.

Remuneration Report (Audited) continued

Short-term Employee Benefits of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008

Set out in the following tables are the Short-term Employee Benefits provided as remuneration for the Key Management Personnel (KMP) and Highest Remunerated Executives during the year:

		Short-term Employee Benefits			
Directors	Year	Cash FAR $	Cash Incentives $	Non-cash Benefits $	Total $
Leigh Clifford,	**2008**	**288,256**[1]	**–**	**6,191**	**294,447**
Chairman (Non-Executive Director from 9 Aug 07 – 30 Jun 08)	2007	n/a	n/a	n/a	n/a
Mike Codd,	**2008**	**173,200**[1]	**–**	**3,328**	**176,528**
Non-Executive Director	2007	101,287	–	34,201	135,488
Peter Cosgrove[2],	**2008**	**172,991**[1]	**–**	**57,272**	**230,263**
Non-Executive Director	2007	83,957	–	51,485	135,442
Patricia Cross,	**2008**	**176,072**[1]	**–**	**61,042**	**237,114**
Non-Executive Director	2007	80,343	–	155,251	235,594
Richard Goodmanson,	**2008**	**4,317**	**–**	**–**	**4,317**
Non-Executive Director (from 19 Jun 08 – 30 Jun 08)	2007	n/a	n/a	n/a	n/a
Garry Hounsell,	**2008**	**214,471**	**–**	**60,213**	**274,684**
Non-Executive Director	2007	217,914	–	78,965	296,879
John Schubert,	**2008**	**187,271**	**–**	**6,412**	**193,683**
Non-Executive Director	2007	167,914	–	6,589	174,503
James Strong,	**2008**	**187,271**	**–**	**33,580**	**220,851**
Non-Executive Director	2007	167,914	–	31,138	199,052
Barbara Ward[3],	**2008**	**15,905**	**–**	**–**	**15,905**
Non-Executive Director (from 19 Jun 08 – 30 Jun 08)	2007	n/a	n/a	n/a	n/a
Geoff Dixon,	**2008**	**2,308,955**[4]	**3,010,286**[5]	**218,412**	**5,537,653**
Chief Executive Officer	2007	2,180,168	2,915,000	259,217	5,354,385
Peter Gregg,	**2008**	**1,329,534**[4]	**1,485,714**[5]	**242,180**	**3,057,428**
Chief Financial Officer and EGM Strategy	2007	1,251,010	1,494,000	213,587	2,958,597
Total – current Directors at 30 June	**2008**	**5,058,243**	**4,496,000**	**688,630**	**10,242,873**
	2007	4,250,507	4,409,000	830,433	9,489,940
Margaret Jackson,	**2008**	**174,197**[1]	**–**	**44,741**	**218,938**
Chairman (1 Jul 07 – 14 Nov 07)	2007	453,388	–	110,911	564,299
Paul Anderson,	**2008**	**139,818**	**–**	**–**	**139,818**
Non-Executive Director (1 Jul 07 – 16 Apr 08)	2007	154,800	–	1,688	156,488
James Packer,	**2008**	**20,795**	**–**	**–**	**20,795**
Non-Executive Director (1 Jul 07 – 31 Aug 07)	2007	118,349	–	–	118,349
Total – Directors during the year ended 30 June	**2008**	**5,393,053**[6]	**4,496,000**	**733,371**	**10,622,424**
	2007	4,977,044	4,409,000	943,032	10,329,076

1 Cash FAR for the Non-Executive Directors is stated after deducting statutory superannuation contributions and the following additional salary sacrificed amounts: $90,153 for Mr Clifford, $41,271 (2007: $92,427) for Mr Codd, $14,280 (2007: $83,957) for General Cosgrove, $11,199 (2007: $86,342) for Mrs Cross and $21,177 (2007: $49,926) for Ms Jackson.

2 General Cosgrove receives payments for services rendered as a Director of Qantas Superannuation Limited.

3 Ms Ward also receives payments for services rendered as a Director of a number of Qantas subsidiary leasing companies. Remuneration reflects payments received for the period 19 June 2008 to 30 June 2008.

4 Mr Dixon's FAR for the year was based on $2,430,000 from 1 July 2007 to 31 December 2007 and $2,630,000 from 1 January 2008 to 30 June 2008 (2007: $2,370,000) less salary sacrificed components of $221,045 (2007: $189,832). Mr Gregg's FAR for the year was based on $1,450,000 from 1 July 2007 to 31 December 2007 and $1,520,000 from 1 January 2008 to 30 June 2008 (2007: $1,412,500) less salary sacrificed components of $155,465 (2007: $161,490).

5 Mr Dixon was paid an additional cash incentive of $214,286 (2007: nil) and Mr Gregg was paid an additional cash incentive of $85,714 (2007: $44,000) during the year.

6 Total Non-Executive Director Cash FAR paid inclusive of additional salary sacrificed elements and travel allowances was $1,932,644 (2007: $1,858,518). Effective 1 July 2007, each Non-Executive Director was paid an annual base fee inclusive of superannuation of $136,000 (2007: $129,000) and the Chairman $544,000 (2007: $516,000) which includes Committee fees. Committee fees for other Non-Executive Directors were $27,200 (2007: $25,800) per Committee Membership and $54,400 (2007: $51,600) per Committee Chairmanship.

Remuneration Report (Audited) continued

Short-term Employee Benefits of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008 continued

		Short-term Employee Benefits			
Other KMP and Highest Remunerated Executives	**Year**	**Cash FAR $**	**Cash Incentives $**	**Non-cash Benefits $**	**Total $**
John Borghetti,	**2008**	**1,146,085**	**1,336,000**	**206,793**	**2,688,878**
EGM Qantas	2007	1,119,474	1,380,000	183,720	2,683,194
Kevin Brown,	**2008**	**722,821**	**674,000**	**213,566**	**1,610,387**
EGM People	2007	673,573	625,000	186,114	1,484,687
David Cox,	**2008**	**641,716**	**451,000**	**139,599**	**1,232,315**
EGM Engineering	2007	607,076	505,000	102,211	1,214,287
Grant Fenn,	**2008**	**740,690**	**642,000**	**210,615**	**1,593,305**
EGM Freight Enterprises	2007	680,113	625,000	210,506	1,515,619
Alan Joyce,	**2008**	**1,092,614**	**1,207,000**	**95,800**	**2,395,414**
CEO Jetstar	2007	778,646	775,000	105,592	1,659,238
Total remuneration for Key Management Executives	**2008**	**4,343,926**	**4,310,000**	**866,373**	**9,520,299**
	2007	3,858,882	3,910,000	788,143	8,557,025

Share-based Payments

Performance Equity Plan

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

The equity benefits under the Performance Equity Plan are delivered under the Terms & Conditions and various rules of the DSP. The DSP Terms & Conditions were initially approved by shareholders at the 2002 AGM. At the 2006 AGM, shareholders again approved the DSP as the vehicle for the provision of equity benefits by Qantas.

Performance Share Plan

Purpose

The PSP is a medium-term deferred share incentive designed to reward Executives when a Balanced Scorecard of key Qantas Group measures (detailed below) is achieved over the year and to encourage retention through a two year deferral period.

Approach

For each participating Executive, the target reward under the plan is set as a percentage of FAR. This percentage varies according to the Executive's level of responsibility.

On an annual basis, the Qantas Board approves awards under the PSP based on the achievement by the Qantas Group against the Balanced Scorecard of Customer, Operational, People and Financial measures. Each measure is assessed separately for performance against target and threshold. There is also differentiated distribution of the pool to Executives based on the IPF.

Shares are purchased on-market or issued and are held subject to a holding lock for 10 years. However, Executives can call for the deferred shares prior to the expiration of the holding lock, but not before the end of one year from the completion of the performance period for up to half of the deferred shares and the end of two years in relation to the remaining deferred shares. The mandatory minimum holding lock periods provide this Plan with its medium-term focus on share price.

Any dividends paid on the deferred shares during the holding lock period will be distributed to the relevant Executive.

Generally, any deferred shares which remain subject to the holding lock will be forfeited if the relevant Executive ceases employment with the Qantas Group.

Performance Measures and Rationale

For 2007/08, the PSP target was a Balanced Scorecard of Customer, Operational, People and Financial measures. Customer satisfaction is measured by reference to an external Skytrax survey. The operational performance (punctuality) is measured against an on-time arrivals target. People performance is measured against a Lost Time Injury Frequency Rate target. Financial performance uses an internal unit cost reduction measure.

The Balanced Scorecard performance criteria aim to align Executive remuneration with the key value drivers for the Qantas Group and complement the short-term financial targets which are the focus of the PCP. The targets are set by the Qantas Board annually at the start of the year.

At the conclusion of the year, the Balanced Scorecard results are provided to the Qantas Board so it can make an assessment as to whether the targets have been met and whether the deferred shares are subsequently granted.

Determining Payment Pool

The 'at target' pool, i.e. the amount that would deliver the full PSP award to all participating Executives, is available when the Balanced Scorecard targets approved by the Qantas Board are met.

Determining Individual Payments

Each individual's 'at target' payment is determined by Qantas Group performance and the pool awarded as described above. An Executive's actual reward is calculated by multiplying their 'at target' PSP award by their IPF.

The grant date and number of deferred shares awarded to KMP are outlined on page 126 and 127.

Performance Rights Plan

Purpose

The PRP is the long-term element of the Performance Equity Plan. It has been implemented as a reward program that aligns the interests of participating Executives with the longer-term interests of shareholders. It also helps to retain participating Executives.

Remuneration Report (Audited) continued

Performance Rights Plan continued

Approach

Annual grants of Rights are awarded to selected individuals. Subject to achievement against the three year performance hurdle relating to each grant, the Rights may be converted (on a one-for-one basis) to Qantas shares. Shares are purchased on-market or issued.

Performance Measures and Rationale

2004/05, 2005/06 and 2006/07 Awards

The performance hurdle set by the Qantas Board for these awards is the TSR of Qantas over the performance period in comparison to:

- companies with ordinary shares included in the S&P/ASX 100 Index at the date of each respective grant (excluding Qantas) in relation to one half of the Rights; and
- a basket of global listed airlines comprising Air France-KLM, Air New Zealand, AMR Corporation (American Airlines), British Airways, Cathay Pacific, Delta Airlines[1], Japan Airlines, Lufthansa, Ryanair, Singapore Airlines, Southwest Airlines and Virgin Blue in relation to the other half of the Rights.

The S&P/ASX 100 Index represents the broader Australian market, while the basket of global airlines represents a mix of Qantas' competitors.

TSR testing for the 2004/05 award is being performed quarterly over the two years from 30 June 2007 until 30 June 2009, or until the tests indicate that full vesting has been achieved. This reflects the Plan conditions outlined to shareholders when approval was obtained for awards to Executive Directors in October 2004. TSR testing for the 2005/06 award commenced on 30 June 2008. As at 30 June 2008, 80 per cent of the performance hurdle set by the Qantas Board under the 2004/05 award has been achieved with 72.5 per cent achieved under the 2005/06 award.

Similarly, TSR testing for the 2006/07 awards occurs during the period between three and five years from award, in accordance with the conditions of the awards approved by shareholders.

Testing over these timeframes recognises that Qantas is exposed to a high degree of business and share price volatility compared to many other major Australian companies. As the award date remains the base point for comparison, it ensures that there is no reduction in the rigour of the performance requirement.

The performance hurdle will be considered satisfied in accordance with the following table:

Qantas TSR Performance Compared to the Relevant Peer Group	Satisfaction of the Performance Hurdle Relating to Each Half of the Rights
0 to 49th percentile	Nil
50th to 74th percentile	50% – 99%
75th to 100th percentile	100%

The Qantas Board resolved at its October 2005 Meeting that it will not exercise its discretion in relation to the performance hurdle for the 25th to 49th percentile.

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

2007/08 Awards

Following a review of the performance hurdles applicable to awards of Performance Rights, the Qantas Board at its December 2007 Meeting finalised the hurdles for the 2007/08 awards.

The relative TSR measure in comparison to companies with ordinary shares included in the S&P/ASX 100 Index (as outlined above) was retained in relation to one half of the award of 2007/08 Rights. Testing of the hurdle occurs on a bi-annual basis during the period between three and five years from award. There is no relaxation of the rigour of the performance requirement.

In relation to the other half of the Rights, the Qantas Board set an EPS hurdle expressed as a compound annual growth rate (CAGR) target which is assessed at the end of three years.

By adopting these dual hurdles, Qantas has a framework that relates reward to shareholder returns relative to other major Australian companies as well as the earnings achieved by management against a challenging long-term target.

The vesting scale for Rights based on Qantas EPS growth is outlined in the below table:

EPS Performance vs Target	EPS CAGR	Satisfaction of the Performance Hurdle
EPS result below threshold	Below 9.5%	Nil
EPS result between threshold and stretch target	9.5% to 12.4%	Linear scale: 50% to 99% satisfied
EPS result at or above stretch target	12.5% or above	100% satisfied

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

Any Rights which have not vested will lapse if the relevant Executive ceases employment with the Qantas Group, except in special circumstances where Remuneration Committee approval would be sought. Rights will also lapse if the Executive is guilty of gross misconduct.

The grant dates and number of Rights awarded to KMP is outlined on page 128.

Retention Plan

The Qantas Board regularly reviews Qantas' talent needs for achieving its long-term business objectives. It has implemented a Retention Plan with a required service period. The Retention Plan is focused on less than 1 per cent of Executives whose roles and contribution are identified as critical to the continued success of the Qantas Group. The award to any individual under the Retention Plan can be delivered either in deferred shares or by way of a deferred cash payment. Satisfactory performance, which involves achievement of personal KPIs set during the period, is a further requirement under this Plan. The most recent of these were the awards approved by Shareholders at the 2007 AGM to the Executive Directors.

The vesting schedule for the awards made under the Retention Plan means that 2007/08 is the year in which the majority of grant value of the award is recognised under accounting rules. This is the primary reason for the increase in disclosed value of Share-based Payments for 2007/08. The 2007/08 accounting accrual of the 2006/07 Retention Plan award is substantially higher than the accrual that will be incurred in 2008/09, as reflected in the table set out on page 69.

The grant dates and number of shares awarded to KMP is outlined on page 127.

1 Delta Airlines is excluded from the airline basket for the 2006/07 award as in September 2005 Delta Airlines filed voluntary petitions for reorganisation under Chapter 11 of the US Bankruptcy Code.

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Employee Share Ownership Plan

The Employee Share Ownership Plan allows Directors and employees to purchase shares at no discount to market price on a salary sacrifice basis, and operates under the Terms & Conditions of the DSP. After an initial offering in 2006/07, this Plan was suspended in December 2006 and was re-instated in August 2007 for Non-Executive Directors.

Share-based Payments of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008

Set out in the following tables are the Share-based Payment remuneration for the KMP and Highest Remunerated Executives during the year:

		Equity Settled					
Executive Directors	**Year**	**PSP $**	**PRP $**	**Exec Director LTI $**	**RP $**	**Total $**	**Supplemental Market Value at Year End $**
Geoff Dixon,	**2008**	**1,275,836**	**656,044**	**–**	**4,455,383**	**6,387,263**	**3,855,843**
Chief Executive Officer	2007	532,843	622,500	–	–	1,155,343	1,488,505
Peter Gregg,	**2008**	**465,704**	**281,576**	**–**	**2,232,478**	**2,979,758**	**1,990,902**
Chief Financial Officer and EGM Strategy	2007	319,706	219,094	27,174	465,050	1,031,024	1,385,871
Total	**2008**	**1,741,540**	**937,620**	**–**	**6,687,861**	**9,367,021**	**5,846,745**
	2007	852,549	841,594	27,174	465,050	2,186,367	2,874,376

		Equity Settled					
Other KMP and Highest Remunerated Executives	**Year**	**PSP $**	**PRP $**	**Sen Mgr LTI $**	**RP $**	**Total $**	**Supplemental Market Value at Year End $**
John Borghetti,	**2008**	**465,704**	**236,571**	**–**	**2,101,577**	**2,803,852**	**1,999,512**
EGM Qantas	2007	288,858	170,353	46,800	430,317	936,328	1,382,979
Kevin Brown,	**2008**	**123,218**	**134,233**	**–**	**1,835,788**	**2,093,239**	**1,493,533**
EGM People	2007	136,950	105,368	35,100	376,527	653,945	972,062
David Cox,	**2008**	**101,584**	**109,827**	**–**	**1,835,788**	**2,047,199**	**1,454,143**
EGM Engineering	2007	115,868	95,321	17,786	376,527	605,502	910,418
Grant Fenn,	**2008**	**123,218**	**134,233**	**–**	**1,835,788**	**2,093,239**	**1,493,533**
EGM Freight Enterprises	2007	136,950	109,338	35,100	376,527	657,915	976,033
Alan Joyce,	**2008**	**138,572**	**146,209**	**–**	**2,036,130**	**2,320,911**	**1,632,195**
CEO Jetstar	2007	142,861	101,397	17,786	376,527	638,571	949,986
Total	**2008**	**952,296**	**761,073**	**–**	**9,645,071**	**11,358,440**	**8,072,916**
	2007	821,487	581,777	152,572	1,936,425	3,492,261	5,191,478

Under Accounting Standards, the value of a Share-based Payment is determined at grant date and recognised over the vesting period. No allowance is made when recognising the value of these awards for any movement in the share price after grant date before vesting conditions are met and the Executive becomes entitled to the shares. The volume weighted share price used to determine the accounting value of grants issued under the RP to Executive Directors in 2008 was $5.82 (and to other Executives in 2008 was $5.45). The supplemental market value at year end of Share-based Payments is based on the closing share price at 30 June 2008 of $3.04 and for 2006/07 the closing share price at 29 June 2007 of $5.60 as a substitute for the volume weighted share price determined at grant date.

At the 2007 AGM, shareholders approved grants under the RP to the CEO and CFO. Details of these awards, including vesting periods, were detailed in the 2007 AGM Notice of Meeting. The reported equity values for the Executive Directors are significantly higher than prior years as a result of these awards.

Post-Employment and Other Long-term Benefits

Superannuation

Statutory, salary sacrifice or defined benefit superannuation payments are made on behalf of Executives.

Travel

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

Travel concessions are also available post-employment for staff who qualify through retirement or redundancy.

Remuneration Report (Audited) continued

Post-Employment and Other Long-term Benefits continued

End of Service Payments

The approach adopted since 2006 has been to have ongoing contracts of employment for all Executives with no end of contract payments.

For Executives appointed to senior roles, fixed-term contracts of up to five years were, until 2004, agreed on appointment. In some cases, the contracts of these Executives provided for a service payment, after completion of the fixed-term contract.

Where the service period has been completed and a new ongoing contract signed, the Executive may request settlement of the service payment.

Termination Payments

Qantas will honour the contractual and statutory entitlements of its Executives on termination. Additional payments to terminating Executives may be made to a reasonable level where legal or other considerations make it appropriate to do so. In all cases, an appropriate release agreement must be signed.

Other Long-term Benefits

Other long-term benefits include the accrual of long service leave for Executives.

Post-Employment and Other Long-term Benefits of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008

Set out in the following tables are the Post-Employment and Other Long-term Benefits provided as remuneration for the KMP and Highest Remunerated Executives during the year:

		Post-Employment Benefits			Other Long-term Benefits		
Directors	**Year**	**Super-annuation $**	**Travel $**	**Total $**	**End of Service $**	**Other $**	**Total $**
Leigh Clifford,	**2008**	**100,000**	**17,500**	**117,500**	**–**	**–**	**–**
Chairman (Non-Executive Director from 9 Aug 07 – 30 Jun 08)	2007	n/a	n/a	n/a	n/a	n/a	n/a
Mike Codd,	**2008**	**54,400**	**8,245**	**62,645**	**–**	**–**	**–**
Non-Executive Director	2007	105,113	7,350	112,463	–	–	–
Peter Cosgrove,	**2008**	**13,129**	**8,245**	**21,374**	**–**	**–**	**–**
Non-Executive Director	2007	96,643	7,350	103,993	–	–	–
Patricia Cross,	**2008**	**13,129**	**8,245**	**21,374**	**–**	**–**	**–**
Non-Executive Director	2007	42,385	7,350	49,735	–	–	–
Richard Goodmanson	**2008**	**–**	**8,245**	**8,245**	**–**	**–**	**–**
Non-Executive Director (from 19 Jun 08 – 30 Jun 08)	2007	n/a	n/a	n/a	n/a	n/a	n/a
Garry Hounsell,	**2008**	**13,129**	**8,245**	**21,374**	**–**	**–**	**–**
Non-Executive Director	2007	12,686	7,350	20,036	–	–	–
John Schubert,	**2008**	**13,129**	**8,245**	**21,374**	**–**	**–**	**–**
Non-Executive Director	2007	12,686	7,350	20,036	–	–	–
James Strong,	**2008**	**13,129**	**8,245**	**21,374**	**–**	**–**	**–**
Non-Executive Director	2007	12,686	7,350	20,036	–	–	–
Barbara Ward,	**2008**	**881**	**8,245**	**9,126**	**–**	**–**	**–**
Non-Executive Director (from 19 Jun 08 – 30 Jun 08)	2007	n/a	n/a	n/a	n/a	n/a	n/a
Geoff Dixon,	**2008**	**77,775**	**36,000**	**113,775**	**–**	**132,915**	**132,915**
Chief Executive Officer	2007	67,058	32,400	99,458	–	98,065	98,065
Peter Gregg,	**2008**	**36,000**	**36,000**	**72,000**	**–**	**71,188**	**71,188**
Chief Financial Officer and EGM Strategy	2007	36,000	32,400	68,400	–	99,039	99,039
Total – current Directors at 30 June	**2008**	**334,701**	**155,460**	**490,161**	**–**	**204,103**	**204,103**
	2007	385,257	108,900	494,157	–	197,104	197,104
Margaret Jackson,	**2008**	**6,565**	**17,500**	**24,065**	**–**	**–**	**–**
Chairman (1 Jul 07 – 14 Nov 07)	2007	12,686	15,700	28,386	–	–	–
Paul Anderson,	**2008**	**–**	**8,245**	**8,245**	**–**	**–**	**–**
Non-Executive Director (1 Jul 07 – 16 Apr 08)	2007	–	7,350	7,350	–	–	–
James Packer,	**2008**	**1,872**	**8,245**	**10,117**	**–**	**–**	**–**
Non-Executive Director (1 Jul 07 – 31 Aug 07)	2007	10,651	7,350	18,001	–	–	–
Total – Directors during the year ended 30 June	**2008**	**343,138**	**189,450**	**532,588**	**–**	**204,103**	**204,103**
	2007	408,594	139,300	547,894	–	197,104	197,104

Remuneration Report (Audited) continued

Post-Employment and Other Long-term Benefits of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008 continued

		Post-Employment Benefits			Other Long-term Benefits		
Other KMP and Highest Remunerated Executives	Year	Super-annuation $	Travel $	Total $	End of Service $	Other $	Total $
John Borghetti,	**2008**	**182,599**[1]	**17,500**	**200,099**	**–**	**83,841**	**83,841**
EGM Qantas	2007	159,389	15,700	175,089	196,500	90,812	287,312
Kevin Brown,	**2008**	**41,200**	**17,500**	**58,700**	**65,000**	**30,945**	**95,945**
EGM People	2007	42,385	15,700	58,085	53,333	20,000	73,333
David Cox,	**2008**	**42,520**	**17,500**	**60,020**	**–**	**36,588**	**36,588**
EGM Engineering	2007	42,385	15,700	58,085	–	17,000	17,000
Grant Fenn,	**2008**	**40,008**	**17,500**	**57,508**	**65,000**	**43,360**	**108,360**
EGM Freight Enterprises	2007	42,385	15,700	58,085	–	20,000	20,000
Alan Joyce,	**2008**	**13,129**	**17,500**	**30,629**	**280,000**	**72,247**	**352,247**
CEO Jetstar	2007	42,385	15,700	58,085	250,000	58,068	308,068
Total	**2008**	**319,456**	**87,500**	**406,956**	**410,000**	**266,981**	**676,981**
	2007	328,929	78,500	407,429	499,833	205,880	705,713

1 Superannuation benefits for Mr Borghetti are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 Employee Benefits.

Remuneration Report (Audited) continued

Remuneration of Key Management Personnel for the Year Ended 30 June 2008

	Performance Related Remuneration				FAR and Other[1]	Total
	Cash-based	Equity-based				
Remuneration Components as a Proportion of Total Remuneration	PCP	PSP & RP	PRP	Total		
Geoff Dixon	25%	47%	5%	77%	23%	**100%**
Peter Gregg	24%	44%	5%	73%	27%	**100%**
John Borghetti	23%	44%	4%	71%	29%	**100%**
Kevin Brown	18%	51%	4%	73%	27%	**100%**
David Cox	13%	57%	3%	73%	27%	**100%**
Grant Fenn	17%	51%	4%	72%	28%	**100%**
Alan Joyce	24%	43%	3%	70%	30%	**100%**

1 Other remuneration consists of travel entitlements, the annual accrual of end of service payments and other benefits.

The total percentages are derived from the remuneration tables on pages 63 to 68. As the remuneration table is prepared on an accrual basis and the equity benefit is valued at grant date in accordance with Accounting Standards, the percentages disclosed do not reflect the annual allocation of performance related remuneration. To understand the target annual reward mixes of each of the Executives, refer to page 61.

The following information is provided in respect of the vesting and forfeiture of performance related remuneration during the year:

Performance Cash Plan vesting
Performance Cash Plan payments to KMP (granted on 20 August 2008) were fully vested in 2007/08.

Performance Share Plan vesting
50 per cent of PSP awards to KMP, unless forfeited, will vest in the year of grant and 50 per cent will vest the following year.

Awards under the 2008 Performance Share Plan (granted on 20 August 2008) had nil vesting and nil forfeiture in 2007/08.

Awards made under the following plans had 50 per cent vesting in 2007/08, with nil forfeiture: 2006 Performance Share Plan (granted 22 August 2006), the 2006 Executive Director Performance Share & Performance Rights Plan (granted 22 August 2006), 2007 Performance Share Plan (granted 15 August 2007) and the 2007 Executive Director Performance Share & Performance Rights Plan (granted 15 August 2007).

Performance Rights Plan vesting
Subject to achievement against the performance hurdles relating to each grant, the Rights may be converted (on a one-for-one basis) to Qantas shares. Testing of the performance hurdle occurs between three and five years from the award date. At the conclusion of the test period, any Rights that have not achieved the performance hurdle will be forfeited.

Awards under the following plans had nil vesting and nil forfeiture in 2007/08: 2005 Performance Rights Plan (granted 17 August 2005), 2005 Executive Director Performance Share & Performance Rights Plan (granted 17 August 2005), 2006 Performance Rights Plan (granted 22 August 2006), 2006 Executive Director Performance Share & Performance Rights Plan (granted 19 October 2006), 2007 Performance Rights Plan (granted 12 December 2007) and the 2007 Executive Director Performance Share & Performance Rights Plan (granted 12 December 2007).

Retention Plan vesting
Awards under the following plans had nil vesting and nil forfeiture in 2007/08: 2006 Retention Plan (granted 16 August 2006), 2006 Retention Plan – Peter Gregg Award (granted 19 October 2006), 2007 Retention Plan (granted 15 August 2007) and 2007 Retention Plan – Peter Gregg Award (granted 14 November 2007). Awards under these plans are scheduled to vest during 2008/09 and 2009/10.

Awards made to Geoff Dixon under the 2007 Retention Plan – Geoff Dixon Award (granted 14 November 2007) had 25% vesting and nil forfeiture in 2007/08.

Performance Remuneration Affecting Future Periods

	2009 $	2010 $	2011 $
Geoff Dixon	3,608,170	783,394	–
Peter Gregg	2,098,672	473,283	–
John Borghetti	1,708,645	533,670	–
Kevin Brown	1,269,046	389,895	–
David Cox	1,183,666	354,733	–
Grant Fenn	1,261,007	387,072	–
Alan Joyce	1,469,919	465,959	–

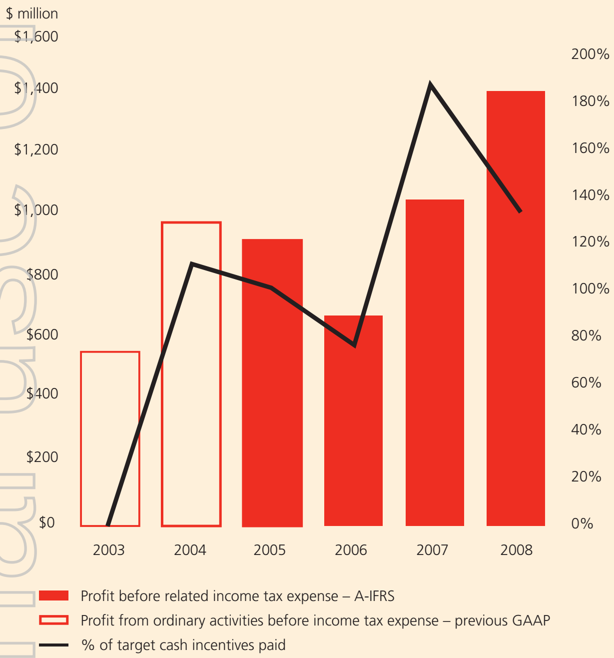
Performance remuneration granted under the Performance Equity Plan for the 2007/08 year provides remuneration in future years. The maximum value has been determined at grant date based on anticipated performance hurdles and amortised in accordance with AASB 2 Share-based Payment. The minimum value of the grant is nil should performance conditions not be satisfied. Performance remuneration granted in prior years has been included in the above disclosure. This disclosure includes the 2008 final dividend payable on 1 October 2008 (and any related distributions payable by the Qantas DSP Trustee) but does not include future dividends yet to be declared.

Remuneration Report (Audited) continued

Summary of Performance Conditions

Link between Remuneration Policy and Qantas' performance

The graph on the left below shows Qantas' full-year profit before related income tax expense and the percentage of target cash incentives that were paid to Executives over the past six financial years. The graph on the right below shows Qantas' TSR performance compared to the S&P/ASX 100 Index and the MSCI World Airline Index over the past six years.



Relationship between Fixed Annual Remuneration and Qantas' Performance

An individual's FAR is not related to Qantas' performance in a specific year.

Relationship between Cash Incentives and Qantas' Performance

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

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

The 2007/08 cash incentives were paid, having been approved for payment on 20 August 2008, at 135 per cent of 'at target' opportunity.

Relationship between Employee Equity and Qantas' Performance

Allocations under the 2007/08 PSP are dependent on the corporate performance of Qantas against a Balanced Scorecard. One hundred per cent of the target level of performance shares were awarded to Executives in 2003/04 and 2004/05, 95 per cent of the target level of performance shares were awarded to Executives in 2005/06 and 80 per cent of the target level for 2006/07. For 2007/08, the Qantas Board assessed 91 per cent achievement on the Balanced Scorecard and awarded 91 per cent of the target level of performance shares to Executives.

Since 2004, the link between reward under the PRP and Qantas' performance has been established in terms of TSR performance against the S&P/ASX 100 Index and a basket of international airlines. For 2007/08, the Qantas Board has introduced a long-term EPS target as outlined on page 65. Vesting under the long-term equity program will depend on Qantas' performance on TSR against the S&P/ASX 100 Index and extent of achievement of the EPS target.

Remuneration Report (Audited) continued

Summary of Key Contract Terms

Non-Executive Directors

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

Executive Directors

The key contract and other terms of the Executive Directors are set out below:

Contract Details	Geoff Dixon	Peter Gregg
Length of existing contract	Ongoing	Ongoing
Fixed Annual Remuneration	$2,430,000 (1 Jul 07 – 31 Dec 07) $2,630,000 (from 1 Jan 08)	$1,450,000 (1 Jul 07 – 31 Dec 07) $1,520,000 (from 1 Jan 08)
	FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.	
Termination of employment	Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if, in the opinion of the CEO (or the Qantas Board in the case of the CEO), the Executive is or has been engaged in serious misconduct, becomes bankrupt or makes an arrangement or composition with creditors or wilfully and persistently breaches their employment contract.	
	Termination with notice: employment can be terminated during the contract period with 12 months written notice.	
	Voluntary termination: voluntary termination requires written notice of six months.	
Equity awards	Equity awards are issued on the same basis as awards to other Qantas Executives, and are governed by the Terms & Conditions of the DSP and the Rules approved for each grant. Generally, any Rights which have not vested lapse on cessation of employment. Mr Dixon's employment agreement provides that, at termination, unvested Rights awarded under the PRP will remain in force (as if the CEO was remaining in employment), subject to both of the following conditions: • if termination is initiated by Qantas, there will be a pro rata continuation of awards at termination for the parts of the performance period served under each award; and • any awards where less than 18 months of the performance period relating to that award has been served will lapse. This approach reflects practice for Chief Executive Officers in certain S&P/ASX 50 Index companies. No vesting is allowed on long-term equity awards where less than 18 months of the performance period has been served.	
Travel entitlements	Available to the Executive and eligible beneficiaries: Each calendar year whilst employed and post employment:	
	• four international trips • 12 domestic trips	• four international trips • 12 domestic trips
Performance Cash Plan	Target of 75% of FAR	Target of 65% of FAR
	Actual PCP may be greater than or less than the target amount as determined by the Qantas Board to reflect achievement of personal KPIs.	

Remuneration Report (Audited) continued

Summary of Key Contract Terms continued

Key Management Personnel

Contract Details	John Borghetti	Kevin Brown	David Cox	Grant Fenn	Alan Joyce
Existing contract end date	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	$1,380,000 (from 1 Jul 07 – 31 Dec 07) $1,450,000 (from 1 Jan 08)	$865,000	$715,000	$865,000	$1,050,000 (from 1 Jul 07 – 31 Dec 07) $1,250,000 (from 1 Jan 08)
	FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.				
End of service payments	Expressed as number of months FAR if completed at least five years service under a fixed contract. Paid at conclusion of employment with Qantas or at the request of the Executive.				
	n/a	n/a	n/a	12 months	12 months
Termination of employment	Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if, in the opinion of the CEO, the Executive is or has been engaged in serious misconduct, becomes bankrupt or makes an arrangement or composition with creditors or wilfully and persistently breaches their employment contract.				
	Termination with notice: employment can be terminated during the contract period with 12 months written notice or payment in lieu.				
	Mr Brown is entitled to six months FAR if his employment is not required by an incoming CEO or he is offered a position which is significantly diminished in terms of responsibility.				
Travel entitlements	Available to the Executive and eligible beneficiaries between two and four international and six and 12 domestic trips per annum, at no cost to the individual. Post employment, the entitlements are two international and six domestic trips.				
Performance Cash Plan	Target of 65% of FAR	Target of 55% of FAR	Target of 55% of FAR	Target of 55% of FAR	Target of 65% of FAR
	Actual PCP may be greater than or less than the target amount, as determined by the Remuneration Committee, to reflect achievement of personal KPIs.				

Environmental Obligations

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

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

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

Indemnities and Insurance

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

The Directors listed on pages 42 to 45 and the Secretary of Qantas, being Cassandra Hamlin, have the benefit of the indemnity in the Qantas Constitution. Members of the Qantas Executive Team listed on page 45 have the benefit of an indemnity to the fullest extent permitted by law and as approved by the Board of Directors. In respect of non-audit services, KPMG, Qantas' auditor, has the benefit of an indemnity to the extent KPMG reasonably relies on information provided by Qantas which is false, misleading or incomplete. No amount has been paid under any of these indemnities during 2007/08 or to the date of this Report.

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

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

Non-audit Services

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

The Directors are satisfied that:

a. the non-audit services provided during the 2007/08 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001; and

b. any non-audit services provided during the 2007/08 financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

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

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

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

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

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Qantas Airways Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008, there have been:

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

KPMG

KPMG

Martin Sheppard

Martin Sheppard
Partner

Sydney, 22 September 2008

Rounding

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

Signed pursuant to a Resolution of the Directors:

Leigh Clifford
Chairman

22 September 2008

Geoff Dixon
Chief Executive Officer

Income Statements

for the year ended 30 June 2008

		Qantas Group		Qantas	
Sales and Other Income	**Notes**	**2008 $M**	2007[1] $M	**2008 $M**	2007[1] $M
Net passenger revenue		**12,664.4**	11,920.1	**10,335.9**	10,092.1
Net freight revenue		**947.3**	902.5	**687.9**	902.0
Tours and travel revenue	3	**745.8**	775.1	**5.1**	–
Contract work revenue	3	**453.5**	434.3	**309.5**	348.6
Other		**1,380.9**	1,028.4	**2,102.7**	1,244.3
Sales and other income	3, 4	**16,191.9**	15,060.4	**13,441.1**	12,587.0
Expenditure					
Manpower and staff related		**3,533.4**	3,334.7	**2,778.7**	2,715.2
Aircraft operating variable		**2,588.1**	2,608.4	**2,240.3**	2,373.2
Fuel		**3,602.1**	3,336.8	**2,988.0**	2,927.0
Selling and marketing		**755.6**	691.8	**675.0**	649.2
Property		**346.4**	350.5	**287.4**	309.0
Computer and communication		**382.4**	319.5	**309.0**	267.9
Tours and travel		**608.4**	641.7	**–**	–
Capacity hire		**269.8**	303.2	**176.8**	348.2
Ineffective and non-designated derivatives – closed positions	25	**42.8**	67.6	**42.8**	67.6
Other		**847.0**	644.7	**628.0**	513.9
Depreciation and amortisation	3	**1,469.3**	1,362.7	**1,309.6**	1,266.8
Non-cancellable operating lease rentals		**399.9**	415.3	**366.2**	442.9
Share of net profit of associates and jointly controlled entities	14	**(27.6)**	(46.5)	**–**	–
Expenditure		**14,817.6**	14,030.4	**11,801.8**	11,880.9
Operating result		**1,374.3**	1,030.0	**1,639.3**	706.1
Ineffective and non-designated derivatives – open positions	25	**(12.3)**	(54.1)	**(12.3)**	(54.1)
Profit before related income tax expense and net finance income/(costs)	3	**1,362.0**	975.9	**1,627.0**	652.0
Finance income	3,5	**284.7**	244.0	**254.6**	226.6
Finance costs	5	**(239.1)**	(254.8)	**(267.5)**	(268.2)
Net finance income/(costs)		**45.6**	(10.8)	**(12.9)**	(41.6)
Profit before related income tax expense	3	**1,407.6**	965.1	**1,614.1**	610.4
Income tax expense	6	**(437.9)**	(292.3)	**(305.9)**	(197.1)
Profit for the year	3	**969.7**	672.8	**1,308.2**	413.3
Attributable to:					
Members of Qantas	26	**969.0**	672.6	**1,308.2**	413.3
Minority interest		**0.7**	0.2	**–**	–
Profit for the year		**969.7**	672.8	**1,308.2**	413.3
Earnings per share attributable to members of Qantas:					
Basic earnings per share (cents)	8	**50.2**	34.0		
Diluted earnings per share (cents)	8	**50.2**	34.0		
Dividend per share (cents)	9	**33.0**	26.0		

1 Comparatives have been restated following the early adoption of Interpretation 13 Customer Loyalty Programmes (Interpretation 13). Refer to Note 2 for further details.

Balance Sheets

as at 30 June 2008

		Qantas Group		Qantas	
Current Assets	Notes	2008 $M	2007[1] $M	2008 $M	2007[1] $M
Cash and cash equivalents	10	**2,599.0**	3,362.9	**2,461.0**	3,409.3
Receivables	11	**1,434.9**	1,376.8	**2,705.3**	1,214.0
Other financial assets	25	**1,076.0**	558.2	**1,078.0**	558.2
Inventories	12	**215.7**	180.3	**163.0**	124.1
Assets classified as held for sale	13	**41.1**	5.4	**27.6**	1.8
Other		**249.5**	103.8	**227.5**	91.8
Total current assets		**5,616.2**	5,587.4	**6,662.4**	5,399.2
Non-current Assets					
Receivables	11	**531.8**	372.7	**784.9**	1,155.9
Other financial assets	25	**346.8**	472.3	**346.8**	472.3
Investments accounted for using the equity method	14	**403.8**	372.6	**–**	–
Other investments	15	**3.1**	3.1	**552.8**	580.0
Property, plant and equipment	16	**12,341.0**	12,308.3	**10,834.2**	10,970.1
Intangible assets	17	**448.4**	365.9	**299.2**	233.1
Deferred tax assets	18	**0.6**	0.3	**–**	–
Other		**8.4**	11.1	**8.3**	10.8
Total non-current assets		**14,083.9**	13,906.3	**12,826.2**	13,422.2
Total assets	3	**19,700.1**	19,493.7	**19,488.6**	18,821.4
Current Liabilities					
Payables	19	**2,173.9**	2,005.7	**2,598.6**	2,207.5
Revenue received in advance	20	**3,267.2**	3,049.3	**2,894.6**	2,775.4
Interest-bearing liabilities	21	**587.2**	863.7	**664.0**	920.0
Other financial liabilities	25	**959.9**	337.2	**959.9**	334.3
Provisions	22	**483.7**	500.4	**416.9**	436.0
Current tax liabilities		**113.1**	153.6	**110.7**	151.6
Deferred lease benefits/income		**18.9**	29.3	**15.0**	25.5
Total current liabilities		**7,603.9**	6,939.2	**7,659.7**	6,850.3
Non-current Liabilities					
Revenue received in advance	20	**1,082.6**	1,049.7	**1,082.6**	1,049.7
Interest-bearing liabilities	21	**3,572.8**	4,210.9	**3,963.9**	4,648.4
Other financial liabilities	25	**475.6**	702.3	**475.6**	702.3
Provisions	22	**423.6**	445.3	**377.3**	403.2
Deferred tax liabilities	18	**756.8**	437.5	**767.2**	444.8
Deferred lease benefits/income		**49.9**	69.0	**44.8**	60.4
Total non-current liabilities		**6,361.3**	6,914.7	**6,711.4**	7,308.8
Total liabilities	3	**13,965.2**	13,853.9	**14,371.1**	14,159.1
Net assets		**5,734.9**	5,639.8	**5,117.5**	4,662.3
Equity					
Issued capital	23	**3,975.5**	4,481.2	**3,975.5**	4,481.2
Treasury shares		**(61.0)**	(32.6)	**(61.0)**	(32.6)
Reserves	23	**454.3**	148.2	**474.4**	148.6
Retained earnings		**1,362.4**	1,038.1	**728.6**	65.1
Equity attributable to members of Qantas		**5,731.2**	5,634.9	**5,117.5**	4,662.3
Minority interest		**3.7**	4.9	**–**	–
Total equity		**5,734.9**	5,639.8	**5,117.5**	4,662.3

1 Comparatives have been restated following the early adoption of Interpretation 13 Customer Loyalty Programmes (Interpretation 13). Refer to Note 2 for further details.

Statements of Changes in Equity

for the year ended 30 June 2008

Qantas Group	Issued Capital $M	Treasury Shares $M	Employee Compensation Reserve $M	Hedge Reserve $M	Fair Value Reserve $M	Asset Revaluation Reserve $M	Foreign Currency Translation Reserve $M	Retained Earnings $M	Minority Interest $M	Total Equity $M
Balance as at 1 July 2006	4,382.2	(23.8)	23.7	332.2	(35.4)	4.0	4.8	1,388.5	4.9	6,081.1
Impact of initial adoption of Interpretation 13	–	–	–	–	–	–	–	(508.4)	–	(508.4)
Restated balance	4,382.2	(23.8)	23.7	332.2	(35.4)	4.0	4.8	880.1	4.9	5,572.7
Profit for the year	–	–	–	–	–	–	–	672.6	0.2	672.8
Transfer of hedge reserve to the Income Statement[1]	–	–	–	9.7	–	–	–	–	–	9.7
Recognition of effective cash flow hedges on capitalised assets	–	–	–	41.2	–	–	–	–	–	41.2
Effective portion of changes in fair value of cash flow hedges	–	–	–	(263.1)	–	–	–	–	–	(263.1)
Change in fair value of assets available for sale	–	–	–	–	36.9	–	–	–	–	36.9
Foreign exchange impact of fair value reserve transferred to foreign currency translation reserve	–	–	–	–	(1.5)	–	1.5	–	–	–
Foreign currency translation of controlled entities	–	–	–	–	–	–	(9.1)	–	(0.4)	(9.5)
Acquisition of controlled entity	–	–	–	–	–	–	–	–	1.2	1.2
Own shares acquired	–	(24.5)	–	–	–	–	–	–	–	(24.5)
Shares vested to employees	–	15.7	(13.9)	–	–	–	–	(1.8)	–	–
Share-based payments	–	–	17.2	–	–	–	–	–	–	17.2
Dividends declared	99.0	–	–	–	–	–	–	(512.8)	(1.0)	(414.8)
Balance as at 30 June 2007	4,481.2	(32.6)	27.0	120.0	–	4.0	(2.8)	1,038.1	4.9	5,639.8
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**969.0**	**0.7**	**969.7**
Shares bought back	**(505.7)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(505.7)**
Transfer of hedge reserve to the Income Statement[1]	**–**	**–**	**–**	**(208.8)**	**–**	**–**	**–**	**–**	**–**	**(208.8)**
Recognition of effective cash flow hedges on capitalised assets	**–**	**–**	**–**	**71.7**	**–**	**–**	**–**	**–**	**–**	**71.7**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**437.8**	**–**	**–**	**–**	**–**	**–**	**437.8**
Share of movement in jointly controlled entity's hedge reserve	**–**	**–**	**–**	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.2**
Foreign currency translation of controlled entities	**–**	**–**	**–**	**–**	**–**	**–**	**(13.4)**	**–**	**(0.2)**	**(13.6)**
Foreign currency translation of associates and jointly controlled entities	**–**	**–**	**–**	**–**	**–**	**–**	**(7.1)**	**–**	**–**	**(7.1)**
Acquisition of minority interest in controlled entity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Acquisition of further interest in controlled entity previously equity accounted	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Own shares acquired	**–**	**(69.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(69.2)**
Shares vested to employees	**–**	**40.8**	**(35.9)**	**–**	**–**	**–**	**–**	**(4.9)**	**–**	**–**
Share-based payments	**–**	**–**	**61.6**	**–**	**–**	**–**	**–**	**–**	**–**	**61.6**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(639.8)**	**(0.8)**	**(640.6)**
Balance as at 30 June 2008	**3,975.5**	**(61.0)**	**52.7**	**420.9**	**–**	**4.0**	**(23.3)**	**1,362.4**	**3.7**	**5,734.9**

1 Amounts transferred from the hedge reserve to the Income Statements totalled $208.8 million (2007: ($9.7) million). These amounts were allocated to revenue (2008: ($124.7) million; 2007: $18.1 million) and fuel expenditure (2008: $333.5 million; 2007: ($27.8) million) in the Income Statements.

Qantas	Issued Capital $M	Treasury Shares $M	Employee Compensation Reserve $M	Hedge Reserve $M	Retained Earnings $M	Total Equity $M
Balance as at 1 July 2006	4,382.2	(23.8)	23.7	332.2	672.2	5,386.5
Impact of initial adoption of Interpretation 13	–	–	–	–	(505.8)	(505.8)
Restated balance	4,382.2	(23.8)	23.7	332.2	166.4	4,880.7
Profit for the year	–	–	–	–	413.3	413.3
Transfer of hedge reserve to the Income Statement[1]	–	–	–	9.7	–	9.7
Recognition of effective cash flow hedges on capitalised assets	–	–	–	41.2	–	41.2
Effective portion of changes in fair value of cash flow hedges	–	–	–	(261.5)	–	(261.5)
Own shares acquired	–	(24.5)	–	–	–	(24.5)
Shares vested to employees	–	15.7	(13.9)	–	(1.8)	–
Share-based payments	–	–	17.2	–	–	17.2
Dividends declared	99.0	–	–	–	(512.8)	(413.8)
Balance as at 30 June 2007	4,481.2	(32.6)	27.0	121.6	65.1	4,662.3
Profit for the year	**–**	**–**	**–**	**–**	**1,308.2**	**1,308.2**
Shares bought back	**(505.7)**	**–**	**–**	**–**	**–**	**(505.7)**
Transfer of hedge reserve to the Income Statement[1]	**–**	**–**	**–**	**(208.8)**	**–**	**(208.8)**
Recognition of effective cash flow hedges on capitalised assets	**–**	**–**	**–**	**71.7**	**–**	**71.7**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**437.2**	**–**	**437.2**
Own shares acquired	**–**	**(69.2)**	**–**	**–**	**–**	**(69.2)**
Shares vested to employees	**–**	**40.8**	**(35.9)**	**–**	**(4.9)**	**–**
Share-based payments	**–**	**–**	**61.6**	**–**	**–**	**61.6**
Dividends declared	**–**	**–**	**–**	**–**	**(639.8)**	**(639.8)**
Balance as at 30 June 2008	**3,975.5**	**(61.0)**	**52.7**	**421.7**	**728.6**	**5,117.5**

1 Amounts transferred from the hedge reserve to the Income Statements totalled $208.8 million (2007: ($9.7) million). These amounts were allocated to revenue (2008: ($124.7) million; 2007: $18.1 million) and fuel expenditure (2008: $333.5 million; 2007: ($27.8) million) in the Income Statements.

Cash Flow Statements

for the year ended 30 June 2008

	Notes	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Cash Flows from Operating Activities					
Cash receipts in the course of operations[1]		**16,628.3**	15,707.3	**13,495.6**	13,521.1
Cash payments in the course of operations		**(14,077.7)**	(12,956.3)	**(11,275.3)**	(10,929.8)
Interest received		**264.6**	230.2	**234.5**	212.5
Interest paid		**(419.3)**	(425.1)	**(349.2)**	(353.6)
Dividends received		**22.3**	34.4	**21.7**	16.5
Income taxes paid		**(289.8)**	(166.4)	**(153.2)**	(70.4)
Net cash from operating activities	26	**2,128.4**	2,424.1	**1,974.1**	2,396.3
Cash Flows from Investing Activities					
Payments for property, plant and equipment and intangible assets		**(1,424.0)**	(1,282.1)	**(1,325.3)**	(1,240.1)
Proceeds from disposal of property, plant and equipment		**43.7**	47.3	**19.7**	29.6
Proceeds from disposal of investment		**106.2**	3.2	**–**	–
Payments for investments		**(35.3)**	(2.2)	**–**	–
Payments for controlled entities, net of cash acquired	26	**(13.2)**	(32.1)	**(28.2)**	(37.6)
Advances of investment loans		**–**	(0.5)	**–**	–
Net cash used in investing activities		**(1,322.6)**	(1,266.4)	**(1,333.8)**	(1,248.1)
Cash Flows from Financing Activities					
Payments under share buy-back[2]		**(505.7)**	–	**(505.7)**	–
Repurchase of own shares		**(69.2)**	(24.5)	**(69.2)**	(24.5)
Repayment of borrowings		**(784.9)**	(356.2)	**(825.3)**	(363.6)
Proceeds from swaps		**342.3**	96.2	**342.3**	74.0
Net receipts from aircraft security deposits		**85.8**	2.4	**86.4**	9.8
Dividends paid[3]		**(638.0)**	(414.7)	**(637.2)**	(413.7)
Net cash used in financing activities		**(1,569.7)**	(696.8)	**(1,608.7)**	(718.0)
Net (decrease)/increase in cash and cash equivalents held		**(763.9)**	460.9	**(968.4)**	430.2
Cash and cash equivalents held at the beginning of the year		**3,362.9**	2,902.0	**3,409.3**	2,979.1
Cash and cash equivalents at the end of the year	10	**2,599.0**	3,362.9	**2,440.9**	3,409.3

1 Prior year cash receipts in the course of operations included $188.1 million on the sale of expendable and recoverable spares.

2 The number of shares bought back during the year was 91.1 million.

3 The Dividend Reinvestment Plan (DRP) was suspended after the payment of the 2006 final dividend but has been re-instated for the payment of dividends commencing with the 2008 final dividend. During the year, nil (2007: 28,991,867) shares were issued under the DRP. Dividends settled in shares rather than cash during the year totalled nil (2007: $99.0 million).

Notes to the Financial Statements

for the year ended 30 June 2008

1. Statement of Significant Accounting Policies

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

The consolidated Financial Report of Qantas for the year ended 30 June 2008 comprises Qantas and its controlled entities (together referred to as the Qantas Group) and the Qantas Group's interest in associates and jointly controlled entities.

The Financial Report of Qantas for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 22 September 2008.

(A) Statement of Compliance

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

(B) Basis of Preparation

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

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

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

Qantas has elected to early adopt all Australian Accounting Standards, Amendments and Interpretations that had been issued by the Australian Accounting Standards Board as of 30 June 2008, except as noted below. Other than Interpretation 13 Customer Loyalty Programmes, no standards adopted early had a material impact on the Financial Report. The impact of early adopting Interpretation 13 is set out in Note 2.

The following AASB Amendments and Interpretations were not adopted early:

- AASB 8 Operating Segments (AASB 8) and the consequential amendments in AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (AASB 2007-3), applicable on or after 1 January 2009;
- Revised AASB 3 Business Combinations (AASB 3), applicable for annual reporting periods beginning on or after 1 January 2009;
- Revised AASB 101 Presentation of Financial Statements (AASB 101), applicable for annual reporting periods beginning on or after 1 January 2009;
- Revised AASB 127 Consolidated and Separate Financial Statements (AASB 127), applicable for annual reporting periods beginning on or after 1 January 2009;
- AASB 2008-1 Amendments to Australian Accounting Standard – Share based Payment: Vesting Conditions and Cancellations (AASB 2008-1) applicable for annual reporting periods beginning on or after 1 January 2009;
- AASB 2008-2 – Amendments to Australian Accounting Standard- Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2] (AASB 2008-2) applicable for annual reporting periods beginning on or after 1 January 2009; and
- AASB 2008-3 – Amendments to Australian Accounting Standard arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 & Interpretations 9 & 107] (AASB 2008-3) applicable for annual reporting periods beginning on or after 1 January 2009.

AASB 8 and AASB 2007-3 will have an impact on the disclosure of operating segments within the Financial Report. Owing to ongoing restructuring of the Qantas Group, it is not considered appropriate to early adopt the Standard and its consequential amendments.

AASB 3, AASB 127 and AASB 2008-3, which must be early-adopted together, will have an impact on the acquisition accounting for business combinations and the accounting of non-controlling interests. The Qantas Group is yet to determine the effect of these Standards on the Financial Report.

AASB 101 introduces as a financial statement the "statement of comprehensive income". The revised Standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The Qantas Group is yet to determine the potential effect of the revised Standard on the Financial Report.

AASB 2008-1 changes the measurement of the share-based payments that contain non-vesting conditions. The Qantas Group is yet to determine the effect of this Standard on the Financial Report.

AASB 2008-2 amends the definition of a financial liability with respect to certain puttable financial instruments. The Qantas Group is yet to determine the effect of this Standard on the Financial Report.

(C) Critical Accounting Estimates and Judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASB that have a significant effect on the Financial Report and estimates with a significant risk of material adjustment in the next year are highlighted in the specific accounting policies detailed below.

1. Statement of Significant Accounting Policies continued

(D) Principles of Consolidation

Controlled Entities

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

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

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

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

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

Associates

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

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

The consolidated Financial Statements include the Qantas Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

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

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

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

Jointly Controlled Entities

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

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

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

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

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

(E) Foreign Currency Transactions

Transactions

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

Translation of Foreign Operations

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

(F) Derivative Financial Instruments

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

Derivative financial instruments are recognised at fair value both initially and on an ongoing basis. Transaction costs attributable to the derivative are recognised in the Income Statement when incurred. The method of recognising gains and losses resulting from movements in market prices depends on whether the derivative is a designated hedging instrument, and if so, the nature of the risk being hedged. The Qantas Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or hedges of highly probable forecast transactions (cash flow hedges). Gains and losses on derivative financial instruments qualifying for hedge accounting are recognised in the same Income Statement category as the underlying hedged instrument. Changes in underlying market conditions or hedging strategies could result in recognition in the Income Statement of changes in fair value of derivative financial instruments designated as hedges.

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

1. Statement of Significant Accounting Policies continued

(F) Derivative Financial Instruments continued

Fair Value Hedges

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

Cash Flow Hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in equity in the hedge reserve. Amounts accumulated in the hedge reserve are recognised in the Income Statement in the periods when the hedged item will affect profit or loss (i.e. when the underlying income or expense is recognised). Where the hedged item is of a capital nature, amounts accumulated in the hedge reserve are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or Qantas revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the underlying hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity with respect to the hedging instrument is recognised immediately in the Income Statement.

Ineffective and Non-Designated Derivatives

From time to time, certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument, or part of a derivative instrument, that does not qualify for hedge accounting are recognised immediately in the Income Statement as either Ineffective and non-designated derivatives – closed positions or Ineffective and non-designated derivatives – open positions.

Amounts shown in Ineffective and non-designated derivatives – closed positions reflect changes in fair value of any derivative instruments, or part of a derivative instrument, that does not qualify for hedge accounting and ineffectiveness relating to hedging arrangements where the underlying exposure to which the derivative related was recognised in the current financial period.

Ineffective and non-designated derivatives – open positions reflects changes in fair value of any derivative instrument, or part of any derivative instrument, that does not qualify for hedge accounting and ineffectiveness relating to hedging arrangements where the underlying exposure to which the derivative relates will be recognised in future reporting periods.

Fair Value Calculations

The fair value of financial instruments traded in active markets is based on quoted market prices at balance date. The fair value of financial instruments that are not traded in an active market are estimated using valuation techniques consistent with accepted market practice. The Qantas Group uses a variety of methods and input assumptions that are based on market conditions existing at balance date. The fair value of derivative financial instruments includes the present value of estimated future cash flows.

Financial Guarantee Contracts

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

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

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

(G) Revenue Recognition

Passenger, Freight and Tours and Travel Revenue

Passenger, freight and tours and travel revenue is included in the Income Statement at the fair value of the consideration received net of sales discount, passenger and freight interline/IATA commission and goods and services tax (GST). Passenger recoveries (including fuel surcharge on passenger tickets) are disclosed as part of net passenger revenue. Freight fuel surcharge is disclosed as part of net freight revenue. Other sales commissions paid by Qantas are included in expenditure. Passenger, freight and tours and travel sales are credited to revenue received in advance and subsequently transferred to revenue when passengers or freight are uplifted or when tours and travel air tickets and land content are utilised. Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket. Changes in these estimation methods could have a material impact on the financial statements of Qantas.

Frequent Flyer Revenue

Revenue received in relation to points earning flights is allocated, based on fair value, between the flight and points earned by members of the Qantas Frequent Flyer program. The value attributed to the awarded points is deferred as a liability, within revenue received in advance, until the points are ultimately utilised.

Revenue received from third parties for the issue of Qantas Frequent Flyer points is also deferred as a liability, within revenue received in advance.

As members of the program redeem points for an award, revenue is brought to account within the Income Statement. Revenue is recognised at point of redemption where non-flight rewards are awarded. Revenue in relation to flight awards is recognised when the passenger is uplifted.

The value attributed to points that are expected to expire (breakage) is recognised as revenue when the risk expires i.e. based on the number of points that have been redeemed relative to the total number expected to be redeemed.

Changes in breakage expectations are accounted for prospectively in accordance with Note 1(C). During the year, there has been no material change to breakage expectations.

Contract Work Revenue

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

Where services performed are in accordance with contractually agreed terms over a short period and are task specific, revenue is recognised when the service has been performed or when the resulting ownership of the goods passes to the customer.

Revenue on long-term contracts to provide goods or services is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably measured and otherwise on completion of the contract.

1. Statement of Significant Accounting Policies continued

(G) Revenue Recognition continued

Other Income

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

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

Finance Income

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Asset Disposals

The gain or loss on the disposal of assets is recognised at the date the significant risks and rewards of ownership of the asset passes to the buyer, usually when the purchaser takes delivery of the asset. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Aircraft Financing Fees

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

Dividend Revenue

Dividends/distributions from controlled entities are recognised as revenue by Qantas when dividends are declared by the controlled entities. Dividends/distributions from associates, jointly controlled entities and other investments are recognised when dividends are paid.

Dividend/distribution revenue is recognised net of any franking credits or withholding tax.

(H) Goods and Services Tax

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

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

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

(I) Maintenance and Overhaul Costs

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

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

(J) Income Tax

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

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

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at balance date.

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

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

(K) Tax Consolidation

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

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

1 The tax consolidated group also includes the partnership between Qantas and AAL Aviation Limited and between Q Catering Limited and AAL Aviation Limited.

1. Statement of Significant Accounting Policies continued

(K) Tax Consolidation continued

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

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

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

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

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

(L) Receivables

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

(M) Contract Work in Progress

Contract work in progress is stated at cost plus profit recognised to date, in accordance with accounting policy Note 1(G), less an allowance for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Qantas Group's contract activities based on normal operating capacity.

Contract work in progress is presented as part of trade and other receivables in the Balance Sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the Balance Sheet.

(N) Inventories

Engineering expendables, consumable stores and work in progress are valued at weighted average cost, less any applicable allowance for obsolescence.

(O) Impairment

Non-financial Assets

The carrying amounts of assets (other than inventories and deferred tax assets) are reviewed at each balance date to determine whether there is any indication of impairment. If any such conditions exists, the assets' recoverable amount is estimated. The recoverable amount of other assets is the greater of their fair value, less costs to sell and value in use. Assets which primarily generate cash flows as a group, such as aircraft, are assessed on a cash generating unit (CGU) basis inclusive of related infrastructure and intangible assets and compared to net cash flows for the CGU. Estimated net cash flows used in determining recoverable amounts have been discounted to their net present value, using a rate as described in Note 17.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the Income Statement. The amount of the cumulative loss that is recognised in the Income Statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement.

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

Financial Assets

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

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

(P) Property, Plant and Equipment

Owned Assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2008

1. Statement of Significant Accounting Policies continued

(P) Property, Plant and Equipment continued

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

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

When an obligation exists to dismantle and remove an item of property, the present value of the estimated cost to restore the site is capitalised into the cost of the asset to which it relates and a provision created. The unwinding of the discount is treated as a finance charge.

Depreciation and Amortisation

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

The principal asset depreciation and amortisation periods and estimated residual value percentages are:

	Years	Residual Value (%)
Buildings and leasehold improvements	10 – 50	0
Plant and equipment	3 – 40	0
Aircraft and engines	2.5 – 20	0 – 20
Aircraft spare parts	15 – 20	0 – 20

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

Leased and Hire Purchase Assets

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

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

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments and guaranteed residual value are recorded at the inception of the lease. Any gains and losses arising under sale and leaseback arrangements are deferred and amortised over the lease term where the sale is not at fair value. Capitalised leased assets are amortised on a straight-line basis over the period in which benefits are expected to arise from the use of those assets. Lease payments are allocated between the reduction in the principal component of the lease liability and the interest element. The interest element is charged to the Income Statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

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

Leases are deemed to be non-cancellable if significant financial penalties associated with termination are anticipated.

Operating Leases

Rental payments under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

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

Manufacturers' Credits

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

Capital Projects

Capital projects are stated at cost. When the asset is ready for its intended use, it is capitalised and depreciated.

(Q) Intangible Assets

Goodwill

All business combinations since transition to IFRS are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill acquired before transition to IFRS is carried at deemed cost.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs and is tested annually for impairment. With respect to associates and jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the investment in the associate or the jointly controlled entity.

Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

Airport Landing Slots

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

Software

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

1. Statement of Significant Accounting Policies continued

(R) Payables

Liabilities for trade creditors and other amounts payable are carried at cost.

(S) Employee Benefits

Wages, Salaries, Annual Leave and Sick Leave

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

Employee Share Plans

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

Long Service Leave

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

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

Defined Contribution Superannuation Plans

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

Defined Benefit Superannuation Plans

Qantas' net obligation with respect to defined benefit superannuation plans is calculated separately for each plan. The Qantas Superannuation Plan has been split based on the divisions which relate to accumulation members and defined benefit members. Only defined benefit members are included in Qantas' net obligation calculations. Obligations of accumulation members are accrued for as per the above accounting policy. The calculation estimates the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

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

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

All actuarial gains and losses as at 1 July 2004, the date of transition to IFRS, were recognised. With respect to actuarial gains and losses that arise subsequent to 1 July 2004 in calculating Qantas' obligation with respect to a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the Income Statement over the expected average remaining working lives of the active employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in plan assets exceeding plan liabilities, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Various actuarial assumptions underpin the determination of Qantas' defined benefit obligation and are discussed in Note 29.

Employee Termination Benefits

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

(T) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

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

Dividends

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

Insurance

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

Notes to the Financial Statements

for the year ended 30 June 2008

1. Statement of Significant Accounting Policies continued

(U) Earnings per Share

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

Diluted earnings per share is calculated after taking into account the number of ordinary shares to be issued for no consideration in relation to dilutive potential ordinary shares (refer Note 8).

(V) Cash and Cash Equivalents

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

(W) Net Finance Costs

Net finance costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, gains and losses on fair value hedges and foreign exchange gains and losses. Finance income is recognised in the Income Statement as it accrues, using the effective interest method. Where interest costs relate to qualifying assets, they are capitalised to the cost of the assets. Qualifying assets are assets that necessarily take a substantial period of time to be made ready for intended use. Where funds are borrowed generally, borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's debt facilities being 7.9 per cent (2007: 7.4 per cent). During the year, borrowing costs totalling $100.7 million (2007: $83.3 million) were capitalised into the cost of qualifying assets.

(X) Interest-bearing Liabilities

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

(Y) Assets Classified as Held for Sale

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

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

(Z) Share Capital

Ordinary Shares

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

Repurchase of Share Capital

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

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

(AA) Comparatives

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

2. Change in Accounting Policy

On 1 July 2007, the Qantas Group revised its accounting policy in relation to accounting for Qantas Frequent Flyer points and their associated expiry. This accounting policy change effects the early adoption of Interpretation 13.

The previous accounting policy created a provision for the cost of the obligation to provide travel rewards to members arising from travel on points earning services. This provision excluded the costs of the number of points that were estimated to expire. The provision was calculated as the present value of the expected incremental direct cost (being the cost of meals and passenger expenses) of providing the travel rewards.

The new accounting policy requires revenue received in relation to points earning flights to be split. The allocation between the value of the flight and the value of the points awarded is undertaken at fair value. The value attributable to the flight is then recognised on passenger uplift, while the value attributed to the awarded points is deferred as a liability until the points are ultimately utilised.

The value attributed to the points that are expected to expire is recognised as revenue as the risk expires i.e. based on the number of points that have been redeemed relative to the total number expected to be redeemed.

The impact of the adoption of Interpretation 13 on the Balance Sheet as at 1 July 2006 and 30 June 2007 and the Income Statement for the year ended 30 June 2007 is shown in the following tables.

Qantas Group	Previously Reported 1 July 2006 $M	Effect of Adoption of Interpretation 13 $M	Revised 1 July 2006 $M	Previously Reported 30 June 2007 $M	Effect of Adoption of Interpretation 13 $M	Revised 30 June 2007 $M
Total current assets[1]	4,948.4	–	4,948.4	5,587.4	–	5,587.4
Total non-current assets[1]	14,234.9	–	14,234.9	13,906.3	–	13,906.3
Total assets[1]	19,183.3	–	19,183.3	19,493.7	–	19,493.7
Current Liabilities						
Payables	1,985.3	–	1,985.3	2,005.7	–	2,005.7
Revenue received in advance	2,282.8	481.0	2,763.8	2,533.6	515.7	3,049.3
Interest-bearing liabilities	440.8	–	440.8	863.7	–	863.7
Other financial liabilities	139.2	–	139.2	337.2	–	337.2
Provisions	469.0	(28.4)	440.6	534.4	(34.0)	500.4
Current tax liabilities	72.4	–	72.4	153.6	–	153.6
Deferred lease benefits/income	37.5	–	37.5	29.3	–	29.3
Total current liabilities	5,427.0	452.6	5,879.6	6,457.5	481.7	6,939.2
Non-current Liabilities						
Revenue received in advance	708.5	312.6	1,021.1	701.5	348.2	1,049.7
Interest-bearing liabilities	5,334.8	–	5,334.8	4,210.9	–	4,210.9
Other financial liabilities	352.2	–	352.2	702.3	–	702.3
Provisions	479.7	(38.9)	440.8	481.9	(36.6)	445.3
Deferred tax liabilities	701.2	(217.9)	483.3	675.6	(238.1)	437.5
Deferred lease benefits/income	98.8	–	98.8	69.0	–	69.0
Total non-current liabilities	7,675.2	55.8	7,731.0	6,841.2	73.5	6,914.7
Total liabilities	13,102.2	508.4	13,610.6	13,298.7	555.2	13,853.9
Net assets	6,081.1	(508.4)	5,572.7	6,195.0	(555.2)	5,639.8
Equity						
Issued capital	4,382.2	–	4,382.2	4,481.2	–	4,481.2
Treasury shares	(23.8)	–	(23.8)	(32.6)	–	(32.6)
Reserves	329.3	–	329.3	148.2	–	148.2
Retained earnings	1,388.5	(508.4)	880.1	1,593.3	(555.2)	1,038.1
Equity attributable to members of Qantas	6,076.2	(508.4)	5,567.8	6,190.1	(555.2)	5,634.9
Minority interest	4.9	–	4.9	4.9	–	4.9
Total equity	6,081.1	(508.4)	5,572.7	6,195.0	(555.2)	5,639.8

1 Interpretation 13 has not impacted assets and accordingly the individual categories appearing on the face of the Balance Sheet have not been disclosed here.

2. Change in Accounting Policy continued

Qantas Group

Sales and Other Income	Previously Reported Year Ended 30 June 2007 $M	Effect of Adoption of Interpretation 13 $M	Revised Year Ended 30 June 2007 $M
Net passenger revenue[1]	11,968.2	(48.1)	11,920.1
Net freight revenue	902.5	–	902.5
Tours and travel revenue[1]	775.1	–	775.1
Contract work revenue	434.3	–	434.3
Other[1]	1,086.3	(57.9)	1,028.4
Sales and other income	15,166.4	(106.0)	15,060.4
Expenditure			
Manpower and staff related	3,334.7	–	3,334.7
Aircraft operating – variable[1]	2,608.4	–	2,608.4
Fuel	3,336.8	–	3,336.8
Selling and marketing[1]	726.7	(34.9)	691.8
Property	350.5	–	350.5
Computer and communication[1]	319.5	–	319.5
Tours and travel	641.7	–	641.7
Capacity hire	303.2	–	303.2
Ineffective and non-designated derivatives – closed positions	67.6	–	67.6
Other[1]	644.7	–	644.7
Depreciation and amortisation	1,362.7	–	1,362.7
Non-cancellable operating lease rentals	415.3	–	415.3
Share of net profit of associates and jointly controlled entities	(46.5)	–	(46.5)
Expenditure	14,065.3	(34.9)	14,030.4
Operating result	1,101.1	(71.1)	1,030.0
Ineffective and non-designated derivatives – open positions	(54.1)	–	(54.1)
Profit before related income tax expense and net finance costs	1,047.0	(71.1)	975.9
Finance income	244.0	–	244.0
Finance costs	(258.9)	4.1	(254.8)
Net finance costs	(14.9)	4.1	(10.8)
Profit before related income tax expense	1,032.1	(67.0)	965.1
Income tax expense	(312.5)	20.2	(292.3)
Profit for the year	719.6	(46.8)	672.8

1 Previously reported balances have been reclassified as a result of the implementation of a common chart of accounts throughout the Qantas Group.

2. Change in Accounting Policy continued

Qantas	Previously Reported 1 July 2006 $M	Effect of Adoption of Interpretation 13 $M	Revised 1 July 2006 $M	Previously Reported 30 June 2007 $M	Effect of Adoption of Interpretation 13 $M	Revised 30 June 2007 $M
Total current assets[1]	5,027.9	–	5,027.9	5,399.2	–	5,399.2
Total non-current assets[1]	13,773.3	–	13,773.3	13,422.2	–	13,422.2
Total assets[1]	18,801.2	–	18,801.2	18,821.4	–	18,821.4
Current Liabilities						
Payables	1,799.5	0.7	1,800.2	2,206.2	1.3	2,207.5
Revenue received in advance	2,107.5	476.3	2,583.8	2,267.4	508.0	2,775.4
Interest-bearing liabilities	723.8	–	723.8	920.0	–	920.0
Other financial liabilities	158.5	–	158.5	334.3	–	334.3
Provisions	410.0	(28.4)	381.6	470.0	(34.0)	436.0
Current tax liabilities	70.9	–	70.9	151.6	–	151.6
Deferred lease benefits/income	33.6	–	33.6	25.5	–	25.5
Total current liabilities	5,303.8	448.6	5,752.4	6,375.0	475.3	6,850.3
Non-current Liabilities						
Revenue received in advance	708.5	312.6	1,021.1	701.5	348.2	1,049.7
Interest-bearing liabilities	5,818.8	–	5,818.8	4,648.4	–	4,648.4
Other financial liabilities	352.2	–	352.2	702.3	–	702.3
Provisions	439.9	(38.9)	401.0	439.8	(36.6)	403.2
Deferred tax liabilities	705.5	(216.5)	489.0	680.6	(235.8)	444.8
Deferred lease benefits/income	86.0	–	86.0	60.4	–	60.4
Total non-current liabilities	8,110.9	57.2	8,168.1	7,233.0	75.8	7,308.8
Total liabilities	13,414.7	505.8	13,920.5	13,608.0	551.1	14,159.1
Net assets	5,386.5	(505.8)	4,880.7	5,213.4	(551.1)	4,662.3
Equity						
Issued capital	4,382.2	–	4,382.2	4,481.2	–	4,481.2
Treasury shares	(23.8)	–	(23.8)	(32.6)	–	(32.6)
Reserves	355.9	–	355.9	148.6	–	148.6
Retained earnings	672.2	(505.8)	166.4	616.2	(551.1)	65.1
Total equity	5,386.5	(505.8)	4,880.7	5,213.4	(551.1)	4,662.3

1 Interpretation 13 has not impacted assets and accordingly the individual categories appearing on the face of the Balance Sheet have not been disclosed here.

2. Change in Accounting Policy continued

Qantas Sales and Other Income	Previously Reported Year Ended 30 June 2007 $M	Effect of Adoption of Interpretation 13	Revised Year Ended 30 June 2007 $M
Net passenger revenue	10,137.9	(45.8)	10,092.1
Net freight revenue	902.0	–	902.0
Contract work revenue	348.6	–	348.6
Other	1,302.2	(57.9)	1,244.3
Sales and other income	12,690.7	(103.7)	12,587.0
Expenditure			
Manpower and staff related	2,715.2	–	2,715.2
Aircraft operating – variable	2,373.2	–	2,373.2
Fuel	2,927.0	–	2,927.0
Selling and marketing[1]	684.1	(34.9)	649.2
Property	309.0	–	309.0
Computer and communication[1]	267.9	–	267.9
Capacity hire[1]	348.2	–	348.2
Ineffective and non-designated derivatives – closed positions	67.6	–	67.6
Other[1]	513.9	–	513.9
Depreciation and amortisation	1,266.8	–	1,266.8
Non-cancellable operating lease rentals	442.9	–	442.9
Expenditure	11,915.8	(34.9)	11,880.9
Operating result	774.9	(68.8)	706.1
Ineffective and non-designated derivatives – open positions	(54.1)	–	(54.1)
Profit before related income tax expense and net finance costs	720.8	(68.8)	652.0
Finance income	226.6	–	226.6
Finance costs	(272.3)	4.1	(268.2)
Net finance costs	(45.7)	4.1	(41.6)
Profit before related income tax expense	675.1	(64.7)	610.4
Income tax expense	(216.5)	19.4	(197.1)
Profit for the year	458.6	(45.3)	413.3

1 Previously reported balances have been reclassified as a result of the implementation of a common chart of accounts throughout the Qantas Group.

3. Segment Reporting

(A) Business segments

The Qantas Group comprises the following main business segments:

- Qantas – representing the Qantas domestic and international airline and QantasLink regional flying businesses, which are supported by the Qantas Engineering and Airports businesses;
- Jetstar – representing the Jetstar domestic and international flying businesses as well as the Qantas Group's investments in Asian low-cost carriers;
- Qantas Freight – representing the air cargo freight and domestic express freight businesses as well as the Qantas Group's investments in Australian and international express freight businesses;
- Qantas Frequent Flyer – representing the Qantas Frequent Flyer customer loyalty program;
- Qantas Holidays – representing the wholesale travel and holidays business; and
- Qantas Catering – representing the inflight catering business.

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

3. Segment Reporting continued

2008 Analysis by business segments	Qantas $M	Jetstar $M	Qantas Freight $M	Qantas Frequent Flyer $M	Qantas Holidays $M	Qantas Catering $M	Corporate/ Unallocated $M	Eliminations $M	Consolidated $M
Sales and other income									
External segment revenue	11,793.1	1,531.2	1,139.9	849.3	735.3	153.6	1.8	(12.3)	16,191.9
Inter-segment revenue[1]	923.9	33.2	0.6	–	134.7	356.6	–	(1,449.0)	–
Total segment revenue	**12,717.0**	**1,564.4**	**1,140.5**	**849.3**	**870.0**	**510.2**	**1.8**	**(1,461.3)**	**16,191.9**
Share of net profit of associates and jointly controlled entities	10.5	(2.8)	21.5	–	1.0	–	(2.6)	–	27.6
Segment EBIT	1,033.8	101.7	79.4	128.0	26.2	11.9	(22.6)	3.6	1,362.0
Net finance income/(costs)[2]	(98.5)	14.0	(15.7)	105.9	16.2	1.1	22.6	–	45.6
Profit before related income tax expense	935.3	115.7	63.7	233.9	42.4	13.0	–	3.6	1,407.6
Income tax expense	(281.7)	(35.6)	(12.7)	(70.3)	(12.5)	(4.1)	(19.9)	(1.1)	(437.9)
Profit for the year	**653.6**	**80.1**	**51.0**	**163.6**	**29.9**	**8.9**	**(19.9)**	**2.5**	**969.7**
Depreciation and amortisation	1,442.2	4.6	11.1	0.3	1.5	7.3	2.3	–	1,469.3
Non-cash expenses	144.1	19.8	4.3	–	–	–	–	–	168.2
Significant items included in segment results:									
– liquidated damages	–	–	–	–	–	–	290.7	–	290.7
– accelerated depreciation and impairment losses	(164.5)	–	–	–	–	–	–	–	(164.5)
– provisions for freight cartel investigations	–	–	–	–	–	–	(63.7)	–	(63.7)
Assets									
Segment assets	16,133.2	648.3	422.8	2,311.2	309.8	227.1	571.1	(1,327.2)	19,296.3
Investments accounted for using the equity method	77.3	29.3	292.1	–	2.7	–	2.4	–	403.8
Total assets	**16,210.5**	**677.6**	**714.9**	**2,311.2**	**312.5**	**227.1**	**573.5**	**(1,327.2)**	**19,700.1**
Liabilities									
Total liabilities	**11,487.3**	**536.3**	**668.2**	**1,998.5**	**244.9**	**163.9**	**203.6**	**(1,337.5)**	**13,965.2**
Payments for property, plant and equipment	1,340.0	39.8	17.3	4.4	2.7	16.0	3.8	–	1,424.0

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

2 Notional interest has been attributed to Qantas, Qantas Freight, Qantas Catering and Corporate/Unallocated.

3. Segment Reporting continued

2007

Analysis by business segments	Qantas $M	Jetstar $M	Qantas Freight $M	Qantas Frequent Flyer $M	Qantas Holidays $M	Qantas Catering $M	Corporate/ Unallocated $M	Eliminations $M	Consolidated $M
Sales and other income									
External segment revenue	11,158.0	1,061.1	1,065.7	835.8	767.5	158.0	2.3	12.0	15,060.4
Inter-segment revenue[1]	803.3	68.3	0.7	–	161.0	360.7	–	(1,394.0)	–
Total segment revenue	11,961.3	1,129.4	1,066.4	835.8	928.5	518.7	2.3	(1,382.0)	15,060.4
Share of net profit of associates and jointly controlled entities	14.3	(0.3)	32.7	–	0.8	–	(1.0)	–	46.5
Segment EBIT	886.2	71.3	84.7	127.7	30.5	18.5	(246.6)	3.6	975.9
Net finance income/(costs)[2]	(117.1)	10.6	(19.8)	82.9	15.5	0.6	16.5	–	(10.8)
Profit before related income tax expense	769.1	81.9	64.9	210.6	46.0	19.1	(230.1)	3.6	965.1
Income tax expense	(227.5)	(26.1)	(9.7)	(63.3)	(13.6)	(5.6)	54.6	(1.1)	(292.3)
Profit for the year	541.6	55.8	55.2	147.3	32.4	13.5	(175.5)	2.5	672.8
Depreciation and amortisation	1,332.9	8.4	12.3	–	1.4	7.7	–	–	1,362.7
Non-cash expenses	97.3	4.6	–	–	–	–	–	–	101.9
Significant items included in segment results:									
– liquidated damages	–	–	–	–	–	–	97.7	–	97.7
– gain on sale of investments	–	–	–	–	–	–	30.6	–	30.6
– accelerated depreciation and impairment losses	(44.8)	–	–	–	–	–	–	–	(44.8)
– provisions for freight cartel investigations	–	–	–	–	–	–	(47.2)	–	(47.2)
Assets									
Segment assets	16,590.1	479.0	385.2	2,108.1	435.0	326.3	246.2	(1,448.8)	19,121.1
Investments accounted for using the equity method	72.8	–	292.1	–	2.6	–	5.1	–	372.6
Total assets	16,662.9	479.0	677.3	2,108.1	437.6	326.3	251.3	(1,448.8)	19,493.7
Liabilities									
Total liabilities	11,518.9	318.5	712.1	1,960.2	253.3	190.5	349.2	(1,448.8)	13,853.9
Payments for property, plant and equipment	1,241.1	20.0	10.7	–	3.6	6.7	–	–	1,282.1

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

2 Notional interest has been attributed to Qantas, Qantas Freight, Qantas Catering and Corporate/Unallocated.

3. Segment Reporting continued

(B) Geographic segments

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

Analysis of total revenue by geographic region	Qantas Group 2008 $M	2007 $M
Sales and other income		
Passenger, freight and other services revenue		
Australia	**10,562.0**	9,591.1
United Kingdom and Europe	**1,152.3**	1,131.1
Japan	**489.7**	598.5
South-East Asia/North-East Asia	**616.6**	571.8
The Americas and the Pacific	**1,028.8**	1,045.6
New Zealand	**374.8**	417.9
Other regions	**318.6**	300.4
	14,542.8	13,656.4
Other income		
Tours and travel revenue	**745.8**	775.1
Contract work revenue	**453.5**	434.3
Other unallocated	**449.8**	194.6
Sales and other income	**16,191.9**	15,060.4
Finance income	**284.7**	244.0
Total income	**16,476.6**	15,304.4

For the year ended 30 June 2008, the principal assets of the Qantas Group comprised the aircraft fleet, all except eight of which were registered and domiciled in Australia. These assets are used flexibly across the Qantas Group's worldwide route network. Accordingly, there is no suitable basis for allocating such assets and the related liabilities between geographic areas.

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

	Qantas Group		Qantas	
Sales and Other Income	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Dividend revenue				
– controlled entities	**–**	–	**601.8**	–
– associates and jointly controlled entities	**–**	–	**21.7**	16.5
– other parties	**–**	6.0	**–**	–
Liquidated damages[1]	**290.7**	97.7	**290.7**	97.7
Net gain on disposal of investment[2]	**–**	30.6	**–**	–
Net gain/(loss) on disposal of property, plant and equipment	**14.9**	12.9	**4.4**	13.3
Net gain on disposal of intangible asset	**–**	3.2	**–**	3.2
Government grants	**6.5**	3.8	**4.4**	1.7
Related parties				
– controlled entities	**–**	–	**338.8**	461.0
– associates and jointly controlled entities	**131.0**	183.3	**73.3**	32.2
Other	**15,748.8**	14,722.9	**12,106.0**	11,961.4
	16,191.9	15,060.4	**13,441.1**	12,587.0

1 Liquidated damages of $290.7 million (2007: $97.7 million) were recognised for contracted amounts expected to be receivable due to delays in the delivery of new aircraft.

2 Qantas Group's investment in Air New Zealand Limited was sold during the year ended 30 June 2007 resulting in a gain on sale of $30.6 million.

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

Other items included in profit before related income tax expense and net finance income/(costs)	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Equity settled share-based payments[1]	**61.6**	17.2	**61.6**	17.2
Net foreign currency loss	**167.9**	89.0	**132.6**	84.0
Bad and doubtful debts	**1.9**	3.7	**1.5**	3.7
Accelerated depreciation and impairment losses[2]				
– property, plant and equipment	**118.6**	–	**100.4**	–
– inventories	**9.2**	–	**8.6**	–
– other financial assets	**36.7**	44.8	**36.7**	44.8
Provisions for freight cartel investigations[3]	**63.7**	47.2	**63.7**	47.2
Restructuring				
– redundancy costs	**32.3**	147.4	**31.1**	147.3
– other	**90.2**	87.7	**90.2**	87.7
Cancellable operating leases	**174.7**	170.7	**139.8**	157.6

1 Refer to Note 24 for further details.

2 During the year ended 30 June 2008, the Qantas Group announced its intentions to reduce capacity on certain flying routes and retire certain aircraft. As a result of these announcements and other impairment reviews, the Qantas Group recognised accelerated depreciation and impairment losses of $118.6 million (Qantas: $100.4 million) to reduce the carrying value of property, plant and equipment and $9.2 million (Qantas: $8.6 million) to reduce certain inventories to net realisable value. This impairment loss includes $9.2 million on the write-down of property, plant and equipment of Jet Turbine Services Pty Limited (JTS) as a result of the disposal of a 50 per cent interest to Lufthansa Technik on 1 July 2008. Impairment losses on other financial assets associated with certain finance lease aircraft of $36.7 million (2007: $44.8 million) were also recognised during the year.

3 Provisions of $63.7 million (2007: $47.2 million) were recognised for estimated liabilities associated with freight cartel investigations. Refer to Note 28 for further details.

5. Net Finance Income/(Costs)

Finance income	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Related parties				
– associates and jointly controlled entities	**10.2**	10.3	**7.7**	10.3
Unwinding of discount on receivables	**22.6**	16.5	**22.6**	16.5
Other parties				
– interest income on financial assets measured at amortised cost	**251.9**	217.2	**224.3**	199.8
Total finance income on financial assets	**284.7**	244.0	**254.6**	226.6
Finance costs				
Related parties				
– controlled entities	**–**	–	**98.5**	83.0
Other parties				
– finance leases	**31.2**	37.4	**31.2**	38.8
– interest expense on financial liabilities measured at amortised cost	**293.0**	278.3	**222.9**	207.3
Fair value hedges[1]				
– fair value adjustments on hedged items	**35.5**	187.8	**35.5**	187.8
– derivatives designated in a fair value hedge	**(38.9)**	(192.2)	**(38.9)**	(192.2)
Less capitalised interest	**(100.7)**	(83.3)	**(100.7)**	(83.3)
Total finance costs on financial liabilities	**220.1**	228.0	**248.5**	241.4
Unwinding of discount on provisions	**19.0**	26.8	**19.0**	26.8
Total finance costs	**239.1**	254.8	**267.5**	268.2
Net finance income/(costs)	**45.6**	(10.8)	**(12.9)**	(41.6)

1 Refer to Note 25(C) for further details.

6. Income Tax

	Qantas Group		Qantas	
Recognised in the Income Statement	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Current income tax expense				
Current year	**270.6**	319.1	**141.5**	227.3
Adjustments for prior years	**(2.6)**	(2.0)	**(2.8)**	(8.4)
	268.0	317.1	**138.7**	218.9
Deferred income tax expense				
Origination and reversal of temporary differences	**188.1**	45.1	**191.9**	45.0
Entities acquired	**–**	1.8	**–**	–
Adjustments for prior years	**(20.4)**	(75.1)	**(27.0)**	(70.2)
Benefit of tax losses recognised	**2.2**	3.4	**2.3**	3.4
	169.9	(24.8)	**167.2**	(21.8)
Total income tax expense in the Income Statement	**437.9**	292.3	**305.9**	197.1
Comprising:				
Australian income tax expense	**435.5**	290.2	**305.9**	197.1
Overseas income tax expense	**2.4**	2.1	**–**	–
	437.9	292.3	**305.9**	197.1

Reconciliation between income tax expense and profit before related income tax expense

	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Profit before related income tax expense	**1,407.6**	965.1	**1,614.1**	610.4
Income tax using the domestic corporate tax rate of 30 per cent	**422.3**	289.5	**484.2**	183.1
Add/(less) adjustments for:				
Non-assessable income				
– non-taxable Australian dividends	**(6.3)**	(6.6)	**(186.9)**	(3.1)
– non-taxable foreign dividends	**(0.7)**	(2.3)	**–**	(1.4)
– share of associates' and jointly controlled entities' net profit	**(1.2)**	(5.2)	**–**	–
– utilisation of previously unrecognised losses	**(5.2)**	(10.3)	**–**	(3.4)
Non-deductible expenditure				
– writedown of investments and property, plant and equipment	**3.4**	1.3	**4.2**	3.1
– provisions for freight cartel investigations	**19.1**	14.2	**19.1**	14.2
Other items	**9.1**	13.7	**(11.9)**	13.0
Over provision in prior years	**(2.6)**	(2.0)	**(2.8)**	(8.4)
Income tax expense	**437.9**	292.3	**305.9**	197.1

Income tax expense/(benefit) recognised directly in equity

	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Other net financial assets/liabilities and interest-bearing liabilities	**128.7**	(93.5)	**128.7**	(93.5)

7. Auditors' Remuneration

	Qantas Group		Qantas	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Audit services				
Auditors of Qantas – KPMG Australia				
– audit and review of Financial Reports	**2,772**	2,740	**2,074**	2,033
– other regulatory audit services	**49**	35	**34**	2
Overseas KPMG firms				
– audit and review of Financial Reports	**227**	227	**–**	–
	3,048	3,002	**2,108**	2,035
Other services				
Auditors of Qantas – KPMG Australia				
– other assurance services	**1,171**	479	**1,152**	457
– due diligence services	**78**	2,357	**50**	2,357
– taxation services	**296**	304	**298**	304
Overseas KPMG firms				
– taxation services	**94**	224	**30**	224
	1,639	3,364	**1,530**	3,342
	4,687	6,366	**3,638**	5,377

8. Earnings per Share

	Qantas Group	
	2008 Cents	2007 Cents
Earnings per share attributable to members of Qantas		
Basic earnings per share	**50.2**	34.0
Diluted earnings per share	**50.2**	34.0
	$M	$M
Profit attributable to members of Qantas	**969.0**	672.6
	Number M	Number M
Weighted average number of shares		
Issued shares as at 1 July	**1,985.0**	1,955.0
Effect of shares bought back between 6 September 2007 and 23 April 2008	**(56.3)**	–
Effect of shares issued 20 August 2007 (2007: 4 October 2006)	**0.4**	21.5
Effect of shares issued (2007: 16 February 2007)	**–**	0.3
Weighted average number of shares (basic) as at 30 June	**1,929.1**	1,976.8
Weighted average number of shares (basic) as at 30 June	**1,929.1**	1,976.8
QLTEIP Entitlements outstanding	**–**	0.9
Weighted average number of shares (diluted) as at 30 June	**1,929.1**	1,977.7

9. Dividends

Qantas

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

Type	Cents per Share	Total Amount $M	Date of Payment	Franked Tax Rate for Franking Credit %	Percentage Franked %
2008					
2008 interim	**18.0**	**342.0**	**2 April 2008**	**30**	**100**
2007 final	**15.0**	**297.8**	**26 September 2007**	**30**	**100**
Total amount	**33.0**	**639.8**			
2007					
2007 special interim	15.0	297.7	19 March 2007	30	100
2006 final	11.0	215.1	4 October 2006	30	100
Total amount	26.0	512.8			

Subsequent events

The following dividends were declared by the Directors after the balance date and a provision has not yet been raised:

2008 final	**17.0**	**322.1**	**1 October 2008**	**30**	**100**

On 21 August 2008, the Board approved the reinstatement of the DRP with effect from the payment of the 30 June 2008 final dividend.

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Total franking account balance at 30 per cent	**162.3**	184.1	**162.3**	184.1

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

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

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after balance date but not recognised as a liability is to reduce it to $24.2 million (2007: $56.5 million).

Qantas Group

In addition to dividends of $639.8 million (2007: $512.8 million) declared to Qantas shareholders, $0.8 million (2007: $1.0 million) of dividends were declared to minority interest shareholders.

10. Cash and Cash Equivalents

	$M	$M	**$M**	$M
Cash on hand	**3.1**	2.7	**2.9**	2.6
Cash at bank	**168.7**	46.1	**–**	29.0
Cash at call	**5.0**	32.1	**35.9**	95.7
Short-term money market securities and term deposits	**2,422.2**	3,282.0	**2,422.2**	3,282.0
	2,599.0	3,362.9	**2,461.0**	3,409.3

Short-term money market securities of $164.0 million (2007: $198.0 million) held by the Qantas Group are pledged as collateral under the terms of certain operational financing facilities when underlying unsecured limits are exceeded. The collateral cannot be sold or repledged in the absence of default by Qantas.

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

Balances as above	**2,599.0**	3,362.9	**2,461.0**	3,409.3
Bank overdrafts (note 21)	**–**	–	**(20.1)**	–
Balances per Cash Flow Statements	**2,599.0**	3,362.9	**2,440.9**	3,409.3

11. Receivables

	Qantas Group		Qantas	
Current	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Trade debtors				
Controlled entities	**–**	–	**31.6**	–
Associates and jointly controlled entities	**6.6**	11.7	**6.4**	0.1
Other parties	**1,083.0**	1,034.7	**806.1**	942.6
Less: impairment losses	**4.4**	6.5	**2.8**	5.4
	1,085.2	1,039.9	**841.3**	937.3
Other loans				
Controlled entities				
– interest-bearing	**–**	–	**37.5**	32.6
– non-interest-bearing	**–**	–	**1,561.0**	60.4
Aircraft security deposits	**23.2**	109.8	**12.9**	100.1
Sundry debtors	**326.5**	227.1	**252.6**	83.6
	1,434.9	1,376.8	**2,705.3**	1,214.0
Non-current				
Other loans				
Controlled entities				
– interest-bearing	**–**	–	**395.6**	797.6
Associates and jointly controlled entities				
– interest-bearing	**128.2**	128.2	**–**	128.2
Other parties				
– interest-bearing	**14.0**	14.0	**–**	–
Aircraft security deposits	**14.4**	14.6	**14.4**	14.6
Sundry debtors	**375.2**	215.9	**374.9**	215.5
	531.8	372.7	**784.9**	1,155.9

The ageing of trade debtors, net of provision for impairment losses, at 30 June was:

	$M	$M	**$M**	$M
Not past due	**995.3**	897.4	**774.1**	813.6
Past due 1–30 days	**36.6**	92.0	**26.9**	81.7
Past due 31–120 days	**34.5**	41.2	**22.0**	33.5
More than 121 days	**18.8**	9.3	**18.3**	8.5
Total	**1,085.2**	1,039.9	**841.3**	937.3

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

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

Balance as at 1 July	**6.5**	4.8	**5.4**	3.5
Impairment loss recognised	**1.9**	3.7	**1.5**	3.7
Bad debts written off	**(4.0)**	(2.0)	**(4.1)**	(1.8)
Balance as at 30 June	**4.4**	6.5	**2.8**	5.4

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

Sundry debtors of Qantas and the Qantas Group also includes the present value of liquidated damages of $496.3 million (2007: $201.8 million) resulting from the delay in delivery of aircraft.

12. Inventories

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
At fair value				
Engineering expendables	**150.2**	121.0	**115.8**	87.8
Consumable stores	**53.8**	37.1	**44.0**	29.6
Work in progress	**11.7**	22.2	**3.2**	6.7
	215.7	180.3	**163.0**	124.1

13. Assets Classified as Held for Sale

	$M	$M	**$M**	$M
Property, plant and equipment	**41.1**	5.4	**27.6**	1.8
	41.1	5.4	**27.6**	1.8

14. Investments Accounted for Using the Equity Method

	Qantas Group	
	2008 $M	2007 $M
Share of net profit of associates and jointly controlled entities included in the Income Statement:		
– associates	**4.4**	14.7
– jointly controlled entities	**23.2**	31.8
	27.6	46.5
Investments accounted for using the equity method included in the Balance Sheet:		
– associates	**109.2**	78.1
– jointly controlled entities	**294.6**	294.5
	403.8	372.6

(A) Investments in associates

Details of interests in associates are as follows:

				Qantas Group Ownership Interest		Qantas Group Amount of Investment	
Name	**Principal Activity**	**Country of Incorporation**	**Balance Date**	**2008 %**	2007 %	**2008 $M**	2007 $M
Air Pacific Limited	Air transport	Fiji	31 Mar	**46.3**	46.3	**61.1**	55.4
Fiji Resorts Limited	Resort accommodation	Fiji	31 Dec	**20.6**	20.6	**12.5**	12.3
Hallmark Aviation Services LP	Passenger handling services	United States of America	31 Dec	**49.0**	49.0	**1.2**	2.4
HT & T Travel Philippines Inc.	Tours and travel	Philippines	30 Jun	**28.1**	28.1	**0.1**	0.1
Holiday Tours and Travel (Thailand) Ltd.	Tours and travel	Thailand	31 Dec	**36.8**	36.8	**0.3**	0.4
Holiday Tours & Travel Vietnam Co. Ltd.	Tours and travel	Vietnam	30 Jun	**36.8**	36.8	**0.1**	0.1
Jetstar Pacific Airlines Aviation Joint Stock Company	Air transport	Vietnam	31 Dec	**18.0**	–	**29.3**	–
Jupiter Air Oceania Limited[1]	Freight services	Australia	31 Dec	**–**	47.6	**–**	0.3
PT Holidays & Travel	Tours and travel	Indonesia	31 Dec	**36.8**	–	**0.1**	–
Tour East (TET) Ltd.	Tours and travel	Thailand	31 Dec	**36.8**	36.8	**2.1**	2.0
Travel Software Solutions Pty Limited	Reservations systems	Australia	30 Jun	**50.0**	50.0	**2.4**	5.1
Total associates						**109.2**	78.1

1 The Qantas Group acquired the remaining 52.4 per cent interest in Jupiter Air Oceania Limited on 18 June 2008 and ceased to equity account the results of the company from this date.

Notes to the Financial Statements

for the year ended 30 June 2008

14. Investments Accounted for Using the Equity Method continued

	Qantas Group	
Results of associates	**2008 $M**	2007 $M
Revenues	**194.4**	228.8
Profit before related income tax expense	**9.6**	16.6
Income tax expense	**(5.2)**	(1.9)
Share of net profit of associates	**4.4**	14.7

Movements in carrying amount of investments in associates

	2008 $M	2007 $M
Carrying amount of investments in associates as at 1 July	**78.1**	67.0
Investments in associates acquired	**35.4**	–
Share of net profit of associates	**4.4**	14.7
Dividends received from associates	**(1.2)**	(6.0)
Share of foreign currency translation reserve movements	**(7.1)**	–
Disposal of investments	**(0.4)**	–
Reclassification from investments in jointly controlled entities	**–**	1.0
Reclassification from other investments	**–**	1.4
Carrying amount of investments in associates as at 30 June	**109.2**	78.1

Summary financial position of associates

The Qantas Group's share of aggregate assets and liabilities of associates is as follows:

	2008 $M	2007 $M
Current assets	**110.7**	96.7
Non-current assets	**95.5**	98.2
Total assets	**206.2**	194.9
Current liabilities	**98.4**	79.2
Non-current liabilities	**31.1**	40.8
Total liabilities	**129.5**	120.0
Net assets	**76.7**	74.9
Adjustment arising from equity accounting		
– goodwill	**32.5**	3.2
Net assets – equity accounting adjusted	**109.2**	78.1

Commitments

	2008 $M	2007 $M
Share of associates' capital expenditure commitments contracted for	**934.0**	621.0
Share of associates' non-capital expenditure commitments contracted for	**35.9**	35.3
Share of associates' commitments	**969.9**	656.3

Contingent liabilities

	2008 $M	2007 $M
Share of associates' contingent liabilities	**5.0**	5.2

14. Investments Accounted for Using the Equity Method continued

(B) Interests in jointly controlled entities

Details of interests in jointly controlled entities are as follows:

Name	Principal Activity	Country of Incorporation	Balance Date	Qantas Group Ownership Interest 2008 %	Qantas Group Ownership Interest 2007 %	Qantas Group Amount of Investment 2008 $M	Qantas Group Amount of Investment 2007 $M
Australian air Express Pty Limited	Air cargo	Australia	30 Jun	**50.0**	50.0	**21.5**	22.1
Harvey Holidays Pty Ltd	Tours and travel	Australia	30 Jun	**50.0**	50.0	**2.5**	2.7
Kilda Express Pte Limited[1]	Freight services	Singapore	31 Dec	**–**	50.0	**–**	2.2
Orangestar Investment Holdings Pte Limited	Air transport	Singapore	31 Mar	**45.0**	45.0	**–**	–
Star Track Express Holdings Pty Limited	Express road freight	Australia	30 Jun	**50.0**	50.0	**270.6**	267.5
Total jointly controlled entities						**294.6**	294.5

1 The Qantas Group acquired a further 19.3 per cent interest in Kilda Express Pte Limited on 2 November 2007 and ceased to equity account the results of the company from this date.

Results of jointly controlled entities	Qantas Group 2008 $M	Qantas Group 2007 $M
Revenues	**656.4**	676.6
Expenses	**(624.4)**	(631.0)
Profit before related income tax expense	**32.0**	45.6
Income tax expense	**(8.8)**	(13.8)
Share of net profit of jointly controlled entities	**23.2**	31.8

The investment in Orangestar Investment Holdings Pte Limited is no longer equity accounted as losses have reduced the value of the investment to zero. Unrecognised losses to 30 June 2008 were $0.1 million (2007: $1.0 million).

Movements in carrying amount of investments in jointly controlled entities

Carrying amount of investments in jointly controlled entities as at 1 July	**294.5**	305.9
Investments in jointly controlled entities acquired	**–**	2.2
Share of net profit of jointly controlled entities	**23.2**	31.8
Dividends from jointly controlled entities	**(21.1)**	(22.4)
Share of movements in hedge reserve	**0.2**	–
Disposal of investments	**(2.2)**	–
Investment in jointly controlled entities impaired in other expenses	**–**	(4.4)
Entity acquired	**–**	(17.6)
Reclassification to investments in associates	**–**	(1.0)
Carrying amount of investments in jointly controlled entities as at 30 June	**294.6**	294.5

Summary financial position of jointly controlled entities

The Qantas Group's share of aggregate assets and liabilities of jointly controlled entities is as follows:		
Current assets	**93.3**	88.4
Non-current assets	**435.5**	413.1
Total assets	**528.8**	501.5
Current liabilities	**78.6**	71.9
Non-current liabilities	**149.4**	137.4
Total liabilities	**228.0**	209.3
Net assets	**300.8**	292.2
Adjustment arising from equity accounting		
– goodwill	**0.5**	2.3
– superannuation	**(6.7)**	–
Net assets – equity accounting adjusted	**294.6**	294.5

14. Investments Accounted for Using the Equity Method continued

	Qantas Group	
Commitments	**2008 $M**	2007 $M
Share of jointly controlled entities' capital expenditure commitments contracted for	**10.0**	24.5
Share of jointly controlled entities' non-capital expenditure commitments contracted for	**376.5**	393.9
Share of jointly controlled entities' commitments	**386.5**	418.4
Contingent liabilities		
Share of jointly controlled entities' contingent liabilities	**32.8**	28.5

15. Other Investments

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Controlled entities	**–**	–	**267.3**	294.4
Associates and jointly controlled entities at cost	**–**	–	**282.5**	282.6
Other corporations	**3.1**	3.1	**3.0**	3.0
	3.1	3.1	**552.8**	580.0

16. Property, Plant and Equipment

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Freehold land – owned				
At cost	**71.9**	71.9	**47.1**	47.1
Total land at net book value	**71.9**	71.9	**47.1**	47.1
Buildings – owned				
At cost	**280.6**	280.9	**222.9**	235.6
Less: accumulated depreciation	**99.7**	85.7	**73.8**	67.1
	180.9	195.2	**149.1**	168.5
Buildings – leased				
At cost	**59.0**	58.4	**–**	29.0
Less: accumulated amortisation	**47.4**	45.7	**–**	20.5
	11.6	12.7	**–**	8.5
Total buildings				
At cost	**339.6**	339.3	**222.9**	264.6
Less: accumulated depreciation and amortisation	**147.1**	131.4	**73.8**	87.6
Total buildings at net book value	**192.5**	207.9	**149.1**	177.0
Leasehold improvements				
At cost	**1,361.4**	1,331.5	**810.8**	832.8
Less: accumulated amortisation	**820.2**	767.9	**432.4**	428.6
Total leasehold improvements at net book value	**541.2**	563.6	**378.4**	404.2
Plant and equipment – owned				
At cost	**1,230.2**	1,291.4	**795.3**	1,039.1
Less: accumulated depreciation	**679.1**	779.3	**464.8**	607.1
	551.1	512.1	**330.5**	432.0
Plant and equipment – leased				
At cost	**1.1**	6.7	**–**	–
Less: accumulated amortisation	**1.1**	6.7	**–**	–
	–	–	**–**	–
Total plant and equipment				
At cost	**1,231.3**	1,298.1	**795.3**	1,039.1
Less: accumulated depreciation and amortisation	**680.2**	786.0	**464.8**	607.1
Total plant and equipment at net book value	**551.1**	512.1	**330.5**	432.0

16. Property, Plant and Equipment continued

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Aircraft and engines – owned				
At cost	**11,086.1**	10,671.1	**7,832.8**	7,521.2
Less: accumulated depreciation	**4,796.4**	4,293.8	**3,876.2**	3,517.2
	6,289.7	6,377.3	**3,956.6**	4,004.0
Aircraft and engines – hire purchased				
At cost	**2,575.1**	2,806.1	**5,086.3**	5,112.6
Less: accumulated amortisation	**721.4**	812.3	**1,418.4**	1,313.3
	1,853.7	1,993.8	**3,667.9**	3,799.3
Aircraft and engines – leased				
At cost	**616.0**	1,296.3	**603.7**	1,284.0
Less: accumulated amortisation	**479.0**	896.1	**477.2**	894.5
	137.0	400.2	**126.5**	389.5
Aircraft and engines – maintenance				
At cost	**890.6**	852.7	**803.8**	835.9
Less: accumulated depreciation	**563.1**	482.5	**506.3**	472.8
	327.5	370.2	**297.5**	363.1
Total aircraft and engines				
At cost	**15,167.8**	15,626.2	**14,326.6**	14,753.7
Less: accumulated depreciation and amortisation	**6,559.9**	6,484.7	**6,278.1**	6,197.8
Total aircraft and engines at net book value	**8,607.9**	9,141.5	**8,048.5**	8,555.9
Aircraft spare parts – owned				
At cost	**765.5**	724.3	**583.0**	578.2
Less: accumulated depreciation	**346.4**	336.3	**305.1**	293.6
	419.1	388.0	**277.9**	284.6
Aircraft spare parts – leased				
At cost	**23.7**	23.7	**23.7**	23.7
Less: accumulated amortisation	**11.2**	9.2	**11.2**	9.2
	12.5	14.5	**12.5**	14.5
Total aircraft spare parts				
At cost	**789.2**	748.0	**606.7**	601.9
Less: accumulated depreciation and amortisation	**357.6**	345.5	**316.3**	302.8
Total aircraft spare parts at net book value	**431.6**	402.5	**290.4**	299.1
Aircraft deposits				
At cost	**1,944.8**	1,408.8	**1,590.2**	1,054.8
Total property, plant and equipment				
At cost	**20,906.0**	20,823.8	**18,399.6**	18,594.0
Less: accumulated depreciation and amortisation	**8,565.0**	8,515.5	**7,565.4**	7,623.9
Total property, plant and equipment at net book value	**12,341.0**	12,308.3	**10,834.2**	10,970.1

16. Property, Plant and Equipment continued

2008 $M Qantas Group	Opening Written Down Value	Additions	Entities Acquired	Disposals	Transfers	Transferred (to)/from Assets Classified as Held for Sale	Depreciation and Amortisation	Other[1]	Closing Written Down Value
Reconciliations									
Freehold land – owned	71.9	–	–	(2.0)	–	–	–	2.0	71.9
Buildings – owned	195.2	0.2	–	(0.7)	0.5	–	(14.4)	0.1	180.9
Buildings – leased	12.7	–	–	–	0.4	–	(1.5)	–	11.6
Total buildings	207.9	0.2	–	(0.7)	0.9	–	(15.9)	0.1	192.5
Leasehold improvements	563.6	25.2	–	(5.3)	18.3	–	(65.0)	4.4	541.2
Plant and equipment	512.1	166.4	–	(10.6)	(10.2)	–	(97.6)	(9.0)	551.1
Aircraft and engines – owned	6,377.3	303.7	–	(9.3)	75.1	(24.7)	(647.3)	214.9	6,289.7
Aircraft and engines – hire purchased	1,993.8	–	–	–	93.1	–	(221.9)	(11.3)	1,853.7
Aircraft and engines – leased	400.2	51.5	–	–	(41.8)	–	(110.2)	(162.7)	137.0
Aircraft and engines – maintenance	370.2	2.1	–	(0.9)	156.0	(12.9)	(213.2)	26.2	327.5
Total aircraft and engines	9,141.5	357.3	–	(10.2)	282.4	(37.6)	(1,192.6)	67.1	8,607.9
Aircraft spare parts – owned	388.0	88.5	–	(1.1)	8.7	(3.5)	(55.0)	(6.5)	419.1
Aircraft spare parts – leased	14.5	–	–	–	–	–	(2.0)	–	12.5
Total aircraft spare parts	402.5	88.5	–	(1.1)	8.7	(3.5)	(57.0)	(6.5)	431.6
Aircraft deposits	1,408.8	752.5	–	–	(291.4)	–	–	74.9	1,944.8
Total property, plant and equipment	12,308.3	1,390.1	–	(29.9)	8.7	(41.1)	(1,428.1)	133.0	12,341.0

1 Other includes transfers to inventories and capitalised interest.

2007 $M Qantas Group	Opening Written Down Value	Additions	Entities Acquired	Disposals	Transfers	Transferred (to)/from Assets Classified as Held for Sale	Depreciation and Amortisation	Other[1]	Closing Written Down Value
Reconciliations									
Freehold land – owned	65.6	–	6.3	–	–	–	–	–	71.9
Leasehold land	1.6	–	–	–	(1.6)	–	–	–	–
Total land	67.2	–	6.3	–	(1.6)	–	–	–	71.9
Buildings – owned	201.3	4.0	4.6	–	(0.2)	–	(14.7)	0.2	195.2
Buildings – leased	15.5	1.0	–	–	0.9	–	(2.2)	(2.5)	12.7
Total buildings	216.8	5.0	4.6	–	0.7	–	(16.9)	(2.3)	207.9
Leasehold improvements	548.4	76.4	0.3	(0.3)	(3.2)	–	(64.1)	6.1	563.6
Plant and equipment – owned	511.5	63.8	27.8	(9.5)	13.4	–	(97.0)	2.1	512.1
Plant and equipment – leased	0.2	–	–	–	–	–	(0.2)	–	–
Total plant and equipment	511.7	63.8	27.8	(9.5)	13.4	–	(97.2)	2.1	512.1
Aircraft and engines – owned	6,793.0	146.8	–	(8.7)	155.9	1.3	(724.2)	13.2	6,377.3
Aircraft and engines – hire purchased	2,052.0	12.7	–	–	30.2	–	(101.1)	–	1,993.8
Aircraft and engines – leased	494.7	–	–	(12.3)	(12.6)	–	(69.6)	–	400.2
Aircraft and engines – maintenance	430.0	123.9	–	–	12.5	–	(196.2)	–	370.2
Total aircraft and engines	9,769.7	283.4	–	(21.0)	186.0	1.3	(1,091.1)	13.2	9,141.5
Aircraft spare parts – owned	376.6	65.4	–	(3.6)	4.3	–	(51.5)	(3.2)	388.0
Aircraft spare parts – leased	17.8	–	–	–	–	–	–	(3.3)	14.5
Total aircraft spare parts	394.4	65.4	–	(3.6)	4.3	–	(51.5)	(6.5)	402.5
Aircraft deposits	866.8	672.8	–	–	(199.6)	–	–	68.8	1,408.8
Total property, plant and equipment	12,375.0	1,166.8	39.0	(34.4)	–	1.3	(1,320.8)	81.4	12,308.3

1 Other includes transfers to inventories and capitalised interest.

16. Property, Plant and Equipment continued

2008 $M Qantas	Opening Written Down Value	Additions	Disposals	Transfers	Transferred (to)/from Assets Classified as Held for Sale	Depreciation and Amortisation	Other[1]	Closing Written Down Value
Reconciliations								
Freehold land – owned	**47.1**	–	–	–	–	–	–	**47.1**
Buildings – owned	**168.5**	–	(8.4)	0.5	–	(11.5)	–	**149.1**
Buildings – leased	**8.5**	–	(7.6)	–	–	(0.9)	–	–
Total buildings	**177.0**	–	(16.0)	0.5	–	(12.4)	–	**149.1**
Leasehold improvements	**404.2**	23.5	(28.8)	18.8	–	(43.7)	4.4	**378.4**
Plant and equipment	**432.0**	133.4	(147.9)	(10.4)	–	(77.5)	0.9	**330.5**
Aircraft and engines – owned	**4,004.0**	295.5	(5.8)	89.9	(12.2)	(620.5)	205.7	**3,956.6**
Aircraft and engines – hire purchased	**3,799.3**	–	–	93.1	–	(222.8)	(1.7)	**3,667.9**
Aircraft and engines – leased	**389.5**	–	–	2.7	–	(101.4)	(164.3)	**126.5**
Aircraft and engines – maintenance	**363.1**	–	–	91.0	(11.9)	(144.6)	(0.1)	**297.5**
Total aircraft and engines	**8,555.9**	295.5	(5.8)	276.7	(24.1)	(1,089.3)	39.6	**8,048.5**
Aircraft spare parts – owned	**284.6**	40.0	(0.9)	8.7	(3.5)	(44.4)	(6.6)	**277.9**
Aircraft spare parts – leased	**14.5**	–	–	–	–	(2.0)	–	**12.5**
Total aircraft spare parts	**299.1**	40.0	(0.9)	8.7	(3.5)	(46.4)	(6.6)	**290.4**
Aircraft deposits	**1,054.8**	800.5	–	(339.3)	–	–	74.2	**1,590.2**
Total property, plant and equipment	**10,970.1**	1,292.9	(199.4)	(45.0)	(27.6)	(1,269.3)	112.5	**10,834.2**

1 Other includes tranfers to inventories and capitalised interest.

2007 $M Qantas	Opening Written Down Value	Additions	Disposals	Transfers	Transferred (to)/from Assets Classified as Held for Sale	Depreciation and Amortisation	Other[1]	Closing Written Down Value
Reconciliations								
Freehold land – owned	47.1	–	–	–	–	–	–	47.1
Buildings – owned	177.0	3.6	–	–	–	(12.1)	–	168.5
Buildings – leased	9.4	–	–	–	–	(1.4)	0.5	8.5
Total buildings	186.4	3.6	–	–	–	(13.5)	0.5	177.0
Leasehold improvements	371.2	74.1	(0.3)	(5.5)	–	(40.5)	5.2	404.2
Plant and equipment	455.8	52.4	(8.3)	10.1	–	(81.4)	3.4	432.0
Aircraft and engines – owned	4,335.8	138.2	(6.6)	98.8	–	(575.7)	13.5	4,004.0
Aircraft and engines – hire purchased	3,949.9	12.7	–	50.7	–	(214.0)	–	3,799.3
Aircraft and engines – leased	490.3	–	–	(37.3)	–	(63.5)	–	389.5
Aircraft and engines – maintenance	418.7	123.9	–	12.5	–	(192.0)	–	363.1
Total aircraft and engines	9,194.7	274.8	(6.6)	124.7	–	(1,045.2)	13.5	8,555.9
Aircraft spare parts – owned	289.0	47.1	(1.1)	–	–	(44.3)	(6.1)	284.6
Aircraft spare parts – leased	17.8	–	–	–	–	–	(3.3)	14.5
Total aircraft spare parts	306.8	47.1	(1.1)	–	–	(44.3)	(9.4)	299.1
Aircraft deposits	525.5	672.8	–	(212.3)	–	–	68.8	1,054.8
Total property, plant and equipment	11,087.5	1,124.8	(16.3)	(83.0)	–	(1,224.9)	82.0	10,970.1

1 Other includes transfers to inventories and capitalised interest.

Secured assets

Certain aircraft and engines act as security against related financings. Under the terms of certain financing facilities entered into by the Qantas Group, the underwriters to these agreements have a fixed charge over certain aircraft and engines to the extent that debt has been issued directly to those underwriters. The total carrying amount of assets under pledge was $5,533.9 million as at 30 June 2008 (2007: $6,171.3 million).

17. Intangible Assets

	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Goodwill				
At cost	**146.5**	132.8	**–**	–
	146.5	132.8	**–**	–
Airport landing slots				
At cost	**35.5**	35.5	**35.5**	35.5
	35.5	35.5	**35.5**	35.5
Software				
At cost	**511.6**	404.8	**493.3**	404.8
Less: accumulated amortisation	**245.2**	207.2	**229.6**	207.2
	266.4	197.6	**263.7**	197.6
Total intangible assets	**448.4**	365.9	**299.2**	233.1

Qantas Group

2008	Opening Written Down Value $M	Additions $M	Entities Acquired $M	Amortisation $M	Other $M	Closing Written Down Value $M
Goodwill	**132.8**	**–**	**13.7**	**–**	**–**	**146.5**
Airport landing slots	**35.5**	**–**	**–**	**–**	**–**	**35.5**
Software	**197.6**	**102.5**	**–**	**(41.2)**	**7.5**	**266.4**
Total intangible assets	**365.9**	**102.5**	**13.7**	**(41.2)**	**7.5**	**448.4**

2007						
Goodwill	112.0	–	20.8	–	–	132.8
Airport landing slots	35.5	–	–	–	–	35.5
Software	164.2	69.1	–	(41.9)	6.2	197.6
Total intangible assets	311.7	69.1	20.8	(41.9)	6.2	365.9

Qantas

2008						
Airport landing slots	**35.5**	**–**	**–**	**–**	**–**	**35.5**
Software	**197.6**	**100.9**	**–**	**(40.3)**	**5.5**	**263.7**
Total intangible assets	**233.1**	**100.9**	**–**	**(40.3)**	**5.5**	**299.2**

2007						
Airport landing slots	35.5	–	–	–	–	35.5
Software	164.2	69.1	–	(41.9)	6.2	197.6
Total intangible assets	199.7	69.1	–	(41.9)	6.2	233.1

17. Intangible Assets continued

Impairment tests for CGUs containing goodwill and other intangible assets with indefinite useful lives

The following CGUs have significant carrying amounts of goodwill and other intangible assets with indefinite useful lives:

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Goodwill				
Jetstar	**90.5**	90.5	**–**	–
Qantas Flight Catering	**18.2**	18.2	**–**	–
Qantas	**37.8**	24.1	**–**	–
	146.5	132.8	**–**	–
Airport landing slots				
Qantas	**35.5**	35.5	**35.5**	35.5

Jetstar

The recoverable amount of Jetstar CGU is based on value in use calculations. Those calculations use cash flow projections based on the three year plan approved by management and endorsed by the Board. Cash flows for a further five years have been extrapolated using an average 8.7 per cent per annum growth rate out to 2016. This growth rate reflects the planned expansion of Jetstar both domestically and internationally and is appropriate given the actual growth achieved since establishment and the Qantas Group's committed B787 order. For a further 12 years, a 3.6 per cent per annum growth rate has been assumed, reflecting long-term inflation, when extrapolating cash flows. The three year plan, coupled with a 17 year extrapolation, is believed appropriate, as it represents the capital intensive long-term nature of the aviation industry and the estimated useful life of the assets employed in this CGU.

Qantas Flight Catering

The recoverable amount of Qantas Flight Catering CGU is based on value in use calculations. Those calculations use cash flow projections based on the three year business plan approved by management and endorsed by the Board. Cash flows for a further seven years have been extrapolated using a 3.6 per cent per annum growth rate out to 2018. This growth rate reflects the mature nature of the airline catering industry and Qantas Flight Catering's current market share.

Qantas

The recoverable amount of Qantas CGU is based on value in use calculations. Those calculations use cash flow projections based on the three year plan approved by management and endorsed by the Board. Cash flows for a further five years have been extrapolated using an average 8.7 per cent per annum growth rate out to 2016. This growth rate reflects the planned expansion of Qantas as a result of the introduction into service of committed aircraft such as the A380 and B787. For a further 15 years, a 3.6 per cent per annum growth rate has been assumed, reflecting long-term inflation, when extrapolating cash flows. The three year plan, coupled with a 20 year extrapolation, is believed appropriate, as it represents the capital intensive long-term nature of the aviation industry and the estimated useful life of the assets employed in this CGU.

The key assumptions and the approach to determining their value in the current and prior year are:

Assumption	How determined
Discount rate	A pre-tax discount rate of 11.1 per cent per annum (2007: 10.5 per cent per annum) has been used in discounting the projected cash flows of all CGUs, reflecting a market estimate of the weighted average cost of capital of the Qantas Group. This discount would need to exceed 13.3 per cent per annum (2007: 14.1 per cent per annum) before the carrying amount of any of the CGUs of the Qantas Group would exceed their recoverable amount.
Market share	Qantas Group's domestic market share is expected to remain between 65 and 68 per cent and international market share between 30 and 35 per cent. These ranges were estimated having regard to Qantas committed fleet plans and those of its existing competitors.
Real market growth	Market growth, excluding the impacts of inflation, is estimated to be 5.1 per cent per annum (2007: 3.7 per cent per annum), reflecting the long-term average passenger growth experienced by Qantas. Market growth would need to fall by more than 4.5 per cent per annum (2007: 5.5 per cent per annum) before the carrying amount of any of the CGUs of the Qantas Group would exceed their recoverable amount.
Fuel	The fuel into-plane price is assumed to be US$162 per barrel (2007: between US$89 and US$100) and was set with regard to the spot West Texas Intermediate crude oil price adjusted for historical average refining margins. Providing all other assumptions remain constant, the fuel into-plane price would need to exceed US$172 per barrel before the carrying amount of any of the CGUs of the Qantas Group would exceed their recoverable amount.
Currency	The US$:A$ exchange rate is assumed to be 93.6 cents (2007: 84.7 cents), reflecting a 12 month average spot price.
Fleet age	Average fleet age is forecast to remain between nine and 11 years and is estimated having regard to the existing contractually committed long-term fleet plan for the Qantas Group.
Inflation	Inflation of 3.6 per cent per annum (2007: 2.5 per cent per annum) represents the long-term average change in the consumer price index in Australia.

18. Deferred Tax Assets and Liabilities

Qantas Group	Asset		Liability		Net	
	2008 $M	2007 $M	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Inventories	**–**	–	**(52.2)**	(50.3)	**(52.2)**	(50.3)
Property, plant and equipment	**–**	–	**(1,384.0)**	(1,340.7)	**(1,384.0)**	(1,340.7)
Intangible assets	**–**	–	**(2.6)**	(4.8)	**(2.6)**	(4.8)
Payables	**–**	–	**99.1**	106.3	**99.1**	106.3
Revenue received in advance	**–**	–	**641.5**	642.9	**641.5**	642.9
Interest-bearing liabilities	**–**	–	**(144.7)**	(42.6)	**(144.7)**	(42.6)
Other financial assets/liabilities	**–**	–	**(11.4)**	89.0	**(11.4)**	89.0
Provisions	**–**	–	**228.7**	237.5	**228.7**	237.5
Other items	**0.6**	0.3	**(134.1)**	(79.9)	**(133.5)**	(79.6)
Tax value of loss carry-forwards recognised	**–**	–	**2.9**	5.1	**2.9**	5.1
Net tax assets/(liabilities)	**0.6**	0.3	**(756.8)**	(437.5)	**(756.2)**	(437.2)

Qantas	Liability		Net	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Inventories	**(52.8)**	(50.3)	**(52.8)**	(50.3)
Property, plant and equipment	**(1,254.9)**	(1,229.9)	**(1,254.9)**	(1,229.9)
Intangible assets	**(3.0)**	(5.2)	**(3.0)**	(5.2)
Payables	**79.9**	99.6	**79.9**	99.6
Revenue received in advance	**639.6**	640.6	**639.6**	640.6
Interest-bearing liabilities	**(193.4)**	(130.1)	**(193.4)**	(130.1)
Other financial assets/liabilities	**(11.4)**	89.0	**(11.4)**	89.0
Provisions	**196.2**	209.6	**196.2**	209.6
Other items	**(170.2)**	(73.2)	**(170.2)**	(73.2)
Tax value of loss carry-forwards recognised	**2.8**	5.1	**2.8**	5.1
Net tax liabilities	**(767.2)**	(444.8)	**(767.2)**	(444.8)

At 30 June 2008, there is no recognised or unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Qantas Group's controlled entities or associates and jointly controlled entities (2007: nil). This is due to the Qantas Group having no liability for additional taxation, should such amounts be remitted.

Unrecognised deferred tax assets

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

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Tax losses – New Zealand operations	**15.1**	16.3	**7.8**	8.4

Deferred tax assets have not been recognised with respect to these items because it is not probable that future taxable profit will be available against which the Qantas Group can utilise these benefits.

18. Deferred Tax Assets and Liabilities continued

Movement in temporary differences during the year

Qantas Group

2008	Opening Balance $M	Recognised in Income $M	Recognised in Equity $M	Entities Acquired $M	Closing Balance $M
Inventories	(50.3)	(1.9)	–	–	(52.2)
Property, plant and equipment	(1,340.7)	(43.3)	–	–	(1,384.0)
Intangible assets	(4.8)	2.2	–	–	(2.6)
Payables	106.3	(7.2)	–	–	99.1
Revenue received in advance	642.9	(1.4)	–	–	641.5
Interest-bearing liabilities	(42.6)	(108.6)	6.5	–	(144.7)
Other financial assets/liabilities	89.0	34.8	(135.2)	–	(11.4)
Provisions	237.5	(8.8)	–	–	228.7
Other items	(79.6)	(53.9)	–	–	(133.5)
Tax value of loss carry-forwards recognised	5.1	(2.2)	–	–	2.9
	(437.2)	(190.3)	(128.7)	–	(756.2)

2007					
Inventories	(47.3)	(3.0)	–	–	(50.3)
Property, plant and equipment	(1,231.4)	(107.5)	–	(1.8)	(1,340.7)
Intangible assets	(9.9)	5.1	–	–	(4.8)
Payables	94.7	11.6	–	–	106.3
Revenue received in advance	652.5	(9.6)	–	–	642.9
Interest-bearing liabilities	(2.1)	(37.0)	(3.5)	–	(42.6)
Other financial assets/liabilities	(84.6)	76.6	97.0	–	89.0
Provisions	198.5	39.0	–	–	237.5
Other items	(59.3)	(20.3)	–	–	(79.6)
Tax value of loss carry-forwards recognised	8.5	(3.4)	–	–	5.1
	(480.4)	(48.5)	93.5	(1.8)	(437.2)

Qantas

2008					
Inventories	(50.3)	(2.5)	–	–	(52.8)
Property, plant and equipment	(1,229.9)	(25.0)	–	–	(1,254.9)
Intangible assets	(5.2)	2.2	–	–	(3.0)
Payables	99.6	(19.7)	–	–	79.9
Revenue received in advance	640.6	(1.0)	–	–	639.6
Interest-bearing liabilities	(130.1)	(69.8)	6.5	–	(193.4)
Other financial assets/liabilities	89.0	34.8	(135.2)	–	(11.4)
Provisions	209.6	(13.4)	–	–	196.2
Other items	(73.2)	(97.0)	–	–	(170.2)
Tax value of loss carry-forwards recognised	5.1	(2.3)	–	–	2.8
	(444.8)	(193.7)	(128.7)	–	(767.2)

2007					
Inventories	(47.9)	(2.4)	–	–	(50.3)
Property, plant and equipment	(1,157.1)	(72.8)	–	–	(1,229.9)
Intangible assets	(10.3)	5.1	–	–	(5.2)
Payables	90.1	9.5	–	–	99.6
Revenue received in advance	652.7	(12.1)	–	–	640.6
Interest-bearing liabilities	(57.2)	(69.4)	(3.5)	–	(130.1)
Other financial assets/liabilities	(84.5)	76.5	97.0	–	89.0
Provisions	170.4	39.2	–	–	209.6
Other items	(52.1)	(21.1)	–	–	(73.2)
Tax value of loss carry-forwards recognised	8.5	(3.4)	–	–	5.1
	(487.4)	(50.9)	93.5	–	(444.8)

19. Payables

Current	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Trade creditors				
Controlled entities	**–**	–	**214.1**	576.2
Associates and jointly controlled entities	**0.2**	1.8	**0.2**	1.4
Other parties	**669.6**	672.8	**524.1**	521.3
	669.8	674.6	**738.4**	1,098.9
Other loans				
Controlled entities – non-interest-bearing	**–**	–	**674.8**	–
Other creditors and accruals				
Other parties	**1,504.1**	1,331.1	**1,185.4**	1,108.6
	2,173.9	2,005.7	**2,598.6**	2,207.5

20. Revenue Received in Advance

Current	$M	$M	$M	$M
Unavailed passenger revenue	**2,370.8**	2,199.1	**2,006.3**	1,932.9
Unredeemed frequent flyer revenue	**896.4**	850.2	**888.3**	842.5
	3,267.2	3,049.3	**2,894.6**	2,775.4

Non-current	$M	$M	$M	$M
Unredeemed frequent flyer revenue	**1,082.6**	1,049.7	**1,082.6**	1,049.7

21. Interest-bearing Liabilities

Current	$M	$M	$M	$M
Bank overdraft				
– unsecured	**–**	–	**20.1**	–
Bank loans				
– secured	**211.1**	207.2	**91.3**	89.5
Other loans – unsecured				
Related parties				
– associates and jointly controlled entities	**3.4**	6.5	**3.4**	6.5
Other parties	**305.9**	166.8	**305.7**	166.8
Lease and hire purchase liabilities (refer Note 27)				
– controlled entities	**–**	–	**176.7**	174.0
– other parties	**66.8**	483.2	**66.8**	483.2
	587.2	863.7	**664.0**	920.0

Non-current	$M	$M	$M	$M
Bank loans				
– secured	**1,480.6**	1,769.3	**669.5**	787.6
– unsecured	**628.5**	627.7	**628.5**	627.7
Other loans – unsecured				
Other parties	**924.5**	1,238.6	**924.5**	1,238.4
Lease and hire purchase liabilities (refer Note 27)				
– controlled entities	**–**	–	**1,202.2**	1,419.4
– other parties	**539.2**	575.3	**539.2**	575.3
	3,572.8	4,210.9	**3,963.9**	4,648.4

Certain current and non-current loans relate to specific financings of aircraft and engines and are secured by the aircraft to which they relate (refer Note 16). The bank overdraft in Qantas forms part of a set-off arrangement with other subsidaries within the Qantas Group. Consequently, this bank overdraft is set off against cash and cash equivalents in the Qantas Group financial statements.

22. Provisions

	Qantas Group		Qantas	
Current	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Dividends	**4.8**	2.2	**4.8**	2.2
Employee benefits				
– annual leave	**346.7**	322.9	**289.6**	268.9
– long service leave	**35.5**	37.6	**27.8**	28.9
– staff redundancy	**22.9**	51.0	**22.9**	51.0
Onerous contracts	**4.7**	9.3	**4.3**	8.7
Insurance, legal and other	**69.1**	77.4	**67.5**	76.3
	483.7	500.4	**416.9**	436.0

Non-current	**$M**	$M	**$M**	$M
Employee benefits				
– long service leave	**283.2**	295.2	**255.3**	267.6
Onerous contracts	**1.5**	15.3	**0.3**	13.7
Make good on leased assets	**41.6**	33.7	**29.6**	26.6
Insurance and other	**97.3**	101.1	**92.1**	95.3
	423.6	445.3	**377.3**	403.2

Reconciliations	**$M**	$M	**$M**	$M
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:				
Dividends				
Balance as at 1 July	**2.2**	2.1	**2.2**	2.1
Provisions made	**640.6**	513.8	**639.8**	512.8
Payments made	**(638.0)**	(414.7)	**(637.2)**	(413.7)
Dividends settled in shares under the DRP	**–**	(99.0)	**–**	(99.0)
Balance as at 30 June	**4.8**	2.2	**4.8**	2.2

22. Provisions continued

Reconciliations continued	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Onerous contracts				
An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received. The Qantas Group has raised this provision in respect of operating leases on premises and grounded aircraft.				
Balance as at 1 July	**24.6**	29.9	**22.4**	27.7
Provisions made	**2.2**	8.7	**2.2**	8.7
Payments made	**(20.6)**	(14.0)	**(20.0)**	(14.0)
Balance as at 30 June	**6.2**	24.6	**4.6**	22.4
Included in the Financial Statements as follows:				
Current	**4.7**	9.3	**4.3**	8.7
Non-current	**1.5**	15.3	**0.3**	13.7
	6.2	24.6	**4.6**	22.4
Insurance, legal and other				
Qantas self-insures for risks associated with workers' compensation. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims, discounted using a Government bond rate with a maturity approximating the terms of the obligation. Legal provisions include estimates of the likely penalties to be incurred in relation to investigations into alleged price fixing.				
Balance as at 1 July	**178.5**	124.4	**171.6**	113.5
Provisions made	**90.7**	78.8	**90.7**	75.9
Payments made	**(102.8)**	(24.7)	**(102.7)**	(17.8)
Balance as at 30 June	**166.4**	178.5	**159.6**	171.6
Included in the Financial Statements as follows:				
Current	**69.1**	77.4	**67.5**	76.3
Non-current	**97.3**	101.1	**92.1**	95.3
	166.4	178.5	**159.6**	171.6
Superannuation				
Qantas provides a defined benefit superannuation plan to some employees. This provision represents the present-value of the Qantas Group's obligation for the related current service cost.				
Balance as at 1 July	**–**	7.3	**–**	7.3
Payments made	**–**	(7.3)	**–**	(7.3)
Balance as at 30 June	**–**	–	**–**	–
Make good on leased assets				
The Qantas Group has leases that require the asset to be returned to the lessor in certain condition. A provision has been raised for the present value of the future expected cost at lease expiry.				
Balance as at 1 July	**33.7**	17.5	**26.6**	12.8
Provisions made	**7.9**	16.2	**3.0**	13.8
Balance as at 30 June	**41.6**	33.7	**29.6**	26.6

Notes to the Financial Statements

for the year ended 30 June 2008

23. Capital and Reserves

(A) Issued capital

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Issued and paid up capital: 1,894,444,009 (2007: 1,984,990,348) ordinary shares, fully paid as at 30 June	**3,975.5**	4,481.2	**3,975.5**	4,481.2

Movements in the share capital of Qantas during the current and prior year were as follows:

Date	Details	Number of Shares M	$M
1 July 2006	Balance	1,955.0	4,382.2
4 October 2006	DRP	29.0	99.0
16 February 2007	Issue of shares under the QLTEIP	1.0	–
30 June 2007	Balance	1,985.0	4,481.2
20 August 2007	Issue of shares under the QLTEIP	**0.5**	**–**
6 September 2007 to 23 April 2008	On-market share buy-back	**(91.1)**	**(505.7)**
30 June 2008	Balance	**1,894.4**	**3,975.5**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of wind-up, Qantas ordinary shareholders rank after all creditors and are fully entitled to any residual proceeds on liquidation.

Treasury shares consist of shares held in trust for Qantas employees in relation to equity compensation plans. At 30 June 2008, 14,108,555 (2007: 9,335,407) shares were held in trust and classified as treasury shares.

(B) Reserves

	$M	$M	**$M**	$M
Employee compensation reserve	**52.7**	27.0	**52.7**	27.0
Hedge reserve	**420.9**	120.0	**421.7**	121.6
Asset revaluation reserve	**4.0**	4.0	**–**	–
Foreign currency translation reserve	**(23.3)**	(2.8)	**–**	–
	454.3	148.2	**474.4**	148.6

Nature and purpose of reserves

Employee compensation reserve

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against treasury shares when the underlying shares vest in the employee. No gain or loss is recognised in the Qantas Group Income Statement on the purchase, sale, issue or cancellation of Qantas' own equity instruments.

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged forecast transactions that are still expected to occur.

Asset revaluation reserve

The asset revaluation reserve relates to property, plant and equipment measured at fair value in accordance with the applicable AASB.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign controlled entities and foreign jointly controlled entities and associates where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that form part of the Qantas Group's net investment in a foreign controlled entity.

24. Share-based Payments

The DSP Terms & Conditions were approved by shareholders at the 2002 AGM. The DSP governs the provision of equity benefits to Executives within the Qantas Group. There have been no modifications to the DSP Terms & Conditions during the year.

The total share-based payment expense is detailed in Note 4.

Performance Rights Plan

The PRP is specifically targeted to Senior Executives in key roles or other participants who have been identified as high potential Executives.

All Rights are redeemable on a one-for-one basis for Qantas shares, subject to the achievement of the performance hurdle. Dividends are not payable on the Rights.

Performance rights reconciliation	**2008** Number of Rights	2007 Number of Rights
Rights outstanding as at 1 July	**5,038,800**	4,590,000
Rights granted	**2,545,000**	2,044,300
Rights lapsed	**(288,276)**	(279,000)
Rights vested	**(1,174,491)**	(1,316,500)
Rights outstanding as at 30 June	**6,121,033**	5,038,800
Rights exercisable as at 30 June	**1,041,633**	675,748

No Rights expired during the year.

All Rights were granted with a nil exercise price. No amount has been paid, or is payable by, the Executive in relation to these Rights. During the year, 1,174,491 Rights were exercised (2007: 1,316,500). Subject to confirmation of the achievement of the performance hurdle tested as at 30 June 2008, for the 2005/06 award, 939,600 Rights may vest after 12 August 2008. A further 307,700 Rights may vest from the 2004/05 award over the next year, subject to achievement of the performance hurdle. At 30 June 2008, 102,033 Rights are available to be exercised at the request of the Executive under the 2004/05 award. For more information on the operation of the PRP, see page 65.

Fair value calculation

The estimated value of Rights granted in 2007/08 were valued at grant date using a Monte-Carlo Valuation Methodology for the TSR performance hurdle component. A Black Scholes model was used to value the Rights with the EPS performance hurdle. In 2006/07, the estimated value of Rights was calculated at grant date using a Monte-Carlo Valuation Methodology.

The weighted average fair value of Rights granted during the year was $3.34 (2007: $2.92).

Inputs into the models	**2008**	2007
Weighted average share value	**$4.58**	$3.90
Expected volatility	**25.0 – 30.0%**	24.0%
Dividend yield	**6.2%**	6.0%
Risk-free interest rate	**6.2%**	5.7%

The expected volatility was determined having regard to the historical four year volatility of Qantas shares and the implied volatility on exchange traded options. The risk-free rate was the yield on a five year Commonwealth Government bond. The expected life assumes immediate exercise after vesting.

Notes to the Financial Statements

for the year ended 30 June 2008

24. Share-based Payments continued

Performance Share Plan

Shares granted	2008 Number of Shares	2008 Weighted Average Fair Value $	2007 Number of Shares	2007 Weighted Average Fair Value $
Performance shares granted – 20 August 2007	**1,498,448**	**5.29**	–	–
Performance shares granted – 15 August 2007	**564,000**	**5.45**	–	–
Performance shares granted – 22 August 2006	**–**	**–**	2,984,116	3.30

Shares are valued based on the volume weighted average price of Qantas shares as traded on the ASX for the seven calendar days up to and including the date of allocation. Expected dividends are not taken into account when calculating the fair value. For further detail on the operation of the PSP, see page 64.

Retention Plan

Shares granted	2008 Number of Shares	2008 Weighted Average Fair Value $	2007 Number of Shares	2007 Weighted Average Fair Value $
Retention shares granted – 14 November 2007	**1,400,000**	**5.82**	–	–
Retention shares granted – 15 August 2007	**3,000,000**	**5.45**	–	–
Retention shares granted – 6 December 2006	**–**	**–**	200,000	5.07
Retention shares granted – 19 October 2006	**–**	**–**	400,000	4.05
Retention shares granted – 16 August 2006	**–**	**–**	2,400,000	3.09

Shares are valued based on the volume weighted average price of Qantas shares as traded on the ASX for the seven calendar days up to and including the date of allocation. Expected dividends are not taken into account when calculating the fair value. For further detail on the operation of the RP, see page 65.

Qantas Profitshare Scheme (QPS)

In August 2007, the Board approved an award of shares to eligible employees under the QPS. Shares were transferred into the name of the employee and are subject to a three year trading restriction. Under the Terms & Conditions of the QPS, this trading restriction will be lifted in certain limited circumstances.

Shares granted	2008 Number of Shares	2008 Weighted Average Fair Value $	2007 Number of Shares	2007 Weighted Average Fair Value $
QPS shares granted – 20 August 2007	**5,370,435**	**5.29**	–	–

Shares are valued based on the volume weighted average price of Qantas shares as traded on the ASX for the seven calendar days up to and including the date of allocation. Expected dividends are not taken into account when calculating the fair value.

Qantas Long-Term Executive Incentive Plan

Entitlements under the QLTEIP were granted before 7 November 2002. The recognition and measurement principles in AASB 2 Share-based Payment have not been applied to these Entitlements in accordance with the transitional provisions in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards.

There are no Entitlements outstanding at 30 June 2008.

25. Derivatives and Hedging Instruments

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

(A) Other financial assets and liabilities

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Current derivative asset	**1,057.7**	256.9	**1,059.2**	256.9
Other financial assets	**18.3**	301.3	**18.8**	301.3
Total current other financial assets	**1,076.0**	558.2	**1,078.0**	558.2
Non-current derivative asset	**208.3**	262.5	**208.3**	262.5
Other financial assets	**138.5**	209.8	**138.5**	209.8
Total non-current other financial assets	**346.8**	472.3	**346.8**	472.3
Total other financial assets	**1,422.8**	1,030.5	**1,424.8**	1,030.5
Current derivative liability	**(951.0)**	(319.7)	**(951.0)**	(316.8)
Other financial liabilities	**(8.9)**	(17.5)	**(8.9)**	(17.5)
Total current other financial liabilities	**(959.9)**	(337.2)	**(959.9)**	(334.3)
Non-current derivative liability	**(475.6)**	(692.3)	**(475.6)**	(692.3)
Other financial liabilities	**–**	(10.0)	**–**	(10.0)
Total non-current other financial liabilities	**(475.6)**	(702.3)	**(475.6)**	(702.3)
Total other financial liabilities	**(1,435.5)**	(1,039.5)	**(1,435.5)**	(1,036.6)
Net financial (liabilities)/assets	**(12.7)**	(9.0)	**(10.7)**	(6.1)
Derivatives				
– Designated as cash flow hedges	**341.0**	(125.6)	**342.5**	(123.4)
– Designated as fair value hedges	**(499.9)**	(462.0)	**(499.9)**	(462.0)
– Not qualifying for hedge accounting	**(2.1)**	95.0	**(1.6)**	95.7
Total derivative assets/(liabilities)	**(161.0)**	(492.6)	**(159.0)**	(489.7)
Other financial assets	**148.3**	483.6	**148.3**	483.6
Net financial assets/(liabilities)	**(12.7)**	(9.0)	**(10.7)**	(6.1)

Other financial assets are measured at amortised cost. These amounts are shown net of impairment losses of $121.7m (2007:$113.0m).

(B) Hedge reserve

At 30 June 2008, Qantas and the Qantas Group held various types of derivative financial instruments that were designated as cash flow hedges of future forecast transactions.

These were hedging of:

- certain foreign currency revenue receipts and operational payments by future debt repayments in foreign currency and exchange derivative contracts (forwards, swaps or options);
- future jet fuel purchases by forward crude, gasoil and jet kerosene derivative contracts and options;
- future interest payments by interest rate derivative contracts (forwards, swaps or options); and
- future capital expenditure payments by foreign exchange derivative contracts (forwards or options).

25. Derivatives and Hedging Instruments continued

To the extent that the hedges were assessed as highly effective, the effective portion of changes in fair value are included in the hedge reserve. For further information on accounting for derivative financial instruments as cash flow hedges, see Note 1(F). The periods in which the related cash flows are expected to occur are summarised below:

	Qantas Group				Qantas			
Contracts to hedge	Less than 1 Year $M	1 to 5 Years $M	More than 5 Years $M	Total $M	Less than 1 Year $M	1 to 5 Years $M	More than 5 Years $M	Total $M
2008								
Future foreign currency receipts and payments	**(18.5)**	**295.5**	**13.3**	**290.3**	**(17.4)**	**295.5**	**13.3**	**291.4**
Future aviation fuel payments	**653.1**	**108.2**	**–**	**761.3**	**653.1**	**108.2**	**–**	**761.3**
Future interest payments	**21.2**	**38.9**	**2.1**	**62.2**	**21.3**	**38.9**	**2.0**	**62.2**
Future capital expenditure payments	**(389.5)**	**(123.0)**	**–**	**(512.5)**	**(389.5)**	**(123.0)**	**–**	**(512.5)**
	266.3	**319.6**	**15.4**	**601.3**	**267.5**	**319.6**	**15.3**	**602.4**
Related deferred tax (expense)/benefit				**(180.4)**				**(180.7)**
Total net gain included within hedge reserve				**420.9**				**421.7**
2007								
Future foreign currency receipts and payments	(12.3)	186.3	158.1	332.1	(10.1)	186.3	158.1	334.3
Future aviation fuel payments	46.8	6.6	–	53.4	46.8	6.6	–	53.4
Future interest payments	31.8	15.4	10.8	58.0	31.8	15.4	10.8	58.0
Future capital expenditure payments	(70.0)	(202.1)	–	(272.1)	(70.0)	(202.1)	–	(272.1)
	(3.7)	6.2	168.9	171.4	(1.5)	6.2	168.9	173.6
Related deferred tax (expense)/benefit				(51.4)				(52.0)
Total net gain included within hedge reserve				120.0				121.6

(C) Derivative ineffectiveness and non-designated derivatives in Income Statement

Amounts shown below reflect ineffectiveness on changes in the fair value of any derivative instrument, or part of a derivative instrument that does not qualify for hedge accounting. AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) also permits reporting entities to separate the intrinsic value and time value of an option. AASB 139 only allows for the intrinsic value of an option to be designated as part of any hedging relationship. As a result, the time value component is not hedge accounted and changes in fair values are recognised immediately in the Income Statement for the financial period as it does not form part of a hedging relationship.

	Qantas Group		Qantas	
Ineffective and non-designated derivatives	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Ineffective derivatives				
Ineffective portion from cash flow hedges	**74.3**	(41.1)	**74.3**	(41.1)
Non-designated derivatives				
Component of derivatives not hedge accounted (including time value of options)	**(31.5)**	108.7	**(31.5)**	108.7
Total closed positions – (gain)/loss	**42.8**	67.6	**42.8**	67.6
Ineffective derivatives				
Ineffective portion from cash flow hedges	**79.9**	(55.3)	**79.9**	(55.3)
Non-designated derivatives				
Component of derivatives not hedge accounted (including time value of options)	**(67.6)**	109.4	**(67.6)**	109.4
Total open positions – (gain)/loss	**12.3**	54.1	**12.3**	54.1
Total ineffectiveness from cash flow hedges and non-designated derivatives – (gain)/loss	**55.1**	121.7	**55.1**	121.7
Fair value hedges				
Gain/(loss) on adjustments for hedged item on foreign exchange risk	**118.6**	224.1	**118.6**	224.1
Gain/(loss) on adjustments for hedged item on interest rate risk	**(83.1)**	(36.3)	**(83.1)**	(36.3)
Total gain/(loss) on adjustments for hedged item designated in fair value hedges	**35.5**	187.8	**35.5**	187.8
Gains/(loss) on derivative designated as fair value hedge on foreign exchange risk	**(118.6)**	(224.1)	**(118.6)**	(224.1)
Gains/(loss) on derivative designated as fair value hedge on interest rate risk	**79.7**	31.9	**79.7**	31.9
Total gain/(loss) on derivative designated as fair value hedges	**(38.9)**	(192.2)	**(38.9)**	(192.2)
Total ineffectiveness from fair value hedges in net finance income/(costs)	**(3.4)**	(4.4)	**(3.4)**	(4.4)

26. Notes to the Cash Flow Statements

Reconciliation of profit for the year to net cash from operating activities

	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Profit for the year attributable to members of Qantas	**969.0**	672.6	**1,308.2**	413.3
Add: depreciation and amortisation	**1,469.3**	1,362.7	**1,309.5**	1,266.8
Less: net gain on disposal of investment	**–**	(30.6)	**–**	–
Less: net gain on disposal of property, plant and equipment	**(17.3)**	(12.9)	**(4.4)**	(13.3)
Less: gain on disposal of intangible assets	**–**	(3.2)	**–**	(3.2)
Less: capitalised interest	**(100.7)**	(83.3)	**(100.7)**	(83.3)
Add: writedown of property, plant and equipment	**18.6**	–	**–**	–
Add: writedown of investments	**–**	14.5	**17.3**	13.5
Less: share of net profit of associates and jointly controlled entities	**(27.6)**	(46.5)	**–**	–
Add: dividends received from associates and jointly controlled entities	**22.3**	28.4	**–**	–
Less: discount on acquisition of controlled entity	**–**	(8.8)	**–**	–
Add: share-based payments	**61.6**	17.2	**61.6**	17.2
(Less)/add: transfer from hedge reserve to Income Statement	**(208.8)**	9.7	**(208.8)**	9.7
Add(less): changes in fair value of financial instruments	**71.0**	(9.2)	**82.9**	(77.8)
(Less)/add: other items	**(33.4)**	52.3	**(1.4)**	117.9
Movements in operating assets and liabilities:				
(Increase)/decrease in receivables	**(410.3)**	(165.2)	**(232.2)**	497.3
Increase in receivables from controlled entities	**–**	–	**(337.7)**	(178.8)
(Increase)/decrease in inventories	**(39.3)**	167.4	**(42.8)**	173.2
Increase in other assets	**(144.0)**	(16.1)	**(133.2)**	(22.8)
(Increase)/decrease in deferred tax assets	**(0.3)**	2.8	**–**	–
Increase/(decrease) in payables	**168.7**	16.1	**24.6**	(105.4)
Increase in revenue received in advance	**250.7**	304.9	**152.3**	223.2
(Decrease)/increase in provisions	**(41.0)**	65.7	**(47.5)**	56.6
(Decrease)/increase in current tax liabilities	**(40.5)**	80.6	**(40.9)**	80.7
Decrease in deferred lease benefits	**(28.6)**	(37.5)	**(26.3)**	(33.7)
Increase in deferred tax liabilities	**189.0**	42.5	**193.6**	45.2
Net cash from operating activities	**2,128.4**	2,424.1	**1,974.1**	2,396.3

Entities acquired during the year

	Qantas Group 2008 $M	Qantas Group 2007 $M
Consideration	**13.2**	34.5
Less: cash acquired	**–**	2.4
Payments for controlled entities, net of cash acquired	**13.2**	32.1
Net assets		
Receivables	**1.1**	14.5
Inventories	**–**	12.8
Investments accounted for using the equity method	**(2.3)**	(17.6)
Property, plant and equipment	**–**	39.0
Goodwill	**13.5**	20.8
Payables	**–**	(15.9)
Current tax liabilities	**–**	(0.5)
Revenue received in advance	**–**	(9.2)
Deferred tax liabilities	**–**	(1.8)
Minority interest	**0.9**	(1.2)
Discount on acquisition	**–**	(8.8)
Net asset impact of acquisition	**13.2**	32.1

Qantas acquired 67.27 per cent of DPEX Transport Group Pte Ltd and its controlled entities on 2 July 2007 for $22.4 million through conversion of a convertible note issued on 30 May 2007. As this entity was considered a controlled entity upon the issuance of the convertible note on 30 May 2007 the acquisition of the 67.27 per cent was recorded in the year ended 30 June 2007. The remaining 32.73 per cent of shares were acquired on 31 August 2007 for $12.7 million.

On 2 November 2007 Qantas acquired an additional 19.26 per cent of Kilda Express Pte Limited for $0.5 million bringing the total shareholding held by Qantas to 69.26 per cent.

Qantas acquired the remaining 50 per cent of Jet Turbine Services Pty Limited on 15 December 2006 for a purchase price of $12.1 million.

26. Notes to the Cash Flow Statements continued

Financing facilities

The total amount of committed financing facilities available to Qantas and the Qantas Group as at balance date is detailed below:

Committed financing facilities	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Bank overdraft				
Facility available	**7.0**	7.0	**7.0**	7.0
Amount of facility used	**–**	–	**–**	–
Amount of facility unused	**7.0**	7.0	**7.0**	7.0
Syndicated standby facility [1]				
Facility available	**500.0**	500.0	**500.0**	500.0
Amount of facility used	**–**	–	**–**	–
Amount of facility unused	**500.0**	500.0	**500.0**	500.0
Commercial paper and medium-term notes				
Facility available	**1,000.0**	1,000.0	**1,000.0**	1,000.0
Amount of facility used	**–**	100.0	**–**	100.0
Amount of facility unused	**1,000.0**	900.0	**1,000.0**	900.0

1 In August 2006, the syndicated facility was extended, with $300 million maturing on 8 August 2010 and $200 million maturing on 8 August 2011.

The bank overdraft facility held with Commonwealth Bank of Australia covers the combined balances of Qantas and its wholly-owned controlled entities. Subject to the continuance of satisfactory credit ratings, the bank overdraft facility may be utilised at any time. Commonwealth Bank of Australia may terminate this facility without notice.

27. Commitments

(A) Finance lease and hire purchase commitments

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Included in the Financial Statements as finance lease and hire purchase liabilities are the present values of future rentals of the following:				
Aircraft and engines	**606.0**	1,058.1	**1,984.9**	2,651.9
Computer and communications equipment	**–**	0.4	**–**	–
	606.0	1,058.5	**1,984.9**	2,651.9
Payable				
Not later than one year	**83.7**	458.2	**336.4**	710.6
Later than one year but not later than five years	**271.9**	375.4	**1,346.2**	1,474.1
Later than five years	**354.7**	400.8	**693.2**	983.6
	710.3	1,234.4	**2,375.8**	3,168.3
Less: future lease and hire purchase finance charges	**104.3**	175.9	**390.9**	516.4
	606.0	1,058.5	**1,984.9**	2,651.9
Finance lease and hire purchase liabilities provided for in the Financial Statements				
Current liability (refer Note 21)				
– controlled entities	**–**	–	**176.7**	174.0
– other parties	**66.8**	483.2	**66.8**	483.2
Non-current liability (refer Note 21)				
– controlled entities	**–**	–	**1,202.2**	1,419.4
– other parties	**539.2**	575.3	**539.2**	575.3
	606.0	1,058.5	**1,984.9**	2,651.9

The Qantas Group leases aircraft and plant and equipment under finance leases with expiry dates between one and 17 years. Most finance leases contain purchase options exercisable at the end of the lease term. The Qantas Group has the right to negotiate extensions on most leases.

27. Commitments continued

(B) Operating lease and rental commitments

As lessee	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Future net operating lease and rental commitments not provided for in the Financial Statements	**4,417.1**	3,322.9	**1,802.9**	1,759.6
Payable				
Not later than one year	**697.1**	568.4	**378.3**	370.7
Later than one year but not later than five years	**2,388.4**	1,677.9	**929.3**	833.9
Later than five years	**1,332.4**	1,085.8	**496.0**	562.8
	4,417.9	3,332.1	**1,803.6**	1,767.4
Less: provision for potential under recovery of rentals on unused premises available for sub-lease (included in onerous contract provision)	**0.8**	9.2	**0.7**	7.8
	4,417.1	3,322.9	**1,802.9**	1,759.6
Operating lease commitments represent:				
Cancellable operating leases	**1,055.8**	991.8	**1,028.5**	974.0
Non-cancellable operating leases:				
– Aircraft leases	**3,361.3**	2,331.1	**774.3**	785.6
	4,417.1	3,322.9	**1,802.9**	1,759.6
Non-cancellable operating lease commitments, excluding unguaranteed residual payments, not provided for in the Financial Statements:				
Not later than one year	**488.2**	391.0	**183.2**	200.5
Later than one year but not later than five years	**1,965.9**	1,287.0	**519.8**	453.3
Later than five years	**907.2**	653.1	**71.2**	131.8
	3,361.3	2,331.1	**774.3**	785.6

The Qantas Group leases aircraft, buildings and plant and equipment under operating leases with expiry dates between one and 35 years. The Qantas Group has the right to negotiate extensions on most leases.

As lessor	Qantas Group 2008 $M	Qantas Group 2007 $M	Qantas 2008 $M	Qantas 2007 $M
Receivable				
Not later than one year	**11.7**	10.7	**6.2**	4.7
Later than one year but not later than five years	**46.8**	46.8	**25.0**	18.7
Later than five years	**67.5**	76.5	**36.0**	28.6
	126.0	134.0	**67.2**	52.0

Qantas leases out freighter aircraft under long-term operating leases with rentals received monthly.

(C) Capital expenditure commitments

	$M	$M	**$M**	$M
Capital expenditure commitments contracted but not provided for in the Financial Statements:				
Aircraft	**16,495.7**	11,233.5	**16,495.7**	11,226.6
Building works	**143.0**	48.6	**143.0**	48.3
Other	**175.3**	150.9	**169.6**	136.3
	16,814.0	11,433.0	**16,808.3**	11,411.2
Payable				
Not later than one year	**2,492.3**	916.3	**2,486.6**	899.2
Later than one year but not later than five years	**9,069.8**	8,511.4	**9,069.8**	8,506.7
Later than five years	**5,251.9**	2,005.3	**5,251.9**	2,005.3
	16,814.0	11,433.0	**16,808.3**	11,411.2

The above amounts exclude uncommitted aircraft purchase payments that may be made if cancellable aircraft options are exercised. Qantas has a number of slide rights available on committed aircraft capital expenditure that are generally exercisable 24 months prior to contracted delivery.

28. Contingent Liabilities

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

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Performance guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties by controlled entities	**30.7**	26.8	**30.7**	26.8
Performance guarantees and letters of comfort to support leveraged and operating lease commitments to other parties on behalf of associates and jointly controlled entities	**0.2**	0.3	**0.2**	0.3
General guarantees in the normal course of business	**149.7**	129.1	**149.7**	129.1
Contingent liabilities relating to current and threatened litigation	**3.7**	6.1	**3.7**	6.1
	184.3	162.3	**184.3**	162.3

Aircraft financing

As part of the financing arrangements for the acquisition of aircraft, the Qantas Group has provided certain guarantees and indemnities to various lenders and equity participants in leveraged lease transactions. In certain circumstances, including the insolvency of major international banks and other AAA rated counterparties, the Qantas Group may be required to make payments under these guarantees.

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

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

Freight investigations and class actions

Qantas has been co-operating with regulators in the USA, Europe, Australia, New Zealand and other jurisdictions in their investigation into alleged price fixing in the air cargo market. These investigations revealed that the practice adopted by Qantas Freight and the cargo industry generally to fix and impose fuel surcharges was likely to have breached relevant competition laws. Qantas continues to co-operate fully with all regulators and will be providing them with all relevant information to permit them to undertake their investigations.

On 28 November 2007, Qantas reached an agreement with the US Department of Justice for US$61 million. This amount was paid on 29 January 2008.

As a result of this settlement, as well as ongoing discussions with other regulators, Qantas has provided $40 million as at 30 June 2008 (2007: $47 million). This provision reflects management's best estimate of potential settlements and costs arising from these investigations. However, future developments in these investigations may alter management's current view. Qantas is continuing to co-operate with regulators in other jurisdictions including Australia, Europe and New Zealand. Qantas expects the outcome of these investigations will be known over the next two years.

In addition to investigations by regulators for breaches of relevant competition laws, a number of class actions have commenced against Qantas and other airlines. The outcomes of these class actions is not expected to be known for a number of years.

Travel agent litigation

A class action claim was made during the prior year by a number of travel agents against International Air Transport Association (IATA), Qantas and other airlines as a result of travel agents not being paid commission on fuel surcharges. The claim amount has not yet been determined and Qantas is defending the claim.

29. Superannuation

The Qantas Superannuation Plan (QSP) is a hybrid defined benefit/defined contribution fund with 13 separate divisions which commenced operation in June 1939. In addition to the QSP, there are a number of small offshore defined benefit plans.

The Qantas Group makes contributions to defined benefit superannuation plans that provide defined benefit amounts for employees upon retirement. Under the plans, employees are entitled to retirement benefits determined, at least in part, by reference to a formula based on years of membership and salary levels. The total plan assets include financial instruments issued by Qantas with a fair value of $18.1 million (2007: $5.9 million). Plan assets also include an investment in a trust which owns a 50 per cent interest in property occupied by the Qantas Group. The value of this investment is $17.4 million (2007: $17.4 million).

	Qantas Group		Qantas	
Changes in the present value of defined benefit obligations	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Opening defined benefit obligations	**1,691.0**	2,041.8	**1,691.0**	2,041.8
Current service cost	**141.8**	176.2	**141.8**	176.2
Interest cost	**99.0**	108.3	**99.0**	108.3
Actuarial losses/(gains)	**180.5**	(229.5)	**180.5**	(229.5)
Exchange differences on foreign plans	**(17.4)**	(13.4)	**(17.4)**	(13.4)
Transfer of retirement aged members to accumulation fund	**–**	(173.0)	**–**	(173.0)
Benefits paid	**(249.3)**	(219.4)	**(249.3)**	(219.4)
Closing defined benefit obligation	**1,845.6**	1,691.0	**1,845.6**	1,691.0
Changes in the fair value of plan assets				
Opening fair value of plan assets	**2,353.3**	2,411.0	**2,353.3**	2,411.0
Expected return	**177.8**	169.1	**177.8**	169.1
Actuarial (losses)/gains	**(271.2)**	27.0	**(271.2)**	27.0
Exchange differences on foreign plans	**(14.8)**	(11.5)	**(14.8)**	(11.5)
Contributions by employer	**120.1**	123.5	**120.1**	123.5
Contributions by plan participants	**25.9**	26.6	**25.9**	26.6
Transfer of retirement aged members to accumulation fund	**–**	(173.0)	**–**	(173.0)
Benefits paid	**(249.3)**	(219.4)	**(249.3)**	(219.4)
Closing fair value of plan assets	**2,141.8**	2,353.3	**2,141.8**	2,353.3
Expense recognised in the Income Statement				
Service cost	**130.7**	158.8	**130.7**	158.8
Interest cost	**99.0**	108.3	**99.0**	108.3
Contributions by plan participants	**(25.9)**	(26.6)	**(25.9)**	(26.6)
Expected return on plan assets	**(177.8)**	(169.1)	**(177.8)**	(169.1)
Actuarial (gains)/losses	**(33.1)**	(11.4)	**(33.1)**	(11.4)
Increase in allowance for contributions tax on net liability	**4.6**	12.3	**4.6**	12.3
Expenses	**6.5**	5.1	**6.5**	5.1
Total included in manpower and staff related	**4.0**	77.4	**4.0**	77.4
Major categories of plan assets as a percentage of total plan assets	**%**	%	**%**	%
Equity instruments (Australian and overseas)	**55**	55	**55**	55
Fixed interest and cash (Australian and overseas)	**14**	15	**14**	15
Property (direct and listed)	**10**	10	**10**	10
Australian indexed bonds	**6**	6	**6**	6
Alternative assets	**15**	14	**15**	14
Reconciliation to the Balance Sheet	**$M**	$M	**$M**	$M
Fair value of plan assets	**2,141.8**	2,353.3	**2,141.8**	2,353.3
Present value of defined benefit obligation	**1,845.6**	1,691.0	**1,845.6**	1,691.0
Surplus	**296.2**	662.3	**296.2**	662.3
Less: unrecognised actuarial gains	**141.4**	622.4	**141.4**	622.4
Recognised prepayment for defined benefit obligation	**154.8**	39.9	**154.8**	39.9

29. Superannuation continued

Historical amounts	Qantas Group 2008 $M	2007 $M	2006 $M	2005 $M	Qantas 2008 $M	2007 $M	2006 $M	2005 $M
Fair value of plan assets	**2,141.8**	2,353.3	2,411.0	2,077.9	**2,141.8**	2,353.3	2,411.0	2,077.9
Present value of defined benefit obligation	**1,845.6**	1,691.0	2,041.8	2,042.9	**1,845.6**	1,691.0	2,041.8	2,042.9
Surplus	**296.2**	662.3	369.2	35.0	**296.2**	662.3	369.2	35.0
Experience adjustments on plan assets	**(271.2)**	27.0	179.7	180.1	**(271.2)**	27.0	179.7	180.1
Experience adjustments on plan liabilities	**(138.0)**	112.1	3.9	(63.6)	**(138.0)**	112.1	3.9	(63.6)

Principal actuarial assumptions at balance date (expressed as weighted averages per annum)	Qantas Group 2008 %	2007 %	Qantas 2008 %	2007 %
Discount rate	**6.4**	6.3	**6.4**	6.3
Expected return on plan assets	**8.2**	7.7	**8.2**	7.7
Future salary increases	**3.3**	3.0	**3.3**	3.0

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

It is estimated that $118 million will be paid by Qantas to the defined benefit superannuation plans in the year ending 30 June 2009 (2008: $118 million).

Defined contribution fund

The Qantas Group results include a $168.0 million (2007: $144.1 million) expense in relation to the defined contribution fund.

30. Related Parties

(A) Key Management Personnel

Details of Key Management Personnel

The Key Management Personnel (KMP) of the Qantas Group during the year were:
Leigh Clifford, AO, Chairman (appointed Non-Executive Director from 9 August 2007 and Chairman from 14 November 2007)
Margaret Jackson, AC, Chairman (retired 14 November 2007)
Geoff Dixon, Chief Executive Officer
Peter Gregg, Chief Financial Officer and EGM Strategy
Paul Anderson, Non-Executive Director (resigned 16 April 2008)
Mike Codd, AC, Non-Executive Director
Peter Cosgrove, AC, MC, Non-Executive Director
Patricia Cross, Non-Executive Director
Richard Goodmanson, Non-Executive Director (appointed 19 June 2008)
Garry Hounsell, Non-Executive Director
James Packer, Non-Executive Director (resigned 31 August 2007)
John Schubert, Non-Executive Director
James Strong, AO, Non-Executive Director
Barbara Ward, Non-Executive Director (appointed 19 June 2008)
John Borghetti, EGM Qantas
Kevin Brown, EGM People
David Cox, EGM Engineering
Grant Fenn, EGM Freight Enterprises
Alan Joyce, CEO Jetstar.

Paul Rayner was appointed as a Non-Executive Director effective 16 July 2008.

Alan Joyce was appointed as an Executive Director effective 28 July 2008.

Notes to the Financial Statements

for the year ended 30 June 2008

30. Related Parties continued

Key Management Personnel remuneration

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

	Qantas Group		Qantas	
	2008 $	2007 $	**2008 $**	2007 $
Short-term employee benefits	**20,142,723**	18,886,101	**17,747,309**	17,226,863
Post-employment benefits	**939,544**	955,323	**908,915**	897,238
Other long-term benefits	**881,084**	902,817	**528,837**	594,749
Share-based payments	**20,725,461**	5,678,628	**18,404,550**	5,040,057
	42,688,812	26,422,869	**37,589,611**	23,758,907

Equity instruments

Set out in the following tables are the holdings of equity instruments granted as remuneration to the KMP by Qantas. Non-Executive Directors do not receive any remuneration in the form of share-based payments. No other KMP or related party directly, indirectly or beneficially held any other shares, options or rights in the Qantas Group other than as set out below. Other than share-based payment compensation, all equity instrument transactions between the KMP, including their related parties, and Qantas during the year have been on an arm's length basis.

Performance Share Plan

Details of entitlements over shares in Qantas provided as remuneration during the year to each KMP are set out below. For more information on the operation of the PSP, see page 64.

Key Management Personnel	Grant Date	Value as at Grant Date	Balance as at 30 June 2007	Number of Performance Shares Granted during the Year	Number of Performance Shares Vested and Transferred during the Year	Balance as at 30 June 2008	Not Available to Call	Available to Call
Geoff Dixon	15-Aug-07	$5.45	–	258,000	–	258,000	129,000	129,000
	22-Aug-06	$3.30	142,500	–	–	142,500	–	142,500
	17-Aug-05	$3.29	150,000	–	–	150,000	–	150,000
	21-Oct-04	$3.34	150,000	–	–	150,000	–	150,000
			442,500	258,000	–	700,500	129,000	571,500
Peter Gregg	15-Aug-07	$5.45	–	86,000	–	86,000	43,000	43,000
	22-Aug-06	$3.30	85,500	–	–	85,500	–	85,500
	17-Aug-05	$3.29	90,000	–	–	90,000	–	90,000
	21-Oct-04	$3.34	45,000	–	–	45,000	–	45,000
			220,500	86,000	–	306,500	43,000	263,500
John Borghetti	15-Aug-07	$5.45	–	86,000	–	86,000[1]	86,000	–
	22-Aug-06	$3.30	85,500	–	–	85,500	42,750[2]	42,750
	17-Aug-05	$3.29	30,000	–	–	30,000	–	30,000
			115,500	86,000	–	201,500	128,750	72,750
Kevin Brown	15-Aug-07	$5.45	–	19,000	–	19,000[1]	19,000	–
	22-Aug-06	$3.30	38,000	–	(19,000)	19,000	19,000[2]	–
	17-Aug-05	$3.29	17,500	–	–	17,500	–	17,500
			55,500	19,000	(19,000)	55,500	38,000	17,500
David Cox	15-Aug-07	$5.45	–	15,500	–	15,500[1]	15,500	–
	22-Aug-06	$3.30	32,000	–	–	32,000	16,000[2]	16,000
	17-Aug-05	$3.29	30,000	–	–	30,000	–	30,000
	18-Aug-04	$3.32	30,000	–	–	30,000	–	30,000
			92,000	15,500	–	107,500	31,500	76,000

30. Related Parties continued

Performance Share Plan continued

Key Management Personnel	Grant Date	Value as at Grant Date	Balance as at 30 June 2007	Number of Performance Shares Granted during the Year	Number of Performance Shares Vested and Transferred during the Year	Balance as at 30 June 2008	Not Available to Call	Available to Call
Grant Fenn	15-Aug-07	$5.45	–	19,000	–	19,000[1]	19,000	–
	22-Aug-06	$3.30	38,000	–	–	38,000	19,000[2]	19,000
	17-Aug-05	$3.29	17,500	–	–	17,500	–	17,500
			55,500	19,000	–	74,500	38,000	36,500
Alan Joyce	15-Aug-07	$5.45	–	23,500	–	23,500[1]	23,500	–
	22-Aug-06	$3.30	34,000	–	–	34,000	17,000[2]	17,000
	17-Aug-05	$3.29	35,000	–	–	35,000	–	35,000
	18-May-05	$3.18	25,000	–	–	25,000	–	25,000
	18-Aug-04	$3.32	30,000	–	–	30,000	–	30,000
			124,000	23,500	–	147,500	40,500	107,000

1 Up to one-half of these deferred shares may be called for from 1 July 2008.
2 These deferred shares may be called for from 1 July 2008.

No amount has been paid, or is payable, by the Executive in relation to these deferred shares.

Retention Plan

Details of entitlements over shares in Qantas provided as remuneration during the year to each KMP are set out below. For more information on the operation of the RP, see page 65.

Key Management Personnel	Grant Date	Value as at Grant Date	Balance as at 30 June 2007	Number of Retention Shares Granted during the Year	Number of Retention Shares Vested and Transferred during the Year	Balance as at 30 June 2008	Not Available to Call	Available to Call
Geoff Dixon	14-Nov-07	$5.82	–	1,000,000	–	1,000,000	750,000[1]	250,000
			–	1,000,000	–	1,000,000	750,000	250,000
Peter Gregg	14-Nov-07	$5.82	–	400,000	–	400,000	400,000[2]	–
	19-Oct-06	$4.05	400,000	–	–	400,000	400,000	–
			400,000	400,000	–	800,000	800,000	–
John Borghetti	15-Aug-07	$5.45	–	400,000	–	400,000	400,000[2]	–
	16-Aug-06	$3.09	400,000	–	–	400,000	400,000	–
			400,000	400,000	–	800,000	800,000	–
Kevin Brown	15-Aug-07	$5.45	–	350,000	–	350,000	350,000[3]	–
	16-Aug-06	$3.09	350,000	–	–	350,000	350,000	–
			350,000	350,000	–	700,000	700,000	–
David Cox	15-Aug-07	$5.45	–	350,000	–	350,000	350,000[3]	–
	16-Aug-06	$3.09	350,000	–	–	350,000	350,000	–
			350,000	350,000	–	700,000	700,000	–
Grant Fenn	15-Aug-07	$5.45	–	350,000	–	350,000	350,000[3]	–
	16-Aug-06	$3.09	350,000	–	–	350,000	350,000	–
			350,000	350,000	–	700,000	700,000	–
Alan Joyce	15-Aug-07	$5.45	–	400,000	–	400,000	400,000[2]	–
	16-Aug-06	$3.09	350,000	–	–	350,000	350,000	–
			350,000	400,000	–	750,000	750,000	–

1 250,000 of these deferred shares may be called for from 1 July 2008.
2 90,000 of these deferred shares may be called for from 1 July 2008.
3 78,333 of these deferred shares may be called for from 1 July 2008.

No amount has been paid, or is payable, by the Executive in relation to these deferred shares.

30. Related Parties continued

Performance Rights Plan

Details of Rights over Qantas shares to each KMP are set out below. For more information on the operation of the PRP, including a summary of the performance criteria to be met prior to vesting, see page 65.

Key Management Personnel	Grant Date	Fair Value as at Grant Date[1]	Balance as at 30 June 2007	Number of Performance Rights Granted during the Year	Number of Performance Rights Forfeited during the Year	Number of Performance Rights Vested and Transferred during the Year	Balance as at 30 June 2008
Geoff Dixon	12-Dec-07	$4.42	–	300,000	–	–	300,000
	19-Oct-06	$3.17	300,000	–	–	–	300,000
	21-Oct-04	$2.28	450,000	–	–	(360,000)	90,000[3]
			750,000	300,000	–	(360,000)	690,000
Peter Gregg	12-Dec-07	$4.42	–	100,000	–	–	100,000
	19-Oct-06	$3.17	100,000	–	–	–	100,000
	17-Aug-05	$1.98	90,000	–	–	–	90,000[2]
	21-Oct-04	$2.28	90,000	–	–	(72,000)	18,000[3]
			280,000	100,000	–	(72,000)	308,000
John Borghetti	12-Dec-07	$4.42	–	100,000	–	–	100,000
	22-Aug-06	$2.39	100,000	–	–	–	100,000
	17-Aug-05	$1.98	75,000	–	–	–	75,000[2]
	18-Aug-04	$2.25	60,000	–	–	(48,000)	12,000[3]
			235,000	100,000	–	(48,000)	287,000
Kevin Brown	12-Dec-07	$4.42	–	53,000	–	–	53,000
	22-Aug-06	$2.39	55,000	–	–	–	55,000
	17-Aug-05	$1.98	50,000	–	–	–	50,000[2]
	18-Aug-04	$2.25	40,000	–	–	(32,000)	8,000[3]
			145,000	53,000	–	(32,000)	166,000
David Cox	12-Dec-07	$4.42	–	44,000	–	–	44,000
	22-Aug-06	$2.39	45,000	–	–	–	45,000
	17-Aug-05	$1.98	40,000	–	–	–	40,000[2]
	18-Aug-04	$2.25	45,000	–	–	(36,000)	9,000[3]
			130,000	44,000	–	(36,000)	138,000
Grant Fenn	12-Dec-07	$4.42	–	53,000	–	–	53,000
	22-Aug-06	$2.39	55,000	–	–	–	55,000
	17-Aug-05	$1.98	50,000	–	–	–	50,000[2]
	18-Aug-04	$2.25	45,000	–	–	(36,000)	9,000[3]
			150,000	53,000	–	(36,000)	167,000
Alan Joyce	12-Dec-07	$4.42	–	65,000	–	–	65,000
	22-Aug-06	$2.39	55,000	–	–	–	55,000
	17-Aug-05	$1.98	50,000	–	–	–	50,000[2]
	18-Aug-04	$2.25	35,000	–	–	(28,000)	7,000[3]
			140,000	65,000	–	(28,000)	177,000

1 The fair value of Rights granted is calculated at the date of grant using a Monte-Carlo Valuation Methodology and/or Black Scholes Methodology.

2 While these Rights may convert to Qantas shares on the tenth anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2008 .

3 While these Rights may convert to Qantas shares on the tenth anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2007.

All Rights were granted with a nil exercise price and subject to the achievement of the performance hurdle may be converted on a one-for-one basis to Qantas shares. No amount has been paid, or is payable by, the Executive in relation to these Rights.

30. Related Parties continued

Equity holdings and transactions

The movement during the year in the number of Qantas shares held directly, indirectly or beneficially, by KMP, including their related parties, is as follows:

Key Management Personnel	Interest in Shares as at 30 June 2007	Awarded as Remuneration[1]	Rights/Entitlements Converted to Shares	Other Change[2]	Interest in Shares as at 30 June 2008
Leigh Clifford	n/a	–	–	45,000	45,000
Margaret Jackson	147,338	–	–	–	147,338[3]
Geoff Dixon	1,742,821	1,258,000	421,729	–	3,422,550
Peter Gregg	905,529	486,000	81,967	–	1,473,496
Paul Anderson	25,000	–	–	–	25,000[3]
Mike Codd	13,408	–	–	–	13,408
Peter Cosgrove	2,124	–	–	2,475	4,599
Patricia Cross	2,163	–	–	–	2,163
Richard Goodmanson	n/a	–	–	–	–
Garry Hounsell	33,811	–	–	–	33,811
James Packer	53,101	–	–	–	53,101[3]
John Schubert	34,753	–	–	–	34,753
James Strong	41,056	–	–	–	41,056
Barbara Ward	n/a	–	–	10,975	10,975
John Borghetti	517,746	486,000	57,967	189	1,061,902
Kevin Brown	423,000	369,000	32,000	(30,000)	794,000
David Cox	502,241	365,500	45,967	–	913,708
Grant Fenn	405,500	369,000	36,000	–	810,500
Alan Joyce	541,383	423,500	28,000	–	992,883

1 See details of the PSP and RP on pages 126 and 127.
2 Other change includes shares acquired through salary sacrifice, purchased, sold or lapsed.
3 The number shown is at the date the Director ceased to be KMP.

Loans and other transactions with Key Management Personnel

Loans

No KMP or their related parties held any loans from the Qantas Group during or at the end of the year.

Other transactions with the Qantas Group

Related party disclosures

A number of KMP and their related parties have transactions with the Qantas Group. All transactions, including air travel, are conducted on normal commercial arm's length terms. The nature of transactions, other than air travel, is set out below:

- Paul Meadows, a related party to Mrs Cross, is a Partner of Allens Arthur Robinson. Mr Meadows is also an advisor to UBS Investment Bank. Mr Meadows performs no work for Qantas;
- Toolangi Vineyards is a related entity to Mr Hounsell. Qantas purchases wine from Toolangi Vineyards for use on Qantas International Business Class services; and
- Consolidated Media Holdings Limited (formally Publishing and Broadcasting Limited) (CMH) and Crown Limited are related parties to Mr Packer, who was a Non-Executive Director until 31 August 2007. The Qantas Group purchased directly or indirectly advertising services from CMH and has various contra arrangements in place for advertising and sponsorship.

30. Related Parties continued

(B) Non-Key Management Personnel

Controlled entities

Details of interests in controlled entities are set out in Note 31. Transactions between Qantas and controlled entities are conducted on normal business terms and conditions. In addition, the Qantas Group has pooled funding arrangements with its major domestic banker and as such reciprocal borrowings occur regularly between Qantas and its controlled entities.

Transactions between Qantas and related parties in the wholly-owned group include:

- Qantas provides a range of administrative, financial and treasury services to controlled entities;
- Qantas provides ground handling services to Jetstar Airways Pty Limited (Jetstar) and QantasLink;
- Jetstar and QantasLink provide freight capacity to Qantas;
- Qantas Catering Group Limited and controlled entities and Snap Fresh Pty Limited provide airline catering and related services to Qantas and QantasLink;
- Qantas codeshares on certain Jetstar services for inbound international passengers and Qantas Frequent Flyers for which it pays capacity hire costs;
- Jetstar acts as an agent for QH Tours Ltd;
- QH Tours Ltd and controlled entities and Qantas act as an agent for each other's products;
- Southern Cross Insurances Pte Limited provides insurance services to Qantas and its controlled entities;
- AAL Aviation Limited and its controlled entities assist in the hiring of aircraft capacity;
- Qantas Cabin Crew (UK) Limited provides cabin crew to Qantas;
- Jetconnect Limited provides flights and cabin crew to Qantas;
- Qantas leases aircraft from controlled entities;
- Qantas leases property to and from controlled entities;
- Qantas leases aircraft to Jetstar;
- Qantas leases aircraft to Express Freighters Australia Pty Limited;
- Qantas has an engine tooling arrangement with Jet Turbine Services Pty Limited; and
- Qantas receives engine maintenance services from Jet Turbine Services Pty Limited.

Transactions and balances with partly and wholly-owned controlled entities are included in the Financial Statements as follows:

		Qantas	
	Notes	**2008 $M**	2007 $M
Sales and other income	4	**338.8**	461.0
Dividend revenue	4	**601.8**	–
Finance costs	5	**98.5**	83.0
Current receivables	11	**1,630.1**	93.0
Non-current receivables	11	**395.6**	797.6
Current payables	19	**888.9**	576.2
Current interest-bearing liabilities	21	**176.7**	174.0
Non-current interest-bearing liabilities	21	**1,202.2**	1,419.4

30. Related Parties continued

Associates and jointly controlled entities

Details of interests in associates and jointly controlled entities are provided in Note 14. Transactions with associates and jointly controlled entities are conducted on normal terms and conditions.

Transactions between Qantas and associates and jointly controlled entities include:

- Qantas provides catering and ground handling services and performs maintenance and contract work for Air Pacific Limited (Air Pacific);
- Qantas provides ramp handling services to Australian air Express Pty Limited (Australian air Express);
- Qantas leases aircraft and domestic freight capacity and sub-leases certain property to Australian air Express;
- Qantas codeshares on certain Air Pacific services for which it pays capacity hire costs;
- Australian air Express and the Star Track Express Group provide certain domestic freight and document delivery services for Qantas;
- Qantas receives interest from the Star Track Express Group on an investment loan;
- Qantas provides treasury services to Australian air Express, Air Pacific and Orangestar Investment Holdings Pte Limited (Orangestar);
- Qantas has sub-leased aircraft from Orangestar; and
- Qantas has seconded employees and provided various support services to Orangestar.

Transactions and balances with associates and jointly controlled entities are included in the Financial Statements as follows:

		Qantas Group		Qantas	
	Notes	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Sales and other income	4	**131.0**	183.3	**73.3**	32.2
Dividend revenue	4	**–**	–	**21.7**	16.5
Finance income	5	**10.2**	10.3	**7.7**	10.3
Expenditure		**13.6**	82.1	**13.1**	75.4
Current receivables	11	**6.6**	11.7	**6.4**	0.1
Non-current receivables	11	**128.2**	128.2	**–**	128.2
Current payables	19	**0.2**	1.8	**0.2**	1.4
Current interest-bearing liabilities	21	**3.4**	6.5	**3.4**	6.5

31. Particulars in Relation to Controlled Entities as at 30 June 2008

				Qantas Group Ownership Interest	
Controlled Entities	Footnote	ABN/ACN	Country of Incorporation	2008 %	2007 %
738 Leasing 1 Pty Limited		33 099 119 641	Australia	**100**	100
738 Leasing 2 Pty Limited		71 099 119 801	Australia	**100**	100
AAL Aviation Limited	1	83 008 642 886	Australia	**100**	100
AAFE Superannuation Pty Limited		064 186 214	Australia	**100**	100
TAA Superannuation Pty. Ltd.		065 318 461	Australia	**100**	100
Australian Regional Airlines Pty. Ltd.	1	25 006 783 633	Australia	**100**	100
Sunstate Airlines (Qld) Pty. Limited	1	82 009 734 703	Australia	**100**	100
Southern Australia Airlines Pty Ltd	1	38 006 604 217	Australia	**100**	100
Airlink Pty Limited	1	76 010 812 316	Australia	**100**	100
Eastern Australia Airlines Pty. Limited	1	77 001 599 024	Australia	**100**	100
Impulse Airlines Holdings Proprietary Limited	1	67 090 590 024	Australia	**100**	100
Impulse Airlines Australia Pty Ltd	1	17 090 379 285	Australia	**100**	100
Jetstar Airways Pty Limited	1	33 069 720 243	Australia	**100**	100
Jetstar Holidays Co. Ltd.			Japan	**100**	100
Team Jetstar Pty Limited	1, 2	64 003 901 353	Australia	**100**	100
First Brisbane Airport Proprietary Limited	1	60 006 912 116	Australia	**100**	100
Second Brisbane Airport Proprietary Limited	1	49 006 912 072	Australia	**100**	100
First Brisbane Airport Unit Trust			n/a	**100**	100
Second Brisbane Airport Unit Trust			n/a	**100**	100
TAA Aviation Pty. Ltd.	1	17 008 596 825	Australia	**100**	100
In Tours Airline Unit Trust No 1			n/a	**100**	100
Denmell Pty. Limited	1	24 008 636 093	Australia	**100**	100
Denmint Pty. Limited	1	22 008 636 084	Australia	**100**	100
Denold Pty. Limited	1	64 008 636 262	Australia	**100**	100
Denpen Pty. Limited	1	66 008 636 271	Australia	**100**	100
Denpet Pty. Limited	1	60 008 636 244	Australia	**100**	100
Denpost Pty. Limited	1	58 008 636 235	Australia	**100**	100
Denrac Pty. Limited	1	56 008 636 226	Australia	**100**	100
Denseed Pty. Limited	1	39 008 636 155	Australia	**100**	100
Australian Airlines Limited	1	85 099 625 304	Australia	**100**	100
BD No 1 Limited			Cayman Islands	**100**	100
Express Ground Handling Pty Limited	1	19 107 638 326	Australia	**100**	100
Jetconnect Limited			New Zealand	**100**	100
Qantas Investments (NZ) Limited			New Zealand	**100**	100
Jetstar Asia Holdings Pty Limited		86 108 623 123	Australia	**100**	100
Jet Turbine Services Pty Limited	3	15 106 473 965	Australia	**100**	100
Kurrajong Limited			Cayman Islands	**100**	100
Q H Tours Ltd	1	81 001 262 433	Australia	**100**	100
Holiday Tours and Travel Pte Ltd			Singapore	**75**	75
Holiday Tours & Travel (Singapore) Pte. Ltd.	4		Singapore	**75**	75
Tour East Australia Pty Limited		106 526 096	Australia	**75**	75
Tour East Singapore (1996) Pte Ltd			Singapore	**75**	75
Tour East (Hong Kong) Limited			Hong Kong	**75**	75
PT Biro Perjalanan Wisata Tour East Indonesia			Indonesia	**60**	60
PT Pacto Holiday Tours			Indonesia	**52.5**	52.5
Holiday Tours and Travel Ltd			Taiwan	**75**	75
Holiday Tours and Travel Limited			Hong Kong	**75**	75
Hangda Consulting (Shanghai) Co. Ltd			China	**75**	75
Holiday Tours and Travel (Korea) Limited			Korea	**56.25**	56.25
QH International Co, Limited			Japan	**100**	100

31. Particulars in Relation to Controlled Entities as at 30 June 2008 continued

Controlled Entities	Footnote	ABN/ACN	Country of Incorporation	Qantas Group Ownership Interest 2008 %	2007 %
Jetabout Japan Inc			Japan	**100**	100
QH Tours (UK) Limited			United Kingdom	**100**	100
Qantas Holidays Limited	1, 5	24 003 836 459	Australia	**100**	100
Qantas Business Travel Pty Limited	5, 6	50 128 382 187	Australia	**100**	n/a
Qantas Viva! Holidays Pty Limited		82 003 857 332	Australia	**100**	100
QH Cruises Pty. Limited.	1	13 003 895 556	Australia	**100**	100
Qanfad Pty Limited	1	071 955 578	Australia	**100**	100
Qanlease Limited	1	78 064 157 839	Australia	**100**	100
Qantas Cabin Crew (UK) Limited			United Kingdom	**100**	100
Qantas Asia Investment Company Pty Ltd	1	125 048 044	Australia	**100**	100
Qantas Asia Investment Company (Singapore) Pte Ltd	7		Singapore	**100**	n/a
Qantas Defence Services Pty Limited	1	53 090 673 466	Australia	**100**	100
QDS Richmond Pty Ltd	1	58 092 691 140	Australia	**100**	100
Aerial Operations Services Pty Limited	8	52 123 140 152	Australia	**100**	n/a
Qantas Catering Group Limited	1, 9	34 003 836 440	Australia	**100**	100
Q Catering Limited	1, 10	35 003 530 685	Australia	**100**	100
Q Catering Cairns Pty Limited	1, 11	51 008 646 302	Australia	**100**	100
Q Catering Riverside Pty Limited	1, 12	37 062 648 140	Australia	**100**	100
Airport Infrastructure Finance Pty. Limited		14 011 071 248	Australia	**100**	100
Qantas Freight Enterprises Limited	1, 13	55 128 862 108	Australia	**100**	n/a
Express Freighters Australia Pty Limited	1	73 003 613 465	Australia	**100**	100
Express Freighters Australia (Operations) Pty Limited	1	119 093 999	Australia	**100**	100
Qantas Road Express Pty Limited	1, 14	56 130 392 111	Australia	**100**	n/a
Qantas Freight Holdings Pty Limited	1	125 573 113	Australia	**100**	100
Jupiter Air Oceania Limited	15	32 003 890 328	Australia	**100**	47.6
Qantas Freight Asia Holdings Pte Limited			Singapore	**100**	100
Asia Express Holdings Pte Ltd	16		Singapore	**100**	n/a
DPEX Transport Group Pte Ltd	17		Singapore	**100**	n/a
DPEX Ventures Pte Ltd	17		Singapore	**100**	n/a
Document Parcel Express Korea Ltd	18		Korea	**83.33**	n/a
DPEX Worldwide Express Pte Ltd	17		Singapore	**100**	n/a
DPEX Worldwide Express Limited	17		Hong Kong	**100**	n/a
Document Parcel Express (HK) Ltd	17, 19		Hong Kong	**n/a**	n/a
Kilda Express Pte Limited	20		Singapore	**69.26**	50
DPEX Worldwide Co Ltd	21		China	**51.95**	37.5
Qantas Foundation Trustee Limited	22	130 129 449	Australia	**100**	n/a
Qantas Frequent Flyer Limited	23	12 129 456 908	Australia	**100**	n/a
Qantas Group Flight Training Pty Limited	1, 24	29 128 258 104	Australia	**100**	n/a
Qantas Group Flight Training (Australia) Pty Limited	1, 24	45 128 258 677	Australia	**100**	n/a
Qantas Information Technology Ltd	1	99 000 005 372	Australia	**100**	100
Qantas Superannuation Limited		47 003 806 960	Australia	**100**	100
QF 738 Leasing 5 Pty Limited		75 100 511 706	Australia	**100**	100
QF 738 Leasing 6 Pty Limited		83 100 511 742	Australia	**100**	100
QF 744 Leasing 3 Pty Limited		18 100 511 466	Australia	**100**	100
QF 744 Leasing 4 Pty Limited		24 100 511 493	Australia	**100**	100
QF A332 Leasing 1 Pty Limited		11 100 511 813	Australia	**100**	100
QF A332 Leasing 2 Pty Limited		13 100 511 886	Australia	**100**	100
QF A332 Leasing 3 Pty Limited		86 100 510 503	Australia	**100**	100
QF A332 Leasing 4 Pty Limited		84 100 510 558	Australia	**100**	100
QF A333 Leasing 3 Pty Limited		50 100 510 352	Australia	**100**	100
QF A333 Leasing 4 Pty Limited		44 100 510 389	Australia	**100**	100

31. Particulars in Relation to Controlled Entities as at June 2008 continued

				Qantas Group Ownership Interest	
Controlled Entities	Footnote	ABN/ACN	Country of Incorporation	2008 %	2007 %
QF A388 Leasing 1 Pty Limited		62 100 510 843	Australia	**100**	100
QF A388 Leasing 2 Pty Limited		66 100 510 861	Australia	**100**	100
QF BOC 2008-1 Pty Limited	25	22 100 510 674	Australia	**100**	100
QF BOC 2008-2 Pty Limited	26	35 100 510 727	Australia	**100**	100
QF Cabin Crew Australia Pty Limited	1, 27	46 128 382 105	Australia	**100**	n/a
QF Dash 8 Leasing Pty Limited		86 107 164 750	Australia	**100**	100
Snap Fresh Pty Limited	1	55 092 536 475	Australia	**100**	100
Southern Cross Insurances Pte Limited			Singapore	**100**	100
Thai Air Cargo Holdings Pty Limited		19 112 083 584	Australia	**100**	100

1 Pursuant to ASIC Class Order 98/1418 (as amended), these controlled entities are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of Financial Reports. On 8 August 2008, a revocation deed was lodged to remove Qantas Holidays Limited from the Deed.
2 Impulse Communications Pty Limited changed its name to Team Jetstar Pty Limited on 8 November 2007.
3 The Qantas Group disposed of 50 per cent of its interest in this entity on 1 July 2008.
4 Jetabout Holidays Pte Ltd changed its name to Holiday Tours & Travel (Singapore) Pte. Ltd. on 15 May 2008.
5 On 25 July 2008, Jetset Travelworld Ltd acquired a 100 per cent interest in Qantas Holidays Limited and Qantas Business Travel Pty Limited in exchange for QH Tours Ltd acquiring a 58 per cent interest in Jetset Travelworld Ltd.
6 A.C.N. 128 382 187 Pty Ltd was incorporated on 8 November 2007. A.C.N. 128 382 187 Pty Ltd changed its name to Qantas Business Travel Pty Limited on 21 February 2008.
7 The Qantas Group obtained a 100 per cent interest in this company on 27 July 2007, although it controlled the Board as of 23 May 2007.
8 The Qantas Group obtained a 100 per cent interest in Coffs Jet Centre Pty Ltd on 31 January 2008. Coffs Jet Centre Pty Ltd changed its name to Aerial Operations Services Pty Limited on 18 March 2008.
9 Qantas Flight Catering Holdings Limited changed its name to Qantas Catering Group Limited on 15 May 2008.
10 Qantas Flight Catering Limited changed its name to Q Catering Limited on 15 May 2008.
11 Caterair Airport Services Pty. Limited changed its name to Q Catering Cairns Pty Limited on 15 May 2008.
12 Caterair Airport Services (Sydney) Pty Limited changed its name to Q Catering Riverside Pty Limited on 15 May 2008 and became a party to the Deed of Cross Guarantee on 30 June 2008.
13 Qantas Freight Enterprises Limited was incorporated on 11 December 2007 and became a party to the Deed of Cross Guarantee on 30 June 2008.
14 Qantas Road Express Pty Limited was incorporated on 31 March 2008 and became a party to the Deed of Cross Guarantee on 30 June 2008.
15 The Qantas Group acquired the remaining 52.4 per cent interest in this company on 18 June 2008.
16 The Qantas Group obtained a 100 per cent interest in this company on 2 July 2007, although it controlled the Board as of 31 May 2007.
17 The Qantas Group obtained a 67.27 per cent interest in these companies on 2 July 2007, although it controlled the Boards as of 31 May 2007. The Qantas Group obtained the remaining 32.73 per cent interest in these companies on 31 August 2007.
18 The Qantas Group obtained a 44.85 per cent interest in this company on 2 July 2007. The Qantas Group obtained a further 6.9 per cent interest in this company on 25 July 2007, 25.17 per cent on 31 August 2007 and 6.41 per cent on 28 February 2008.
19 This company was deregistered on 18 January 2008.
20 The Qantas Group obtained a further 19.26 per cent interest in this company on 2 November 2007.
21 The Qantas Group obtained a further 14.445 per cent interest in this company on 2 November 2007.
22 Qantas Foundation Trustee Limited was incorporated on 12 March 2008.
23 Qantas Frequent Flyer Limited was incorporated on 30 January 2008.
24 These companies were incorporated on 31 October 2007 and became parties to the Deed of Cross Guarantee on 30 June 2008.
25 QF A332 Leasing 5 Pty Limited changed its name to QF BOC 2008-1 Pty Limited on 24 April 2008.
26 QF A332 Leasing 6 Pty Limited changed its name to QF BOC 2008-2 Pty Limited on 24 April 2008.
27 QF Cabin Crew Australia Pty Limited was incorporated on 8 November 2007 and became a party to the Deed of Cross Guarantee on 30 June 2008.

32. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended), the wholly-owned controlled entities identified in Note 31 are relieved from the Corporations Act requirements for preparation, audit and lodgement of Financial Reports and Directors' Reports.

It is a condition of the Class Order that Qantas and each of the controlled entities in the Class Order enter into a Deed of Cross Guarantee. The effect of the Deed is that Qantas guarantees to each creditor payment in full of any debt in the event of wind-up of any of the controlled entities under certain provisions of the Corporations Act. If a wind-up occurs under other provisions of the Act, Qantas will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that Qantas is wound up.

The Deed was first entered into by the controlled entities on 4 June 2001 and subsequently additional controlled entities became party to the Deed by way of Assumption Deeds on 17 June 2002, 26 June 2006, 29 June 2007 and 30 June 2008.

On 8 August 2008, a revocation deed was lodged to remove Qantas Holidays Limited from the Deed.

A consolidated Income Statement and consolidated Balance Sheet, comprising Qantas and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed, are set out below and on the next page respectively:

	Consolidated	
Income Statement	2008 $M	2007 $M
Profit before related income tax expense	**1,391.2**	868.6
Income tax expense	**(438.2)**	(291.9)
Profit for the year	**953.0**	576.7
Retained earnings as at 1 July	**875.9**	813.8
Shares vested to employees	**(4.9)**	(1.8)
Impact of entities joining the Deed for the first time	**7.1**	–
Dividends declared	**(639.8)**	(512.8)
Retained earnings as at 30 June	**1,191.3**	875.9

32. Deed of Cross Guarantee continued

Balance Sheet	Consolidated 2008 $M	Consolidated 2007 $M
Current Assets		
Cash and cash equivalents	**2,445.2**	3,363.4
Receivables	**2,337.8**	2,142.6
Other financial assets	**1,082.3**	607.0
Inventories	**210.2**	176.6
Assets classified as held for sale	**41.1**	5.4
Other	**244.7**	90.4
Total current assets	**6,361.3**	6,385.4
Non-current Assets		
Receivables	**531.6**	402.2
Other financial assets	**462.3**	537.7
Investments accounted for using the equity method	**329.0**	323.8
Other investments	**74.0**	77.5
Property, plant and equipment	**11,951.6**	11,872.6
Intangible assets	**411.5**	339.6
Deferred tax assets	**–**	1.8
Other	**8.3**	10.4
Total non-current assets	**13,768.3**	13,565.6
Total assets	**20,129.6**	19,951.0
Current Liabilities		
Payables	**2,220.3**	2,149.5
Revenue received in advance	**3,266.1**	3,045.0
Interest-bearing liabilities	**633.5**	820.2
Other financial liabilities	**960.0**	383.7
Provisions	**479.5**	492.6
Current tax liabilities	**110.2**	151.6
Deferred lease benefits/income	**15.0**	25.5
Total current liabilities	**7,684.6**	7,068.1
Non-current Liabilities		
Revenue received in advance	**1,082.6**	1,049.5
Interest-bearing liabilities	**3,958.3**	4,653.0
Other financial liabilities	**597.3**	767.8
Provisions	**421.5**	440.4
Deferred tax liabilities	**756.5**	438.7
Deferred lease benefits/income	**45.4**	60.4
Total non-current liabilities	**6,861.6**	7,409.8
Total liabilities	**14,546.2**	14,477.9
Net assets	**5,583.4**	5,473.1
Equity		
Issued capital	**3,975.5**	4,481.2
Treasury shares	**(61.0)**	(32.6)
Reserves	**477.6**	148.6
Retained earnings	**1,191.3**	875.9
Total equity	**5,583.4**	5,473.1

33. Financial Risk Management

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Qantas Group is subject to liquidity, interest rate, foreign exchange, fuel price and credit risks. These risks are an inherent part of the operations of an international airline. The Qantas Group manages these risk exposures using various financial instruments, using a set of policies approved by the Board. Qantas Group policy is not to enter, issue or hold derivative financial instruments for speculative trading purposes.

The Qantas Group uses different methods to assess and manage different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis and sensitivity analysis for liquidity risk and credit risk.

(A) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Qantas Group manages liquidity risk by targeting a minimum liquidity level, ensuring long-term commitments are managed with respect to forecast available cash inflow, maintaining access to a variety of additional funding sources including commercial paper and standby facilities and managing maturity profiles.

The following tables summarise the contractual timing of cash flows, including interest payments, of financial liabilities and derivative instruments, as at 30 June 2008 and 30 June 2007:

Financial liabilities

	Qantas Group			
2008	**Less than 1 Year $M**	**1 to 5 Years $M**	**More than 5 Years $M**	**Total $M**
Trade payables	**669.8**	**–**	**–**	**669.8**
Bank loans – secured[1]	**308.1**	**1,472.0**	**233.3**	**2,013.4**
Bank loans – unsecured[1]	**51.0**	**706.2**	**–**	**757.2**
Other loans – unsecured[1]	**302.7**	**702.7**	**567.3**	**1,572.7**
Lease and hire purchase liabilities[1]	**76.5**	**449.2**	**161.3**	**687.0**
Derivative – inflows	**(551.9)**	**(1,893.5)**	**(665.7)**	**(3,111.1)**
Derivative – outflows	**1,451.8**	**2,651.0**	**890.7**	**4,993.5**
Total financial liabilities	**2,308.0**	**4,087.6**	**1,186.9**	**7,582.5**

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

2007				
Trade payables	674.6	–	–	674.6
Bank loans – secured[1]	328.6	1,596.4	539.5	2,464.5
Bank loans – unsecured[1]	50.9	757.2	–	808.1
Other loans – unsecured[1]	188.2	1,137.4	701.0	2,026.6
Lease and hire purchase liabilities[1]	113.1	459.2	227.0	799.3
Derivative – inflows	(550.2)	(2,405.2)	(994.8)	(3,950.2)
Derivative – outflows	610.6	3,169.5	1,146.5	4,926.6
Total financial liabilities	1,415.8	4,714.5	1,619.2	7,749.5

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

33. Financial Risk Management continued

Financial liabilities

2008	Qantas Less than 1 Year $M	1 to 5 Years $M	More than 5 Years $M	Total $M
Trade payables	**738.4**	**–**	**–**	**738.4**
Bank loans – secured[1]	**134.4**	**637.0**	**134.8**	**906.2**
Bank loans – unsecured[1]	**51.0**	**706.2**	**–**	**757.2**
Other loans – unsecured[1]	**302.7**	**702.7**	**567.3**	**1,572.7**
Lease and hire purchase liabilities[1]	**308.0**	**1,673.0**	**284.7**	**2,265.7**
Derivative – inflows	**(551.9)**	**(1,893.5)**	**(665.7)**	**(3,111.1)**
Derivative – outflows	**1,451.8**	**2,651.0**	**890.7**	**4,993.5**
Total financial liabilities	**2,434.4**	**4,476.4**	**1,211.8**	**8,122.6**

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

2007				
Trade payables	790.6	–	–	790.6
Bank loans – secured[1]	141.9	689.6	260.5	1,092.0
Bank loans – unsecured[1]	50.9	757.2	–	808.1
Other loans – unsecured[1]	188.2	1,137.4	701.0	2,026.6
Lease and hire purchase liabilities[1]	358.6	1,771.4	572.1	2,702.1
Derivative – inflows	(550.2)	(2,405.2)	(994.8)	(3,950.2)
Derivative – outflows	608.4	3,169.5	1,146.5	4,924.4
Total financial liabilities	1,588.4	5,119.9	1,685.3	8,393.6

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

(B) Market risk

The Qantas Group has exposure to market risk in the following areas: interest rate, foreign exchange and fuel price risk. The following section summarises Qantas Group's approach to managing these risks.

(i) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Qantas Group has exposure to movements in interest rates arising from its portfolio of interest rate sensitive assets and liabilities in a number of currencies, predominantly in AUD, GBP and EUR. These principally include corporate debt and leases. The Qantas Group manages interest rate risk by reference to a duration target, being a measure of the sensitivity of the borrowing portfolio to changes in interest rates. The relative mix of fixed and floating interest rate funding is managed by using interest rate swaps, forward rate agreements and options.

For the year ended 30 June 2008, interest-bearing liabilities amounted to $4,160.0 million (2007: $5,074.6 million). The fixed/floating split is 37 per cent and 63 per cent respectively (2007: 50 per cent and 50 per cent). Other financial assets and liabilities included financial instruments related to debt totalling $244.8 million (liability) (2007: $195.6 million (asset)). These financial instruments are recognised at fair value or amortised cost in accordance with AASB 139. Interest rate financial instruments are shown net of impairment losses for the year of $58.8 million (2007: $70.6 million).

The following table summarises the impact of reasonably possible changes in interest rates on net profit and equity. For the purposes of this disclosure, the sensitivity analysis assumes a 10 per cent increase and decrease in all relevant interest rates. Sensitivity analysis assumes designations and hedge effectiveness testing results as at 30 June 2008 remain unchanged. This analysis also assumes that all other variables, including foreign exchange rates, remain constant.

33. Financial Risk Management continued

	Qantas Group				Qantas			
	Net profit		Equity		Net profit		Equity	
100bps increase in interest rates	**2008 $M**	2007 $M	**2008 $M**	2007 $M	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Variable rate instruments	**(24.2)**	(25.6)	**–**	–	**(24.2)**	(25.4)	**–**	–
Derivative and fixed rate debt in a fair value hedge relationship	**24.9**	30.1	**9.0**	7.7	**24.9**	30.1	**9.0**	7.7
100bps decrease in interest rates								
Variable rate instruments	**24.2**	25.6	**–**	–	**24.2**	25.4	**–**	–
Derivative and fixed rate debt in a fair value hedge relationship	**(24.6)**	(31.6)	**(8.8)**	(8.1)	**(24.6)**	(31.6)	**(8.8)**	(8.1)

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arises from operations, capital expenditures and translation risks.

Cross-currency swaps are used to convert long-term foreign currency borrowings to currencies in which the Qantas Group has forecast sufficient surplus net revenue to meet the principal and interest obligations under the swaps. These foreign currency borrowings have a maturity of between one and 12 years. To the extent a foreign exchange gain or loss is incurred, and the cash flow hedge is deemed effective, this is deferred until the net revenue is realised. Forward foreign exchange contracts and currency options are used to hedge a portion of remaining net foreign currency revenue or expenditure in accordance with Qantas Group policy. Net foreign currency revenue and expenditure out to five years may be hedged within specific parameters, with any hedging outside these parameters requiring approval by the Board. Purchases and disposals of property, plant and equipment denominated in a foreign currency are hedged using a combination of forward foreign exchange contracts and currency options at the date a firm commitment is entered into to buy or sell currency unless otherwise approved by the Board.

Unrealised gains/losses – long-term revenue hedges

Where long-term borrowings are held in foreign currencies in which the Qantas Group derives surplus net revenue, offsetting forward foreign exchange contracts have been used to match the timing of cash flows arising under the borrowings with the expected revenue surpluses used to hedge the borrowings. To the extent a gain or loss is incurred, and the cash flow hedge is deemed effective, this is deferred in the hedge reserve until the net revenue is realised. As at 30 June 2008, 67.6 per cent (2007: 52.1 per cent) of forecast operational and capital expenditure foreign exchange exposures less than one year and 20.4 per cent (2007: 10.3 per cent) of exposures greater than one year but less than five years have been hedged. As at 30 June 2008, total unrealised exchange gains on hedges of net revenue designated to service long-term debt were $424.8 million (2007: $410.7 million gain).

For the year ended 30 June 2008, other financial assets and liabilities include derivative financial instruments used to hedge foreign currency, including hedging of future capital and operating expenditure payments, totalling $615.0 million (net liability) (2007: $331.9 million (net liability)). These are recognised at fair value in accordance with AASB 139.

33. Financial Risk Management continued

The following table summarises the impact of reasonably possible changes in foreign exchange rates on net profit and equity. For the purpose of this disclosure, the sensitivity analysis assumes a 10% increase and decrease in all currency pairs. Sensitivity analysis assumes designations and hedge effectiveness testing results as at 30 June 2008 remains unchanged. This analysis also assumes that all other variables, including interest rates, remain constant.

	Qantas Group				Qantas			
	Net profit		Equity		Net profit		Equity	
	2008 $M	2007 $M	**2008 $M**	2007 $M	**2008 $M**	2007 $M	**2008 $M**	2007 $M
10% increase in all currency pairs	**(31.7)**	(23.3)	**(548.5)**	(391.3)	**(31.7)**	(23.3)	**(549.0)**	(393.6)
10% decrease in all currency pairs	**42.5**	32.5	**703.8**	530.1	**42.5**	32.5	**704.4**	532.9

(iii) Fuel price risk

The Qantas Group uses options and swaps on aviation fuel, gas oil and crude oil to hedge the exposure to movements in the price of aviation fuel. Hedging is conducted in accordance with Qantas Group policy. Up to 100 per cent of estimated fuel consumption out to 12 months may be hedged and up to 50 per cent in the subsequent 12 months, with any hedging outside these parameters requiring approval by the Board. As at 30 June 2008, 65 per cent (2007: 59 per cent) of forecast fuel exposure less than one year and two per cent (2007: two per cent) of forecast fuel exposure between one and five years have been hedged. During the year, the net gain arising from effective fuel hedging was $474.7 million (2007: $39.8 million loss) which has been recognised in fuel expenditure. In addition, an $11.3 million loss (2007: $59.7 million (loss)) was recognised in ineffective and non-designated derivatives – closed positions and $36.9 million loss (2007: $11.5 million loss) in ineffective and non-designated derivatives – open positions in accordance with AASB 139.

For the year ended 30 June 2008, other financial assets and liabilities include fuel derivatives totalling $840.4 million (asset) (2007: $129.3 million (asset)). These are recognised at fair value in accordance with AASB 139.

The following table summarises the impact of reasonably possible changes in fuel price on net profit and equity. For the purpose of this disclosure, the sensitivity analysis assumes a 10 per cent increase and decrease in all relevant fuel indices. Sensitivity analysis assumes designation and effectiveness testing results as at 30 June 2008 remains unchanged. This analysis also assumes that all other variables, including foreign currency exchange rates and option volatilities remain constant.

	Qantas Group				Qantas			
	Net profit		Equity		Net profit		Equity	
	2008 $M	2007 $M	**2008 $M**	2007 $M	**2008 $M**	2007 $M	**2008 $M**	2007 $M
10% increase per barrel in fuel indices	**32.2**	18.9	**254.7**	149.4	**32.2**	18.9	**254.7**	149.9
10% decrease per barrel in fuel indices	**(29.3)**	(16.9)	**(231.9)**	(133.9)	**(29.3)**	(16.9)	**(231.9)**	(133.9)

33. Financial Risk Management continued

(C) Credit risk

Credit risk is the potential loss from a transaction in the event of default by the counterparty during the term of the transaction or on settlement of the transaction. Credit exposure is measured as the cost to replace existing transactions should a counterparty default.

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

- trade debtor counterparties – the credit risk is the recognised amount, net of any impairment losses. As at 30 June 2008, this amounted to $1,085.2 million (2007: $1,039.9 million). The Qantas Group has credit risk associated with travel agents, industry settlement organisations and credit provided to direct customers. The Qantas Group minimises this credit risk through the application of stringent credit policies and accreditation of travel agents through industry programs; and
- other financial asset counterparties – the Qantas Group restricts its dealings to counterparties that have acceptable credit ratings. Should the rating of a counterparty fall below certain levels, internal policy dictates that approval by the Board is required to maintain the level of the counterparty exposure.

The table below set out the maximum exposure to credit risk as at 30 June 2008:

	Qantas Group		Qantas	
	2008 $M	2007 $M	**2008 $M**	2007 $M
On Balance Sheet				
Cash and cash equivalents	**2,599.0**	3,362.9	**2,461.0**	3,409.3
Trade debtors	**1,085.2**	1,039.9	**841.3**	937.3
Other loans	**142.2**	142.2	**1,994.1**	1,018.8
Aircraft security deposits	**37.6**	124.4	**27.3**	114.7
Sundry debtors	**701.7**	443.0	**627.5**	299.1
Other financial assets	**1,422.8**	1,030.5	**1,424.8**	1,030.5
Off Balance Sheet				
Operating leases as lessor	**126.0**	134.0	**67.2**	52.0
Total	**6,114.5**	6,276.9	**7,443.2**	6,861.7

The Qantas Group minimises the concentration of credit risk by undertaking transactions with a large number of customers and counterparties in various countries in accordance with Board approved policy. As at 30 June 2008, the credit risk of the Qantas Group to counterparties in relation to other financial assets, cash and cash equivalents, and other financial liabilities where a right of offset exist amounted to $3,831.9 million (2007: $4,727.5 million) and was spread over a number of regions, including Australia, Asia, Europe and the United States of America. Excluding associated entities, Qantas Group's credit exposure is with counterparties which have a minimum credit rating of A-/A3.

(D) Net fair value

The net fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity. The net fair value of other financial assets and liabilities is determined by valuing them at the present value of future contracted cash flows.

Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows.

The net fair value of forward foreign exchange and fuel contracts is determined as the unrealised gain/loss at balance date by reference to market exchange rates and fuel prices. The net fair value of interest rate swaps is determined as the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows. The net fair value of options is determined using standard valuation techniques.

Other financial assets and liabilities represent the fair value of derivative financial instruments recognised on Balance Sheet in accordance with AASB 139.

33. Financial Risk Management continued

Recognised financial assets and liabilities

		Carrying amount		Net fair value	
Qantas Group	Notes	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Financial assets					
Cash and cash equivalents	10	**2,599.0**	3,362.9	**2,625.5**	3,389.1
Trade debtors	11	**1,085.2**	1,039.9	**1,085.2**	1,039.9
Aircraft security deposits	11	**37.6**	124.4	**38.1**	125.8
Sundry debtors	11	**701.7**	443.0	**701.7**	443.0
Other loans	11	**142.2**	142.2	**142.2**	142.2
Other financial assets	25	**1,422.8**	1,030.5	**1,422.8**	1,030.5
Unlisted investment in other corporations	15	**3.1**	3.1	**3.1**	3.1
		5,991.6	6,146.0	**6,018.6**	6,173.6
Financial liabilities					
Trade creditors	19	**669.8**	674.6	**669.8**	674.6
Other creditors and accruals	19	**1,504.1**	1,331.1	**1,504.1**	1,331.1
Bank loans – secured	21	**1,691.7**	1,976.5	**1,753.9**	2,052.6
Bank loans – unsecured	21	**628.5**	627.7	**658.3**	657.8
Other loans – unsecured	21	**1,233.8**	1,411.9	**1,289.9**	1,480.4
Other financial liabilities	25	**1,435.5**	1,039.5	**1,435.5**	1,039.5
Lease and hire purchase liabilities	21	**606.0**	1,058.5	**578.9**	1,035.7
		7,769.4	8,119.8	**7,890.4**	8,271.7
Net financial liabilities		**1,777.8**	1,973.8	**1,871.8**	2,098.1

Qantas	Notes	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Financial assets					
Cash and cash equivalents	10	**2,461.0**	3,409.3	**2,467.4**	3,435.5
Trade debtors	11	**841.3**	937.3	**841.3**	937.3
Aircraft security deposits	11	**27.3**	114.7	**27.7**	116.1
Sundry debtors	11	**627.5**	299.1	**627.5**	299.1
Other loans	11	**1,994.1**	1,018.8	**1,994.1**	1,018.8
Other financial assets	25	**1,424.8**	1,030.5	**1,424.8**	1,030.5
Unlisted investment in other corporations	15	**3.0**	3.0	**3.0**	3.0
		7,379.0	6,812.7	**7,385.8**	6,840.3
Financial liabilities					
Trade creditors	19	**738.4**	1,098.9	**738.4**	1,098.9
Other creditors and accruals	19	**1,860.2**	1,108.6	**1,860.2**	1,108.6
Bank overdraft		**20.1**	–	**20.1**	–
Bank loans – secured	21	**760.8**	877.1	**812.5**	942.3
Bank loans – unsecured	21	**628.5**	627.7	**658.3**	657.8
Other loans – unsecured	21	**1,233.6**	1,411.7	**1,289.7**	1,480.2
Other financial liabilities	25	**1,435.5**	1,036.6	**1,435.5**	1,149.5
Lease and hire purchase liabilities	21	**1,984.9**	2,651.9	**1,941.4**	2,606.2
		8,662.0	8,812.5	**8,756.1**	9,043.5
Net financial liabilities		**1,283.0**	1,999.8	**1,370.3**	2,203.2

33. Financial Risk Management continued

(E) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on total gross assets (RoTGA), which is based on the Qantas Group cost of capital and is defined as earnings before interest, tax, depreciation and non-cancellable lease rentals (EBITDAR) divided by total gross assets, including capitalised operating leases. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with high levels of borrowings and the advantages and security afforded by a sound capital position. The Qantas Group's target is to achieve a minimum RoTGA of between 13 and 14 per cent. During the year ended 30 June 2008 the return was 15.5 per cent (2007: 13.8 per cent). In comparison the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 7.9 per cent (2007: 7.4 per cent).

From time to time the Qantas Group purchases its own shares on the market; the timing of these purchases depends on market prices. On 16 August 2007, Qantas announced its intention to undertake an on-market buy-back of up to approximately 10 per cent of issued capital. The on-market buy-back was suspended on 28 April 2008. Prior to the suspension, Qantas bought back approximately 91.1 million shares, or 4.6 per cent of issued capital for $505.7 million.

34. Events Subsequent to Balance Date

With the exception of the items disclosed below, there has not arisen in the interval between 30 June 2008 and the date of this report, any event that would have had a material effect on the Financial Statements at 30 June 2008.

(A) Final dividend

The Directors declared a fully franked final dividend of 17 cents per share on 21 August 2008 in relation to the year ended 30 June 2008. The total amount of the dividend declared was $322.1 million.

(B) Acquisition of a 58 per cent interest of Jetset Travelworld Ltd

On 25 July 2008, the Qantas Group completed the acquisition of a 58 per cent controlling interest in Jetset Travelworld Ltd in exchange for the disposal of Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Ltd. On completion of the transaction, the Qantas Group recognised a net gain on disposal of 42 per cent of Qantas Holidays Limited and Qantas Business Travel Pty Limited of approximately $90 million before tax and transaction costs. The impact on the Qantas Group Balance Sheet is set out in the table below:

	Carrying Value $M	Fair Value Adjustments $M	Fair Value $M
Net assets of Jetset Travelworld Ltd			
Cash and cash equivalents	31.8	–	31.8
Receivables	19.6	–	19.6
Property, plant and equipment	0.8	–	0.8
Goodwill	–	147.5	147.5
Identifiable intangible assets	7.9	–	7.9
Other current and non-current assets	0.7	–	0.7
Payables	(26.6)	–	(26.6)
Provisions	(11.4)	–	(11.4)
Minority interest	–	(80.0)	(80.0)
Net asset impact of acquisition	22.8	67.5	90.3

The initial fair value adjustments set out in the table above have been determined on a provisional basis. The final acquisition accounting adjustments will be finalised within 12 months of the date of acquisition.

Directors’ Declaration

1. In the opinion of the Directors of Qantas Airways Limited (Qantas):
   (a) the Financial Statements and Notes, and the Remuneration Disclosures set out on pages 60 to 72 in the Remuneration Report in the Directors’ Report are in accordance with the Corporations Act 2001, including:
      (i) complying with Australian Accounting Standards (including Interpretations) and the Corporations Regulations 2001; and
      (ii) giving a true and fair view of the financial position of Qantas and the Qantas Group as at 30 June 2008 and of their performance as represented by the results of their operations and their cash flows, for the year ended on that date;
   (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(A);
   (c) there are reasonable grounds to believe that Qantas will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that Qantas and the controlled entities identified in Note 31 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between Qantas and those controlled entities entered into pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the year ended 30 June 2008.

Signed in accordance with a Resolution of the Directors:

Leigh Clifford
Chairman

22 September 2008

Geoff Dixon
Chief Executive Officer

Independent Auditor's Report

to the members of Qantas Airways Limited

KPMG

Report on the financial report

We have audited the accompanying financial report of Qantas Airways Limited (Qantas), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 34 and the directors' declaration of both Qantas and the Qantas Group comprising Qantas and the entities it controlled at the year's end or from time to time during the financial year (the Qantas Group).

Directors' responsibility for the financial report

The directors of Qantas are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(A), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting In terpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion on the Financial Report

In our opinion:

a. the financial report of Qantas Airways Limited is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in note 1(A).

Report on the remuneration report

We have audited the Remuneration Report included in pages 60 to 72 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Qantas Airways Limited for the year ended 30 June 2008, complies with Section 300A of the Corporations Act 2001.

KPMG

Martin Sheppard
Partner

Sydney, 22 September 2008

Shareholder Information

The shareholder information set out below was applicable as at 9 September 2008.

Distribution of Ordinary Shares

Analysis of ordinary shareholders by size of shareholding:

Number of Shares			Ordinary Shares Held	Number of Shareholders	% of Issued Shares
1	–	1,000[1]	24,868,377	53,602	1.31%
1,001	–	5,000	170,866,214	69,211	9.02%
5,001	–	10,000	68,624,702	9,844	3.62%
10,001	–	100,000	88,891,111	4,377	4.69%
100,001	and	over	1,541,193,605	212	81.36%
Total			1,894,444,009	137,246	100.00%

1 6,989 shareholders hold less than a marketable parcel of shares in Qantas.

On-market Buy-backs

On 16 August 2007, Qantas announced its intention to undertake an on-market buy-back of up to approximately 10 per cent of Qantas shares, the on-market buy-back was suspended on 28 April 2008. Prior to the suspension, Qantas bought back 91.1 million shares, or 4.6 per cent of issued capital, for approximately $505.7 million.

Twenty Largest Shareholders

Shareholders	Ordinary Shares Held	% of Issued Shares
1. JP Morgan Nominees Australia Ltd	429,759,164	22.69
2. HSBC Custody Nominees (Australia) Limited	363,268,155	19.18
3. National Nominees Limited	306,356,869	16.17
4. Citicorp Nominees Pty Limited	138,526,060	7.31
5. Cogent Nominees Pty Limited	64,019,665	3.38
6. ANZ Nominees Limited	56,631,171	2.99
7. Australian Reward Investment Alliance	27,880,685	1.47
8. Pacifica Group Plans Ltd	20,420,299	1.08
9. RBC Dexia Investor Services Australia Nominees Pty Limited	18,425,133	0.97
10. AMP Life Limited	16,135,589	0.85
11. Tasman Asset Management Ltd	13,550,463	0.72
12. Merrill Lynch (Australia) Nominees Pty Ltd	11,053,105	0.58
13. Queensland Investment Corporation	8,710,282	0.46
14. Bond Street Custodians Limited	7,158,370	0.38
15. UBS Wealth Management Australia Nominees Pty Ltd	5,518,100	0.29
16. Argo Investments Limited	2,999,302	0.16
17. Promina Equities Limited	2,903,345	0.15
18. Suncorp Custodian Services Pty Ltd	2,845,961	0.15
19. The Senior Master of the Supreme Court	2,447,049	0.13
20. Rema Nominees Pty Limited	2,349,500	0.12
	1,500,958,267	79.23

Substantial Shareholders

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

Shareholders	Ordinary Shares Held	% of Issued Shares
The Capital Group of Companies[1]	161,977,660	8.55
Balanced Equity Management[2]	140,994,333	7.44
Commonwealth Bank of Australia[3]	129,721,858	6.85
AXA Asia Pacific Holdings Limited[4]	97,217,347	5.13

1 Substantial shareholder notice dated 5 September 2008.
2 Substantial shareholder notice dated 1 May 2008.
3 Substantial shareholder notice dated 9 September 2008.
4 Substantial shareholder notice dated 18 June 2008.

Qantas Group Five Year Summary

for the year ended 30 June

Share Information

Share Information	Unit	2008	2007	2006	2005	2004
Dividends declared per share	cents	**35.0**	30.0	22.0	20.0	17.0
Share price – high	$	**6.05**	5.83	4.17	3.73	3.81
Share price – low	$	**3.01**	2.93	2.93	3.13	3.08
Share price – closing	$	**3.04**	5.60	2.96	3.37	3.52
Weighted average number of ordinary shares (basic)	M	**1,929.1**	1,976.8	1,927.7	1,869.2	1,815.4

Operational Statistics

Operational Statistics	Unit	2008	2007	2006	2005	2004
Qantas International[1]						
Passengers carried	000	**8,138**	8,600	9,188	9,401	9,111
Revenue passenger kilometres (RPKs)	M	**59,030**	60,709	59,948	58,631	55,395
Available seat kilometres (ASKs)	M	**71,563**	74,596	78,012	77,834	71,455
Revenue seat factor	%	**82.5**	81.4	76.8	75.3	77.5
Revenue freight tonne kilometres (RFTKs)	M	**2,596**	2,621	2,633	2,329	1,601
Qantas Domestic						
Passengers carried	000	**17,105**	16,350	15,772	16,145	17,700
Revenue passenger kilometres (RPKs)	M	**24,831**	23,709	22,449	22,473	23,711
Available seat kilometres (ASKs)	M	**30,901**	29,783	28,347	28,077	29,713
Revenue seat factor	%	**80.4**	79.6	79.2	80.0	79.8
QantasLink						
Passengers carried	000	**4,204**	3,858	3,316	3,058	2,996
Revenue passenger kilometres (RPKs)	M	**2,904**	2,507	2,092	1,879	1,931
Available seat kilometres (ASKs)	M	**4,071**	3,523	3,048	2,595	2,687
Revenue seat factor	%	**71.3**	71.2	68.6	72.4	71.9
Jetstar International						
Passengers carried	000	**1,578**	759	–	–	–
Revenue passenger kilometres (RPKs)	M	**7,099**	2,945	–	–	–
Available seat kilometres (ASKs)	M	**9,731**	4,273	–	–	–
Revenue seat factor	%	**73.0**	68.9	–	–	–
Jetstar Domestic						
Passengers carried	000	**7,596**	6,882	5,799	4,384	315
Revenue passenger kilometres (RPKs)	M	**8,602**	7,752	6,410	4,346	277
Available seat kilometres (ASKs)	M	**10,753**	9,944	8,663	6,004	383
Revenue seat factor	%	**80.0**	78.0	74.0	72.4	72.3
Qantas Group[1]						
Passengers carried	000	**38,621**	36,449	34,075	32,658	30,076
Revenue passenger kilometres (RPKs)	M	**102,466**	97,622	90,899	86,986	81,276
Available seat kilometres (ASKs)	M	**127,019**	122,119	118,070	114,003	104,200
Revenue seat factor	%	**80.7**	79.9	77.0	76.3	78.0
Operational passenger aircraft fleet at balance date	#	**224**	213	216	200	190
Passenger yield (per RPK)	cents	**11.81**	11.67	10.94	10.34	–
Average full-time equivalent employees	#	**33,670**	34,267	34,832	35,520	33,862
RPK per employee	000	**3,043**	2,849	2,610	2,449	2,400
ASK per employee	000	**3,772**	3,564	3,390	3,210	3,077

1 Qantas and Jetstar 2005 and 2004 statistics include the effect of a domestic codeshare agreement between the two airlines. However, the effect of this codeshare is only included once in these statistics for the Qantas Group.

Sustainability Statistics and Policies

Report Scope

Qantas produced its first sustainability report in 2007, providing information on the Qantas impact on the economy and the environment; its people and the community; employee and customer safety; operational security; and human rights. In 2008, the discussion on people has been expanded and the Qantas Foundation introduced.

The sustainability information and performance data in this report applies to all wholly owned operations of the Qantas Group globally unless otherwise indicated.

The selection of content and key performance measures is made on the basis of materiality, stakeholder interest and guidance provided by the leading sustainability framework the Global Reporting Initiative (GRI), G3 Sustainability Reporting Guidelines (www.globalreporting.org). The GRI provides a generally accepted framework for sustainability reporting that can be used by organisations of any size, sector or location. The metrics align with Qantas' overall business strategy.

The data is provided for the information of a wide range of stakeholders including customers, shareholders, employees, suppliers, regulators, politicians, non-government organisations, financiers and various special interest groups. Qantas undertakes extensive research on customer attitudes, has mature stakeholder feedback processes in place, and uses a risk management system to capture feedback from various internal and external sources.

Key Performance Statistics

1. Health and safety	Unit	2008	2007	2006	2005	GRI Indicator[1]
Aviation fatalities	#	**0**	0	0	0	
LTIFR (Australia)	Rate	**5.1**	6.3	7.9	12.2	LA7
SIFR (Australia)	Rate	**13.2**	12.3	15.4	17.5	LA7
Occupational Health and Safety fatalities						
– Permanent employees	#	**1**	0	0	0	LA7
– Contractors	#	**0**	0	1	0	LA7

2. People	Unit	2008	2007	2006	2005	GRI Indicator[1]
Number of full-time equivalent employees						LA1
Flying business	#	**16,807**	16,738	16,350	16,699	
– Qantas	#	**14,072**	14,780	14,945	15,533	
– Jetstar	#	**2,735**	1,958	1,405	1,166	
Portfolio and service businesses[2]	#	**14,927**	14,019	15,178	16,150	
– Airports, Catering and Flight Training	#	**7,998**	7,800	8,645	8,983	
– Engineering	#	**5,551**	5,403	5,764	6,424	
– Freight	#	**838**	816	769	743	
– Holidays[3]	#	**487**	–	–	–	
– Frequent Flyer[4]	#	**53**	–	–	–	
Corporate support	#	**1,824**	2,074	2,250	2,254	
Total	#	**33,558**	32,831	33,778	35,103	
Turnover of employees						LA2
Flying business	%	**11.8**	11.7	7.0	6.8	
– Qantas	%	**11.6**	11.9	6.7	6.3	
– Jetstar	%	**12.7**	10.6	10.7	13.3	
Portfolio and service businesses	%	**8.1**	10.1	11.6	4.7	
– Airports, Catering and Flight Training	%	**9.5**	11.1	9.4	5.8	
– Engineering	%	**7.2**	9.2	16.1	2.9	
– Freight	%	**7.4**	5.8	5.7	5.5	
– Holidays	%	**23.6**	–	–	–	
– Frequent Flyer	%	**2.0**	–	–	–	
Corporate support	%	**22.6**	16.6	10.9	8.6	
Total	%	**10.7**	11.3	9.3	6.0	
Diversity of employees[5]						LA13
Number of women	#	**13,158**	12,760	12,936	13,190	
% Women	%	**39.2**	38.9	38.3	37.6	
% Women in senior positions[6]	%	**22.7**	22.5	22.6	23.3	
% Part-time over 55	%	**7.8**	7.5	7.2	6.3	
Average age	Years	**41.2**	41.2	41.0	40.4	
Indigenous	#	**203**	141	136	132	

Key Performance Statistics continued

3. Environment	Units	2008	2007	2006	2005	GRI Indicator[1]
Energy consumption						
Aviation fuel	000 L	**4,849,430**	4,680,270	4,561,238	4,392,991	EN3
Electricity (Australia)[7]	MWh	**248,007**	246,776	236,858	231,095	EN3
Natural gas (Australia)[7]	Gj	**322,354**	361,353	289,463	292,959	EN3
Ground petrol and diesel (Australia)[7]	000 L	**7,233**	7,127	6,998	7,023	EN3
Water (Australia)	L	**907,800**	929,305	–	–	EN8
Emissions						
CO_2						
– Aviation	Tonnes	**11,915,050**	11,499,423	11,206,962	10,793,578	EN16
$CO_{2\text{-}e}$						
– Aviation	Tonnes	**12,608,518**	–	–	–	EN16
– Ground vehicles (Australia)[8]	Tonnes	**19,177**	18,992	18,714	18,768	EN16
NOx[9]						
– Aviation (Qantas)	Tonnes	**3,511**	3,387	3,273	3,294	EN20
Aviation efficiency						
CO_2 per 100 RTKs (Qantas)	Kgs	**95.0**	94.4	97.1	99.1	EN5
$CO_{2\text{-}e}$ per 100 RTKs (Qantas)	Kgs	**100.5**	–	–	–	EN5
Fuel per 100 RTKs (Qantas)	L	**38.7**	38.4	39.5	40.3	EN5
NOx per LTO Cycle (Qantas)[10]	Kgs	**22.6**	22.5	22.4	22.0	EN5
Unplanned events						
Fuel jettison[11]	No. of times	**4**	11	13	n/a	EN23
Fuel spills[12]	No. of times	**77**	67	65	53	EN23
4. Economic contribution (Australia)						
Direct						
National export revenue[13]	$M	**5,976.2**	–	–	–	EC1
Domestic tourism expenditure[14]	$M	**17,256.2**	–	–	–	EC1
Indirect						
Economic output[15]	$M	**34,003.2**	–	–	–	EC9

1 For information on the indicators, refer to the GRI G3 Reporting Framework for Sustainability Reporting, www.globalreporting.org.

2 Consistent with the Group's Segmentation Strategy, Holidays, Frequent Flyer and Flight Training have been separated from Qantas Airlines in 2008.

3 The Qantas Holidays Limited and Jetset Travelworld Ltd transaction occurred post 30 June 2008.

4 Frequent Flyer became a separate business as at 31 December 2007.

5 Number and % of Women are based on FTEs; all other diversity statistics based on headcount.

6 Senior positions defined as General Manager, Group General Manager and Executive General Manager.

7 2007 comparative figures have been restated to reflect actual data for Electricity, Gas and Ground Petrol and Diesel which were not available at the time the 2007 Sustainability Report was published.

8 All prior year emissions have been restated using Scope 1 factors as per the AGO Factor Workbook.

9 Calculated for Qantas jet aircraft emissions below 3,000 feet using standard engine certification emission factors as provided by the ICAO.

10 The method used for calculating NOx efficiency performance has been revised since 2007 to more accurately reflect the nature of NOx emissions. It is based on the landing takeoff (LTO) cycle per aircraft rather than per 100 million RTKs.

11 Only Qantas aircraft have the ability to jettison fuel.

12 At least 65 per cent of fuel spills were categorised as minor (less than 100 litres).

13 Calculated as 1,945,377 inbound visitor passengers carried by Qantas and Jetstar (source:ABS) x assumed visitor expenditure of $3,072, which is the average expenditure per visitor according to the March 2008, Tourism Australia's International Visitor Survey. This amount does not include the value of airfare and freight charges that foreigners pay to Qantas which also represent export revenue.

14 Calculated as 28,904,930 domestic passengers carried by Qantas for all flights within Australia x assumed visitor expenditure of $597, which is the average expenditure per overnight visitor according to the March 2008, Tourism Australia's National Visitor Survey. This amount includes the value of related airfares.

15 Calculated as $16,192 million (2008 Qantas Group revenue) x Access Economics multiplier 2.1. This includes approximately $18 billion to the non-aviation sector, using an Access Economics multiplier of 1.1.

Sustainability Statistics and Policies

People

Employment benefits include:

- 12 weeks paid maternity leave (including adoption) and up to two years unpaid parental leave for the primary care-giver, consistent with Australian best practice;
- one week paid paternity leave (including adoption);
- 10 days carer's leave per year;
- salary sacrifice programs (such as superannuation and motor vehicles);
- a comprehensive Health and Wellbeing program that includes quit-smoking programs, onsite Weight Watchers and access to scheduled exercise and health classes;
- the Employee Assistance program, a self-referral counselling program;
- access to affordable, high-quality, employer-sponsored childcare centres in Melbourne and Sydney, with a third soon to open in Brisbane; and
- opportunities for reduced cost air fare travel.

Talent programs include:

- Senior Executive Program which commenced in December 2006. 25 senior executives participated in this program during the year;
- Emerging Leader Program. 61 Emerging Leaders are currently participating in the program and a new intake of 44 will commence in November 2008;
- the Qantas Graduate Program. 30 graduates were recruited in 2008 and 32 have accepted offers to commence in 2009;
- the Australian Qualifications Framework is used to deliver targeted, accredited and cost effective training to Front Line Leaders and an externally benchmarked management capability framework for the development of managers; and
- the Leadership Transitions Program, to be launched in late 2008, will focus on better supporting new managers and transitioning managers to their new roles.

Supply Chain Management

The Qantas Group operations require that significant quantities of goods and services are procured and delivered through often complex supply chains on a global scale. These include common use as well as many specialist items ranging from stationery to aircraft. The diversity of the products, markets, cultures and regulatory regimes associated with these purchases can potentially expose the Group to ethical, legal, financial, operational and commercial risks. As more than 60 per cent of revenue is spent with suppliers, rigour in procurement processes, practices and dealings with suppliers is essential to achieve strong sustainable business results and competitive pricing as well as sound ongoing relationships with key suppliers.

The objective of procurement in Qantas is to maximise shareholder value from all significant supplier relationships. A disciplined, systematic ongoing process for achieving reliable, ethical and sustainable supply of externally purchased goods and services is essential: At the same time, reducing total costs and maintaining or improving levels of quality, service and technology are a key focus.

Suppliers and their personnel are required to comply contractually with a rigorous 'Supplier Requirements' undertaking. These requirements include specified standards and expectations in the areas of occupational health and safety (OHS), environment, security, personal behaviour, equal opportunity, harassment and bullying, and fraud and theft.

The 'Qantas Procurement Document' sets out Qantas' position in a number of key areas including ethics, how Qantas buys, how Qantas assesses suppliers, the approval process and Supplier/Qantas Relationships. 'Supplier Requirements' and the 'Qantas Procurement Document' are available at www.qantas.com.au/info/about/purchasing/policy.

Human Rights and Society's Expectations

Qantas policies require all employees to act ethically and comply with laws. The Qantas Code of Conduct & Ethics is the primary policy governing business actions and is publicly available on qantas.com. Qantas takes policy compliance seriously and requires all senior managers to semiannually declare their compliance.

The following statements clarify Qantas' policies of relevance to an assessment of its sustainable business practices:

- Qantas is progressively changing its standard terms and conditions to include a requirement for suppliers to recognise human rights in the acquisition and/or production of their supply to Qantas;
- Qantas complies with section 305B of the Commonwealth Electoral Act, which requires donors to political parties to disclose contributions through lodgement of a Donor Return. Qantas representatives take up opportunities for business networking and contact with Ministers and Members of Parliament to make known the Group's position on public policy: however, to ensure transparency, this is disclosed in the Return, as required. Qantas does not make direct contributions to political parties;
- Qantas and its employees are expected to comply at all times with all laws governing its operations, including the Trade Practices Act and the competition laws of every jurisdiction in which it operates. Qantas approaches any allegation of a breach seriously and proactively engages with the regulator to resolve the matter. Refer to pages 113 and 123 in this Annual Report, for details on existing investigations;
- Qantas has a comprehensive Crime and Corruption Policy which all employees are required to comply with. The policy requires that all Qantas Group business units document and report all crime and corruption risks and be accountable for them. It places responsibility for crime prevention, detection, deterrence and reporting with the segment and business units;
- Qantas investigates and takes seriously all claims of discrimination against or by employees/contractors or customers. Qantas has a solid policy foundation, with managers undergoing regular training to ensure they understand how to prevent and identify discrimination;
- Qantas regularly monitors customer attitudes and seeks feedback on areas for improvement. Complaints are taken seriously and are tracked to feed into a continuous improvement program. Qantas surveys are used to measure customer satisfaction and these results are compared with internationally recognised airline industry surveys, such as Skytrax and IATA Global Airline Performance reports;
- all Qantas Group advertising, promotional and marketing material must comply with relevant consumer protection laws. To ensure compliance, it is Qantas Group policy that all advertisements, promotional and marketing material is reviewed by the Qantas Legal Department before publication; and
- Qantas has had a policy of protecting customers' personal information long before the Privacy Act was amended to apply to business. Qantas takes its privacy obligations very seriously and investigates thoroughly any allegations of wrongful use or disclosure.

Importantly, Qantas policies require compliance with all laws in the countries in which the Qantas Group operates. Qantas policies are regularly reviewed to ensure they reflect the highest standard in community and corporate expectations.

Independent Review Report

to Qantas on sustainability information in its Annual Report 2008

Introduction

We have been engaged by Qantas to review selected sustainability performance data (the Performance Data) for the year ended 30 June 2008 as reported in the Qantas Annual Report (the Report) on pages 147 and 148.

Scope

Sustainability reporting in the Report and management responsibilities

The management of Qantas are responsible for the preparation of the Report and the information and assessments contained within it, for determining Qantas' objectives in relation to sustainability performance, and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. Management's assertions about the effectiveness of the performance management and internal control systems are included in a separate letter we have received from management.

Review approach

We have conducted an independent review of the Performance Data set out on pages 147 and 148 of the Report for the year ended 30 June 2008, for Qantas' Group operations in Australia and overseas (unless otherwise stated).

There are no mandatory requirements for the preparation, publication or review of sustainability performance data. Qantas applies its own internal reporting guidelines for sustainability reporting ("the Criteria"), a concise version of which can be found in the Glossary on page 152 of the Report. The selection and suitability of the Criteria is the responsibility of management and our review did not include an assessment of the adequacy of the Criteria. Further, the internal control structure which management has established and from which the Performance Data has been derived, has not been reviewed and no opinion is expressed as to its effectiveness.

Our review was conducted in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board, and with Australian Auditing Standards AUS 108 "Assurance Engagements" and AUS 902 "Review of Financial Reports". A review is limited primarily to inquiries of company personnel and other procedures applied to the compilation and presentation of the quantitative data. A review does not provide all evidence that would be required in an audit thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

We performed procedures in order to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to state whether anything has come to our attention that would indicate the Performance Data has not been presented fairly in accordance with the Criteria established by management.

Our review report is prepared for the use of Qantas. We disclaim any assumption of responsibility for any reliance on the review report, or on the Sustainability Report it relates to, to any person other than Qantas or for any other purpose other than that for which the review report is prepared. Our prior written consent is required before our name is quoted in any material other than in the Report. The definitive version of the review report will be the one bearing our original manuscript signature and Management are responsible for any errors or inaccuracies appearing in any reproduction in any form or medium.

The Performance Data

We have conducted an independent review of the Performance Data set out on pages 147 and 148 of the Report for the year ended 30 June 2008, for Qantas' Group operations in Australia and overseas (unless otherwise stated).

- Aviation Fuel (on page 148);
- Electricity (Australia) (on page 148);
- Natural Gas (Australia) (on page 148);
- Ground Petrol and Ground Diesel (Australia) (on page 148);
- Water (Australia) (on page 148);
- Fuel per 100 Revenue Tonne Kilometres (RTK) (Qantas) (on page 148);
- CO_2 and CO_2-e emissions per 100 Revenue Tonne Kilometres (RTK) (Qantas) (on page 148);
- NO_x per Landing Take-Off Cycle (LTO) (Qantas) (on page 148);
- CO_2 emissions for Aviation (on page 148);
- CO_2-e emissions for Aviation (on page 148);

Independent Review Report

to Qantas on sustainability information in its Annual Report 2008

KPMG

- CO_2-e emissions for Ground Vehicles (Australia) (on page 148);
- NO_x emissions for Aviation (Qantas) (on page 148);
- Fuel spills (on page 148);
- Fuel Jettison (Qantas) (on page 148);
- Qantas' economic contribution to Australia (on page 148);
- Lost time injury frequency rate (LTIFR) (on page 147);
- Serious injury frequency rate (SIFR) (on page 147);
- Number of OHS fatalities (permanent employees and contractors) (on page 147);
- Number of Full Time Equivalent employees for Flying Businesses (Qantas, Jetstar), Portfolio and Service Businesses (Airports, Catering and Flight Training, Engineering, Freight, Holidays and Frequent Flyer), Corporate Support (on page 147);
- Number and Percentage of Full Time Equivalent female employees (on page 147);
- Percentage of women in senior positions (on page 147);
- Percentage of part-time employees over 55 (on page 147);
- Turnover of employees for Flying Businesses (Qantas, Jetstar), Portfolio and Service Businesses (Airports, Catering and Flight Training, Engineering, Freight, Holidays and Frequent Flyer), Corporate Support (on page 147);
- Indigenous employees (on page 147); and
- Average age of workforce (on page 147).

Independence

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

Statement

Based on our review, which is not an audit, nothing came to our attention to indicate that the Performance Data set out on pages 147 and 148 of the Report for the year ended 30 June 2008 has not been presented fairly in accordance with the Criteria established by management.

KPMG

Martin Sheppard

KPMG
Partner

Sydney, 22 September 2008

Martin Sheppard
Partner

Financial Calendar

2008

21	**February**	Half year result announcement
5	**March**	Record date for interim dividend
2	**April**	Interim dividend payable
30	**June**	Year end
21	**August**	Preliminary final result announcement
3	**September**	Record date for final dividend
1	**October**	Final dividend payable
28	**November**	Annual General Meeting

2009

19	**February**	Half year result announcement
6	**March**	Record date for interim dividend
8	**April**	Interim dividend payable
30	**June**	Year end
19	**August**	Preliminary final result announcement
4	**September**	Record date for final dividend
7	**October**	Final dividend payable
21	**October**	Annual General Meeting

Glossary

Annual General Meeting (AGM)

Australian Accounting Standards Board (AASB)

Australian Securities and Investments Commission (ASIC)

Australian Securities Exchange (ASX)

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

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

Aviation Fatality
A person who is fatally injured as a result of being in an aircraft or having direct contact with any part of the aircraft.

Carbon Dioxide (CO_2)
A colourless, odourless, incombustible gas formed during respiration, combustion and organic decomposition, which is the most prominent greenhouse gas in the earth's atmosphere.

Emissions shown in the Report have been calculated for aviation fuel.

Carbon Dioxide Equivalent (CO_2-e)
The universal unit of measurement to indicate the global warming potential (GWP) of greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide.

Emissions shown in the Report have been calculated for ground and aviation fuel.

Occupational Health and Safety Fatality
The death of a worker occurring in the current reporting period, arising from an occupational injury or disease sustained or contracted while in the reporting organisation.

Fuel Jettison
Emergency release of fuel to reduce the weight of the aircraft to the maximum landing weight.

Fuel Spills
The accidental spillage of aviation fuel material at airport sites.

Full-time Equivalent Employees (FTE)

Global Reporting Initiative (GRI)

Goods and Services Tax (GST)

Indigenous
Indigenous Australians are of Aboriginal or Torres Strait Islander descent, who identify as Indigenous People, and who are accepted as such by the community in which they live.

International Air Transport Association (IATA)

International Civil Aviation Organization (ICAO)

International Financial Reporting Standards (IFRS)

Lost Time Injury (LTI)
A work related injury (or illness) that resulted in a fatality, permanent disability or the loss from work of one day or shift or more.

Lost Time Injury Frequency Rate (LTIFR)
The number of LTIs per million hours worked.

Nitrogen Oxide (NO_x)
The generic term for a group of highly reactive gases, all of which contain nitrogen and oxygen in varying amounts. NO_x is formed when fuel is burned at high temperatures, as occurs in the combustion process.

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

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

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

Revenue Seat Factor
Percentage of total passenger capacity actually utilised by paying passengers.

Revenue Tonne Kilometres (RTKs)
Total number of tonnes of paying passengers, freight and mail carried, multiplied by the number of kilometres flown.

Serious Injury Frequency Rate (SIFR)
The number of workplace injuries resulting in seven or more total and/or suitable duties days lost per million hours worked.

Sustainable Future Program (SFP)

Turnover of Employees
Total number of employee terminations expressed as a percentage of total headcount.

Notice of Meeting

The 2008 AGM of Qantas Airways Limited will be held at 11am on Friday 28 November 2008 in Brisbane.

The 2009 AGM of Qantas Airways Limited will be held on 21 October 2009.

Further details will be available on the Qantas website at www.qantas.com.au/info/about/investors/agms

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Company Secretary Cassandra Hamlin

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