QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Qantas Airways Limited (Qantas) and its controlled entities (the Qantas Group or Group) Results for Announcement to the Market are detailed below.

	June 2011 $M	June 2010 $M	Change $M	Change %
Revenue and other income	14,894	13,772	1,122	8
Statutory profit after tax	249	116	133	115
Statutory profit after tax attributable to members of Qantas	250	112	138	123
Underlying profit before tax	552	377	175	46

DIVIDENDS

No interim dividend was paid in relation to the year ended 30 June 2011.

No final dividend will be paid in relation to the year ended 30 June 2011.

EXPLANATION OF RESULTS

Highlights of the 2011 result include:
- Underlying Profit Before Tax[1] up 46 per cent and operating cash flows up by 32 per cent
- Result achieved despite $224 million financial impact of natural disasters
- Earnings growth across all operating segments
  - Record profit results for Jetstar and Qantas Frequent Flyer
  - Improved results in Qantas, despite significant losses in Qantas International
  - 48 per cent growth in Qantas Freight
- Strong revenue growth of 8 per cent achieved through improvement in yield and growth in capacity across the Group
- Statutory Profit After Tax up 115 per cent to $249 million

Underlying PBT Up 46 Per Cent

The Qantas Group reported an Underlying PBT of $552 million for the year ended 30 June 2011, an increase of 46 per cent on the prior year result of $377 million.

The result was achieved through improvements in earnings across all operating segments and despite the $224 million financial impact of natural disasters and over $200 million of ongoing losses in Qantas International.

Group Underlying Income Statement Summary

	2011 $M	2010 $M	Change $M	Change %
Net passenger revenue	12,042	10,938	1,104	10
Net freight revenue	842	821	21	3
Other	2,010	2,013	(3)	(0)
Revenue	**14,894**	**13,772**	**1,122**	**8**
Operating expenses	12,435	11,577	858	7
Depreciation and amortisation	1,249	1,200	49	4
Non-cancellable operating lease rentals	566	527	39	7
Expenses	**14,250**	**13,304**	**946**	**7**
Underlying EBIT	**644**	468	176	38
Underlying net finance costs	(92)	(91)	(1)	1
Underlying PBT	**552**	377	175	46

[1] Underlying PBT is the primary reporting measure used by Management and the Board to assess the financial performance of the Group. All line items in this table are adjusted to reflect the underlying result. Refer to the Statutory Result section for a reconciliation of Underlying PBT to Statutory PBT

EXPLANATION OF RESULTS (continued)

Impact of natural disasters and Rolls-Royce engine failure

The Group's result was achieved while overcoming significant external and operational challenges during the year. Qantas has demonstrated its commitment to safety and its operational resilience in responding to these challenges. However the frequency and severity of events in 2011 compared to previous years has resulted in a material unfavourable impact on the Group's results.

There were several significant weather events and natural disasters during the year. Lost revenues and customer care costs net of variable cost savings resulted in a total unfavourable financial impact of $224 million. This included disruptions caused by ash from the Chilean volcano, the earthquake and tsunami in Japan, the earthquake in Christchurch, the Queensland floods and Cyclones Yasi and Carlos.

2011 results include the financial impact of the Rolls-Royce engine failure on Qantas flight 32 and the subsequent temporary grounding of the Airbus A380 fleet. The results also include the settlement agreed with Rolls-Royce ($95 million) which offsets the direct financial losses incurred.

Earnings Growth in All Operating Segments

All operating segments have improved contributions to Underlying PBT, delivering strong growth compared to the prior year and demonstrating the strategic advantage provided by the Group's portfolio of brands. Continuing growth of Jetstar and Qantas Frequent Flyer has been rewarded with both delivering record results.

Segment Performance Summary

	2011 $M	**2010 $M**	**Change $M**	**Change %**
Qantas	228	67	161	240
Jetstar	169	131	38	29
Qantas Frequent Flyer	342	328	14	4
Qantas Freight	62	42	20	48
Jetset Travelworld Group[1]	3	14	(11)	(79)
Corporate/Eliminations	(160)	(114)	(46)	40
Underlying EBIT	**644**	**468**	**176**	**38**
Net finance costs	(92)	(91)	(1)	1
Underlying PBT	**552**	**377**	**175**	**46**

[1] Jetset Travelworld Group ceased to be a standalone operating segment from 1 October 2010 following its merger with Stella Travel Services and deconsolidation from the Qantas Group. From 1 October 2010, the equity accounted result of the Group's investment in Jetset Travelworld Group is included in the Qantas segment.

Continuing Yield Recovery and Growth

The Group delivered an improved revenue performance during the year, driven by improvements in yield and growth in capacity in both Qantas and Jetstar. Total revenue increased 8 per cent from $13,772 million to $14,894 million, despite the impact of disruptions during the year.

Net passenger revenue increased by 10 per cent. Yield (excluding foreign exchange (FX) movements) increased by 6 per cent, reflecting a gradual but ongoing improvement in market conditions across the Group. International yield improved by 8 per cent and Domestic yield improved by 3 per cent.

Capacity increased 7 per cent following the expansion of the Group's fleet by 29 aircraft to 283 at 30 June 2011. This includes the significant growth of the Jetstar business and the acquisition of Network Aviation Group.

The Group's revenue performance has been supported by maintaining the Group's profit maximising domestic capacity share of 65 per cent, achieving industry leading on-time performance, and a continuing focus on improving product offering, customer experience and customer satisfaction. This performance is also reflected in Qantas Frequent Flyer's robust growth in members, program partners and member engagement.

EXPLANATION OF RESULTS (continued)

Operating Statistics

		2011	**2010**	**Change**	**%Change**
Available Seat Kilometres (ASKs)[1]	M	133,281	124,717	8,564	7
Revenue Passenger Kilometres (RPKs)[2]	M	106,759	100,727	6,032	6
Passenger numbers	'000	44,456	41,428	3,028	7
Seat factor	%	80.1	80.8	(0.7)	(1)
Yield (excluding FX)	c/RPK	10.94	10.34	0.60	6
Net Underlying Unit Cost[3]	c/ASK	5.60	5.55	0.05	1
Comparable Net Underlying Unit Cost[4]	c/ASK	5.52	5.55	(0.03)	(1)

1 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown
2 RPK – total number of paying passengers carried, multiplied by the number of kilometres flown
3 Net Underlying Unit Cost – Underlying PBT less passenger revenue, fuel and Frequent Flyer change in accounting estimate per ASK
4 Comparable Net Underlying Unit Cost– Net Underlying Unit Cost adjusted for the impact of 2010/2011 natural disasters and adjusted for changes in average sector length

Total expenses for 2010/2011 were $14,250 million, an increase of 7 per cent from the prior year. Cost increases were broadly in line with the Group's capacity growth of 7 per cent, but overall Net Underlying Unit Cost performance was impacted by natural disaster disruptions. Adjusting for these disruptions and changes in average sector length, Comparable Net Underlying Unit Cost improved 1 per cent from 2009/2010.

Fuel costs increased by 12 per cent, driven by growth in activity and increases in fuel prices that have escalated through the second half of the year. Fuel hedging and participation in favourable FX movements significantly mitigated the 28 per cent increase in average USD fuel prices in 2010/2011.

Capital Expenditure Supported by Strong Balance Sheet and Operating Cash Flows

Operating cash flows grew to $1,782 million, an increase of 32 per cent on the prior year result of $1,351 million. This reflects the Group's growth in earnings and improvements in working capital.

The Group invested $2.4 billion in capital expenditure during the year. This includes the purchase of 15 aircraft, progress payments on future deliveries, and continued investment in customer product and infrastructure.

Qantas Group cash was $3,496 million at 30 June 2011, a decrease of $208 million from 30 June 2010. This reflects the use of cash to fund a number of aircraft purchases and the deconsolidation of $100 million of cash held in Jetset Travelworld Group.

Cash Flow Summary

	2011 $M	**2010 $M**	**Change $M**	**Change %**
Cash at beginning	3,704	3,617	87	2
Operating cash flow	**1,782**	**1,351**	**431**	**32**
Investing cash flow	(2,478)	(1,645)	(833)	51
Financing cash flow	508	381	127	33
Effect of foreign exchange on cash	(20)	-	(20)	(100)
Cash at year end	**3,496**	**3,704**	**(208)**	**(6)**

The Group's balance sheet, operating cash flows and capital position remain strong. A conservative approach to capital management and strengthening Operating cash flows provide ongoing flexibility to support capital expenditure and other funding requirements, while supporting an investment grade credit rating. At 30 June 2011, the Group's gearing ratio was 53 per cent.

EXPLANATION OF RESULTS (continued)

Debt and Gearing Analysis

		2011	2010	Change	%Change
Net debt[1]	$M	2,971	2,236	735	33
Net debt including off balance sheet debt[2]	$M	6,970	6,197	773	12
Equity (excluding hedge reserves)	$M	6,071	5,896	175	3
Net debt to net debt and equity ratio[3]		53 : 47	51 : 49		4

1 Includes fair value of hedges related to debt and aircraft security deposits
2 Includes non-cancellable operating leases. Non-cancellable operating leases are a representation assuming assets are owned and debt funded and are not consistent with the disclosure requirements of AASB117: Leases
3 Gearing ratio is Net debt to net debt and equity (including balance sheet debt from operating leases excluding hedge reserves)

Fleet

The Qantas Group remains committed to a fleet strategy that supports its objectives of two strong complementary brands and provides for long term fleet renewal, simplification and growth, whilst retaining significant flexibility.

At 30 June 2011, the Qantas Group fleet comprised 283 aircraft. During the year, 24 aircraft (15 purchased and nine leased) were newly entered into service:

- Qantas – four Airbus A380s, one A330-200, five Boeing B737-800s and one Bombardier Q400
- Jetstar, including Jetstar Asia – 10 A320-200s, two A330-200s
- Qantas Freight – one B767-300 Freighter

In addition, the Group added nine aircraft through the acquisition of the Network Aviation Group. This included two Fokker F100s and seven Embraer EMB 120 Brasilias.

The Group also retired three owned aircraft (two B737-400s and one B767-300) during the year and returned one leased B747-400.

Qantas Group Aircraft in Service

		2011 Number	2010 Number	Change
Qantas	A380-800	10	6	4
	B747-400	20	21	(1)
	B747-400ER	6	6	-
	A330-200	8	7	1
	A330-300	10	10	-
	B767-300ER	25	26	(1)
	B737-400	19	21	(2)
	B737-800NG	46	41	5
	Fokker F100	2	-	2
	EMB 120	7	-	7
	B717-200	11	11	-
	Q200/Q300	21	21	-
	Q400	22	21	1
	Total	**207**	**191**	**16**
Jetstar[1]	A320-200	56	46	10
	A321-200	6	6	-
	A330-200	9	7	2
	Total	**71**	**59**	**12**
Qantas Freight	B737-300SF	4	4	-
	B767-300	1	-	1
	Total	**5**	**4**	**1**
	Total Group	**283**	**254**	**29**

1 Jetstar fleet includes Jetstar Asia and excludes Jetstar Pacific

EXPLANATION OF RESULTS (continued)

Qantas

Qantas' Underlying EBIT was $228 million for the year ended 30 June 2011, an increase of $161 million on the prior year result of $67 million. The result is 240 per cent above the prior year, driven by a 7 per cent increase in total revenue.

		2011	2010	Change	%Change
Total revenue	$M	11,315	10,609	706	7
Seat factor	%	81.0	81.3	(0.3)	(0)
Underlying EBIT	$M	228	67	161	240

Qantas achieved significant improvements in yield on increased capacity (3 per cent). Revenue recovery continued across both international and domestic business.

The result was achieved despite the significant operational and financial challenges of the disruptions to the A380 fleet, weather events and natural disasters during the year. These events impacted scheduling and disrupted thousands of flights between November 2010 and June 2011. The total financial impact of weather events and natural disasters on the Qantas segment was $136 million.

In addition, Qantas faced significant increases in the cost of fuel during the year, which were partially recovered through fare price and fuel surcharge increases.

Qantas Domestic and QantasLink continued to deliver significant contributions to the Qantas Airlines result, with growth in both yield and capacity for the year. QantasLink has also added fly-in-fly-out charter capability with the acquisition of the Network Aviation Group. This has broadened QantasLink's earnings base and provides an additional channel for profitable growth through exposure to the resources market.

The result also includes the continuing losses of the Qantas International business. Total losses for the year exceeded $200 million, representing an unacceptable return on the $5 billion of capital invested in the business. Management is focused on addressing the performance of Qantas International and executing its strategy to restore competitiveness and profitability.

Investment in product and service

Qantas Airlines continues to invest in customer experience leadership and innovation, whilst maintaining a focus on profitable growth opportunities. Highlights in 2011 for Qantas include:

- Roll-out of faster, smarter check-in technology at all major cities and selected regional airports;
- Delivery of superior on-time performance with domestic market leadership in 10 out of 12 months and for each of the last 3 years;
- Major enhancements to the Qantas Frequent Flyer program including the announcement of "Platinum One" - creating a new level of VIP recognition for Qantas' most frequent flyers, greater ability to earn points, improved upgrade experiences and broader redemption options;
- Launch of direct flights from Sydney to Dallas, delivering unprecedented access between North America and Australia;
- Domestic product relaunch – enhancements to Business Lounges, Qantas Clubs and inflight offering;
- Introduction of new domestic fare structure to provide an improved booking experience to customers with a range of user-friendly and flexible fare options;
- Renewal of 99.5 per cent of corporate accounts and a further 18 per cent growth in new accounts (primarily SMEs); and
- Continued progress of the international fleet reconfiguration program that will see nine B747s upgraded to A380 product standard and the A380 fleet reconfigured over time to meet forecast changes in market demand.

EXPLANATION OF RESULTS (continued)

QFuture

QFuture is the key business change program within Qantas, designed to position the airline for profitable growth. It involves transformational change across the airline, with total benefits of $1.5 billion targeted over the three financial years 2010 to 2012 to underpin unit cost reduction and margin improvement.

The QFuture program remains on track with $1 billion of benefits achieved in the first two years. $470 million of benefits were achieved in 2011, on top of the $533 million achieved in 2010. The majority of the benefits in 2011 were contributed by cost savings and margin improvement initiatives across the Qantas Commercial, Engineering, Cabin Crew and Procurement business units.

Jetstar

Jetstar achieved a record Underlying EBIT result of $169 million for the year ended 30 June 2011, an increase of $38 million on the prior year result of $131 million. The result is 29 per cent above the prior year, driven by a 19 per cent increase in total revenue and continuing improvements in unit cost.

		2011	2010	Change	%Change
Total revenue	$M	2,613	2,197	416	19
Seat factor	%	77.8	79.2	(1.4)	(2)
Underlying EBIT	$M	169	131	38	29

Jetstar's result reflects the strengthening of its competitive position in the leisure travel market across Asia-Pacific. Both Jetstar and Jetstar Asia have been able to maintain growth in capacity and passengers, while also improving yield.

Jetstar grew overall capacity by 19 per cent in 2011. This includes growth in domestic capacity of 23 per cent, international capacity of 9 per cent and Jetstar Asia of 46 per cent. Overall passenger numbers grew 14 per cent versus the prior year.

Unit Cost (excluding fuel, adjusted for increase sector length and natural disasters) has improved by 3 per cent compared to the prior year.

Jetstar's record result was achieved despite the financial impact of weather events and natural disasters during the year. These impacted several key markets for Jetstar and thousands of customers. The total financial impact on the Jetstar segment was $85 million.

Jetstar is committed to pan-Asian and New Zealand expansion with long and short-haul growth in Singapore and New Zealand. The Jetstar Group is focused on growing its regional presence through intra-Asian expansion and the establishment of new Jetstar affiliates in key strategic locations.

Jetstar has expanded network and distribution channels with new interline and codeshare partners and by leveraging both current and prospective Asian franchise operations.

Investment in Product and Service

While focused on its low fare leadership, Jetstar also continued its investment in innovation, including in the area of airport self-service and the imminent introduction of iPads for inflight entertainment use.

The Jetstar MasterCard, launched in late 2009, continues to go from strength to strength with over 50,000 cards now on issue. The Jetstar MasterCard remains the best value credit card with a flight reward program in Australia.

The Jetstar.com mobile website allows customers to create new bookings, change existing bookings and check their flight status. Visitor and booking numbers to the mobile version of Jetstar.com are showing strong increases.

In May 2011, Jetstar successfully relaunched its fare product range with new, simple fare options that provide more choice, flexibility and lower fares by allowing customers to select only what they need. Jetstar customers now start with the economy Starter fare (replacing JetSaver Light, JetSaver, JetFlex and JetPlus), then personalise their experience from an expanded range of options.

EXPLANATION OF RESULTS (continued)

Qantas Frequent Flyer

Qantas Frequent Flyer achieved a record Underlying EBIT result of $342 million for the year ended 30 June 2011, an increase of $14 million on the prior year result of $328 million.

Qantas Frequent Flyer's 2011 result includes $140 million relating to a prior period change in accounting estimates that is fully recognised in 2011 and will not impact future periods. Normalised for this change, Qantas Frequent Flyer achieved earnings growth of 21 per cent.

		2011	2010	Change	%Change
Members	M	7.9	7.2	0.7	10
Billings	$M	1,042	952	90	9
Underlying EBIT	**$M**	**342**	**328**	**14**	**4**
Normalisation adjustment	$M	(140)	(161)	21	(13)
Normalised EBIT [1]	**$M**	**202**	**167**	**35**	**21**

[1] Normalised EBIT is a non-statutory measure which restates redemption revenue to the fair value of awards redeemed (removing the impact of the change in accounting estimate) and recognises the marketing revenue when a point is sold. This creates a comparable basis for the presentation of results.

Qantas Frequent Flyer continued to deliver strong and stable cash earnings and demonstrate its value to the Qantas portfolio of brands. It allowed the Group to participate in the highly valued and growing loyalty sector on a scale that is unique in the airline industry.

Earnings growth has been driven by new products and services with key business partners, capacity increases across the flying businesses and additional revenue from new members. Billings increased by 9 per cent compared to the prior year and membership has increased 10 per cent on the prior year to 7.9 million members as at 30 June 2011.

Investment in Product and Service

Qantas Frequent Flyer's strategy is to continue to grow membership numbers and partners, and to broaden the business into new products and revenue streams. New partners and products announced in the last year include a loyalty alliance with Optus, the launch of the American Express Fee Free Discovery Card and the Woolworths Everyday Rewards Qantas Credit Card, and new online communities such as the epiQure Food and Wine Club.

Qantas Frequent Flyer has also recently acquired Wishlist, an established online retailer, broadening opportunities for the business into employee reward and recognition and online retail.

Qantas Freight

Qantas Freight's Underlying EBIT was $62 million for the year ended 30 June 2011, an increase of $20 million on the prior year result of $42 million. The result is 48 per cent above the prior year, driven by a 5 per cent increase in total revenue.

		2011	2010	Change	%Change
Total revenue	$M	1,054	1,007	47	5
Load factor	%	58.6	60.0	(1.4)	(2)
Underlying EBIT	$M	62	42	20	48

Qantas Freight's result reflects growth in capacity and improvements in yield built on the continuing recovery of the airfreight market.

Capacity has increased 3.7 per cent over the prior year, primarily resulting from increased operation of freighter services and the introduction in March 2011 of a larger B767 operating on trans-Tasman routes. Excluding the impact of adverse foreign exchange, underlying yields have improved over the prior year, reflecting better market conditions and increased airfreight activity across the network.

EXPLANATION OF RESULTS (continued)

The contributions from the joint venture businesses Australia air Express and Star Track Express also increased during the year, reflecting improving trading conditions in the domestic freight market. The results of these businesses are expected to continue to improve following the renewal of Qantas' joint venture agreement with Australia Post and the reconfiguration of the businesses.

Statutory Result

The Qantas Group's Statutory Profit After Tax was $249 million for the year ended 30 June 2011, an increase of $133 million on the prior year result of $116 million.

	2011	2010	Change	%Change
Statutory Profit After Tax	**249**	**116**	**133**	**115**
Addback: Tax expense	74	62	12	19
Statutory PBT	**323**	**178**	**145**	**81**
Addback: Non-recurring items	107	59	48	81
Addback: Ineffectiveness and non-designated derivatives relating to other reporting periods	122	140	(18)	(13)
Underlying PBT	**552**	**377**	**175**	**46**

Statutory Profit After Tax includes ineffectiveness and non-designated derivative losses relating to other reporting periods and non-recurring items.

Non-recurring items are significant items occurring outside the ordinary course of business that are separately disclosed in order to report underlying performance. Non-recurring items included in the 2011 statutory result are:

- Impairments to aircraft following restructuring of fleet plans of $34 million
- Losses on disposal and other transaction costs relating to the Jetset Travelworld Group merger of $29 million
- Profit on the sale of the DPEX Group ($5 million) and Harvey Holidays ($4 million)
- Provisions for freight regulatory fines and third party class actions of $25 million
- Provisions for redundancies and restructuring of $28 million

Events Subsequent to Balance Date

On 16 August 2011, the Group announced the outcome of the strategic review of Qantas International. The key pillars of the review are:

1. Continuing focus and investment in the customer experience
2. Deepening presence in Asia
3. Deepening and broadening alliance relationships
4. Ongoing underlying business improvement

For further details refer to Note 7 of the Notes to Preliminary Final Report on page 24 and 25.

OTHER INFORMATION

	June 2011 $	June 2010 $
Net Tangible Assets per ordinary share	2.45	2.35

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2011

	Note	June 2011 $M	June 2010 $M
Revenue and other income			
Net passenger revenue		12,042	10,938
Net freight revenue		842	821
Other	3	2,010	2,013
		14,894	**13,772**
Expenditure			
Manpower and staff related		3,739	3,405
Fuel		3,627	3,283
Aircraft operating variable		2,749	2,675
Depreciation and amortisation		1,249	1,199
Non-cancellable aircraft operating lease rentals		566	525
Ineffective and non-designated derivatives		120	173
Share of net (profit)/loss of associates and jointly controlled entities		(22)	4
Other	3	2,430	2,255
		14,458	**13,519**
Statutory profit before income tax expense and net finance costs		**436**	**253**
Finance income		192	181
Finance costs		(305)	(256)
Net finance costs		**(113)**	**(75)**
Statutory profit before income tax expense		**323**	**178**
Income tax expense		(74)	(62)
Statutory profit for the year		**249**	**116**
Attributable to:			
Members of Qantas		250	112
Non-controlling interests		(1)	4
Statutory profit for the year		**249**	**116**
Earnings per share attributable to members of Qantas:			
Basic/diluted earnings per share (cents)		11.0	4.9

Underlying PBT (Non-Statutory Measure)

	Note	June 2011 $M	June 2010 $M
Statutory profit before income tax expense and net finance costs		**436**	**253**
Adjusted for:			
- Ineffectiveness and non-designated derivatives relating to other reporting periods	2	101	156
- Non-recurring items	2	107	59
Underlying profit before income tax expense and net finance costs (Underlying EBIT)	2	**644**	**468**
Adjusted for:			
- Statutory net finance costs	2	(113)	(75)
- Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs	2	21	(16)
Underlying profit before income tax expense (Underlying PBT)	2	**552**	**377**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	June 2011 $M	June 2010 $M
Statutory profit for the year	**249**	**116**
Effective portion of changes in fair value of cash flow hedges, net of tax	(67)	(135)
Transfer of hedge reserve to the Income Statement, net of tax[1]	(82)	122
Recognition of effective cash flow hedges on capitalised assets, net of tax	142	120
Foreign currency translation of controlled entities	(15)	(3)
Foreign currency translation of associates	(13)	(10)
Hedge reserve movement of associates, net of tax	2	7
Other comprehensive income for the year	**(33)**	**101**
Total comprehensive income for the year	**216**	**217**
Total comprehensive income attributable to:		
Members of Qantas	217	213
Non-controlling interests	(1)	4
Total comprehensive income for the year	**216**	**217**

[1] These amounts were allocated to revenue of $(50) million (2010: $83 million), fuel expenditure of $(171) million (2010: $251 million), finance costs of $3 million (2010: $6 million) and income tax expense of $36 million (2010: income tax benefit of $52 million) in the Consolidated Income Statement.

CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	June 2011 $M	June 2010 $M
Current assets		
Cash and cash equivalents	3,496	3,704
Receivables	1,027	1,088
Other financial assets	318	233
Inventories	372	319
Assets classified as held for sale	20	91
Other	408	397
Total current assets	**5,641**	**5,832**
Non-current assets		
Receivables	423	407
Other financial assets	70	102
Investments accounted for using the equity method	476	378
Property, plant and equipment	13,652	12,516
Intangible assets	593	668
Other	3	7
Total non-current assets	**15,217**	**14,078**
Total assets	**20,858**	**19,910**
Current liabilities		
Payables	1,738	1,750
Revenue received in advance	3,067	3,167
Interest-bearing liabilities	577	630
Other financial liabilities	397	242
Provisions	456	448
Liabilities classified as held for sale	-	4
Total current liabilities	**6,235**	**6,241**
Non-current liabilities		
Revenue received in advance	1,111	1,067
Interest-bearing liabilities	5,454	5,115
Other financial liabilities	493	231
Provisions	647	560
Deferred tax liabilities	767	715
Total non-current liabilities	**8,472**	**7,688**
Total liabilities	**14,707**	**13,929**
Net assets	**6,151**	**5,981**
Equity		
Issued capital	4,729	4,729
Treasury shares	(72)	(54)
Reserves	85	109
Retained earnings	1,405	1,155
Equity attributable to the members of Qantas	**6,147**	**5,939**
Non-controlling interests	4	42
Total equity	**6,151**	**5,981**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

June 2011 $M	**Issued Capital**	**Treasury Shares**	**Employee Compensation Reserve**	**Hedge Reserve**	**Foreign Currency Translation Reserve**	**Retained Earnings**	**Non-controlling Interests**	**Total Equity**
Balance as at 1 July 2010	4,729	(54)	53	85	(29)	1,155	42	5,981
Total comprehensive income for the year								
Statutory profit for the year	-	-	-	-	-	250	(1)	249
Other comprehensive income								
- Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(67)	-	-	-	(67)
- Transfer of hedge reserve to the Income Statement, net of tax	-	-	-	(82)	-	-	-	(82)
- Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	142	-	-	-	142
- Foreign currency translation of controlled entities	-	-	-	-	(15)	-	-	(15)
- Foreign currency translation of associates	-	-	-	-	(13)	-	-	(13)
- Hedge reserve movement of associates, net of tax	-	-	-	2	-	-	-	2
Total other comprehensive income	**-**	**-**	**-**	**(5)**	**(28)**	**-**	**-**	**(33)**
Total comprehensive income for the year	**-**	**-**	**-**	**(5)**	**(28)**	**250**	**(1)**	**216**
Transactions with owners recorded directly in equity								
Contributions by and distributions to owners								
Own shares acquired	-	(65)	-	-	-	-	-	(65)
Share-based payments	-	-	59	-	-	-	-	59
Shares vested and transferred to employees	-	47	(47)	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	(1)	(1)
Total contributions by and distributions to owners	**-**	**(18)**	**12**	**-**	**-**	**-**	**(1)**	**(7)**
Change in ownership interests in subsidiaries								
Deconsolidation of controlled entity	-	-	-	-	-	-	(36)	(36)
Disposal of controlled entity	-	-	-	-	(3)	-	-	(3)
Total change in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**(3)**	**-**	**(36)**	**(39)**
Total transactions with owners	**-**	**(18)**	**12**	**-**	**(3)**	**-**	**(37)**	**(46)**
Balance as at 30 June 2011	**4,729**	**(72)**	**65**	**80**	**(60)**	**1,405**	**4**	**6,151**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

June 2010 **$M**	**Issued Capital**	**Treasury Shares**	**Employee Compensation Reserve**	**Hedge Reserve**	**Foreign Currency Translation Reserve**	**Retained Earnings**	**Non-controlling Interests**	**Total Equity**
Balance as at 1 July 2009	4,729	(58)	52	(29)	(16)	1,043	44	5,765
Total comprehensive income for the year								
Statutory profit for the year	-	-	-	-	-	112	4	116
Other comprehensive income								
- Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(135)	-	-	-	(135)
- Transfer of hedge reserve to the Income Statement, net of tax	-	-	-	122	-	-	-	122
- Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	120	-	-	-	120
- Foreign currency translation of controlled entities	-	-	-	-	(3)	-	-	(3)
- Foreign currency translation of associates	-	-	-	-	(10)	-	-	(10)
- Hedge reserve movement of associates, net of tax	-	-	-	7	-	-	-	7
Total other comprehensive income	**-**	**-**	**-**	**114**	**(13)**	**-**	**-**	**101**
Total comprehensive income for the year	**-**	**-**	**-**	**114**	**(13)**	**112**	**4**	**217**
Transactions with owners recorded directly in equity								
Contributions by and distributions to owners								
Own shares acquired	-	(16)	-	-	-	-	-	(16)
Share-based payments	-	-	21	-	-	-	-	21
Shares vested and transferred to employees	-	20	(20)	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	(4)	(4)
Total contributions by and distributions to owners	**-**	**4**	**1**	**-**	**-**	**-**	**(4)**	**1**
Change in ownership interests in subsidiaries								
Return of capital to non-controlling interest by controlled entity	-	-	-	-	-	-	(2)	(2)
Total change in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Total transactions with owners	**-**	**4**	**1**	**-**	**-**	**-**	**(6)**	**(1)**
Balance as at 30 June 2010	**4,729**	**(54)**	**53**	**85**	**(29)**	**1,155**	**42**	**5,981**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2011	June 2011 $M	June 2010 $M
Cash flows from operating activities		
Cash receipts in the course of operations	15,545	14,376
Cash payments in the course of operations	(13,727)	(13,125)
Interest received	180	149
Interest paid	(239)	(194)
Dividends received from associates and jointly controlled entities	21	16
Income taxes refunded	2	129
Net cash from operating activities	**1,782**	**1,351**
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(2,407)	(1,688)
Interest paid and capitalised on qualifying assets	(90)	(44)
Proceeds from disposal of property, plant and equipment	86	27
Proceeds from sale and leaseback of non-current assets	30	74
Deconsolidation of controlled entity	(100)	-
Proceeds from disposal of controlled entity, net of cash disposed	19	-
Proceeds from disposal of jointly controlled entity	5	-
Payments for controlled entity acquired, net of cash acquired	(21)	-
Payments for investments in associate and jointly controlled entity	-	(14)
Net cash used in investing activities	**(2,478)**	**(1,645)**
Cash flows from financing activities		
Payments for treasury shares	(65)	(16)
Proceeds from borrowings	1,359	1,352
Repayments of borrowings	(784)	(974)
(Payments)/proceeds from swaps	(1)	1
Net receipts from aircraft security deposits	-	22
Dividends paid to non-controlling interests	(1)	(4)
Net cash from financing activities	**508**	**381**
Net (decrease)/increase in cash and cash equivalents held	**(188)**	**87**
Cash and cash equivalents at the beginning of the year	3,704	3,617
Effects of exchange rate changes on cash and cash equivalents	(20)	-
Cash and cash equivalents at the end of the year	**3,496**	**3,704**

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 1. Statement of Significant Accounting Policies

(a) Statement of Compliance

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report. The Preliminary Final Report has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Annual Financial Report also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The Preliminary Final Report is presented in Australian dollars and has been prepared on the basis of historical cost except where assets and liabilities are stated at their fair values in accordance with relevant accounting policies.

The Annual Financial Report is in the process of being audited and is expected to be made available on 7 September 2011. This Report should also be read in conjunction with any public announcements made by Qantas during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

(b) Significant Accounting Policies

The accounting policies applied by the Qantas Group in this Report are the same as those applied by the Qantas Group in the consolidated Annual Financial Report for the year ended 30 June 2010.

(c) Comparatives

Where applicable, various comparative balances have been reclassified to align with current year presentation. These amendments have no material impact on the Financial Report.

(d) Estimates

The preparation of this Report requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Report, the significant judgements made by Management in applying the Qantas Group's accounting policies and the key sources of uncertainty in estimation were the same as those applied to the Annual Financial Report for the year ended 30 June 2010, except for:

Change in accounting estimates – Passenger Aircraft Residual Value

From 1 January 2010 the estimated residual values of passenger aircraft were revised to between nil and 10 per cent of acquisition cost. The estimated residual values had been between nil and 20 per cent. These changes resulted in an increase in depreciation expense of $93 million (2010: $50 million) to the Qantas Group for the year ended 30 June 2011.

Change in accounting estimates – Major Cyclical Maintenance Costs for Operating Leased Aircraft

Historically the costs of major cyclical maintenance checks for operating leased aircraft were expensed as incurred, as the difference from capitalising and depreciating these amounts over the shorter of their useful life or the remaining lease term was immaterial.

During the year ended 30 June 2011 the difference between expensing the maintenance checks as incurred and capitalising/depreciating the checks became material due to the average age and resultant maintenance profile of the operating leased fleet. Therefore, from 1 July 2010 the Qantas Group has capitalised and depreciated the costs of these checks over the shorter of their useful life or the remaining lease term. Maintenance checks covered by third party agreement where there is a transfer of risk and legal obligation continue to be expensed on the basis of hours flown. This aligns the maintenance accounting for leased aircraft with owned aircraft.

This change resulted in $50 million of maintenance costs being capitalised in property, plant and equipment as at 30 June 2011 (net of recognising current year depreciation). The effect of this change in the current year profit and loss was an increase in depreciation expense of $5 million and a decrease in aircraft operating variable expense of $55 million.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 2. Underlying PBT and Operating Segments

(a) Underlying PBT

Underlying PBT is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Executive Committee and the Board of Directors, for the purpose of assessing the performance of the Group.

The primary reporting measure of the Qantas Group's operating segments is Underlying EBIT. Underlying EBIT excludes net finance costs from Underlying PBT as these costs are managed centrally and are not allocated to operating segments.

Refer to Note 2(d) for a detailed description of Underlying PBT and a reconciliation of Statutory EBIT to Underlying EBIT and Underlying PBT.

(b) Description of Operating Segments

The Qantas Group comprises the following main operating segments:

1. Qantas – representing the Qantas passenger flying businesses and related businesses;
2. Jetstar – representing the Jetstar passenger flying businesses, including Jetstar Asia and an investment in Jetstar Pacific Airlines Aviation Joint Stock Company;
3. Qantas Frequent Flyer – representing the Qantas Frequent Flyer customer loyalty program; and
4. Qantas Freight – representing the air cargo and express freight businesses.

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.

Fuel and foreign exchange hedge gains/losses are allocated to segments based on the timing of underlying transactions.

Intersegment revenue has been determined on an arm's length basis or a cost plus margin basis depending on the nature of the revenue.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 2. Underlying PBT and Operating Segments (continued)

(c) Analysis by Operating Segment

June 2011 **$M**	**Qantas**	**Jetstar**	**Qantas Frequent Flyer**	**Qantas Freight**	**Jetset Travelworld Group**[1]	**Corporate/ Unallocated**	**Eliminations**	**Consolidated Underlying**
Revenue and other income								
External segment revenue	10,265	2,446	1,060	1,048	28	13	34	14,894
Intersegment revenue	1,050	167	88	6	6	5	(1,322)	-
Total segment revenue and other income	**11,315**	**2,613**	**1,148**	**1,054**	**34**	**18**	**(1,288)**	**14,894**
Share of net profit/(loss) of associates and jointly controlled entities	10	(6)	-	18	-	-	-	22
EBITDAR[2]	**1,650**	**508**	**345**	**80**	**5**	**(159)**	**30**	**2,459**
Non-cancellable operating lease rentals	(298)	(268)	-	(2)	-	2	-	(566)
Depreciation and amortisation[3]	(1,124)	(71)	(3)	(16)	(2)	(32)	(1)	(1,249)
Underlying EBIT	**228**	**169**	**342**	**62**	**3**	**(189)**	**29**	**644**
Underlying net finance costs								(92)
Underlying PBT								**552**

[1] As a result of the merger of Jetset Travelworld Group with Stella Travel Services, Jetset Travelworld Group is no longer an operating segment as of 1 October 2010. Consequently, the results of the Jetset Travelworld Group for the year ended 30 June 2011 represent the results for the period from 1 July 2010 to 30 September 2010. From 1 October 2010, the equity accounted result of the Qantas Group's investment in Jetset Travelworld Group is included in the Qantas Segment.

[2] EBITDAR (Underlying earnings before income tax expense, depreciation, amortisation, non-cancellable operating lease rentals and net finance costs) includes $55 million (Qantas $40 million and Jetstar $15 million) representing the full year impact of the change in estimates for major cyclical maintenance costs for operating leased aircraft as described in Note 1(d).

[3] Depreciation and amortisation includes $93 million (Qantas $90 million and Jetstar $3 million) representing the full year impact of the change in residual value estimate for passenger aircraft as described in Note 1(d). Additionally, it includes $5 million (Qantas $3 million and Jetstar $2 million) representing the full year impact of the change in estimates for major cyclical maintenance costs for operating leased aircraft as described in Note 1(d).

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 2. Underlying PBT and Operating Segments (continued)

(c) Analysis by Operating Segment (continued)

June 2010 $M	**Qantas**	**Jetstar**	**Qantas Frequent Flyer**	**Qantas Freight**	**Jetset Travelworld Group**	**Corporate/ Unallocated**	**Eliminations**	**Consolidated Underlying**
Revenue and other income								
External segment revenue	9,588	2,012	1,038	1,003	104	17	10	13,772
Intersegment revenue	1,021	185	70	4	31	14	(1,325)	-
Total segment revenue and other income	**10,609**	**2,197**	**1,108**	**1,007**	**135**	**31**	**(1,315)**	**13,772**
Share of net (loss)/profit of associates and jointly controlled entities	(13)	(3)	-	12	-	-	-	(4)
EBITDAR	**1,415**	**463**	**330**	**61**	**20**	**(103)**	**9**	**2,195**
Non-cancellable operating lease rentals	(279)	(315)	-	(6)	-	-	73	(527)
Depreciation and amortisation[1]	(1,069)	(17)	(2)	(13)	(6)	(20)	(73)	(1,200)
Underlying EBIT	**67**	**131**	**328**	**42**	**14**	**(123)**	**9**	**468**
Underlying net finance costs								(91)
Underlying PBT								**377**

[1] Depreciation and amortisation includes $50 million (Qantas $48 million and Corporate/Unallocated $2 million) representing the six month impact of the change in residual value estimate for passenger aircraft as described in Note 1(d).

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 2. Underlying PBT and Operating Segments (continued)

(d) Description of Underlying PBT and Underlying EBIT and Reconciliation to Statutory EBIT

Underlying PBT is a non-statutory measure, which excludes certain impacts of AASB 139: *Financial Instruments: Recognition and Measurement* (AASB 139) and non-recurring items that Management consider to be outside the ordinary course of business operations. Qantas removes these items to provide more useful information that more accurately reflects the underlying performance of the Group.

All derivative transactions undertaken by the Qantas Group represent economic hedges of underlying risk and exposures. The Qantas Group does not enter into speculative derivative transactions. Notwithstanding this, AASB 139 requires certain mark-to-market movements in derivatives which are classified as 'ineffective' to be recognised immediately in the Consolidated Income Statement. The recognition of derivative valuation movements in reporting periods which differ from the designated transaction causes volatility in statutory profit that does not reflect the hedging nature of these derivatives.

Underlying PBT reports all hedge derivative gains and losses in the same reporting period as the underlying transaction by adjusting the current reporting period's statutory profit for derivative mark-to-market movements that relate to underlying exposures in other reporting periods.

Underlying PBT is calculated as follows:

- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with current year exposures remain included in Underlying PBT;
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with underlying exposures which will occur in future reporting periods are excluded from Underlying PBT;
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with capital expenditure are excluded from Underlying PBT and subsequently included in Underlying PBT as an implied adjustment to depreciation expense for the related assets commencing when the assets are available for use;
- Derivative mark-to-market movements recognised in previous reporting periods' statutory profit that are associated with underlying exposures which occurred in the current year are included in Underlying PBT; and
- Underlying PBT excludes the impact of items identified as non-recurring.

All derivative mark-to-market movements which have been excluded from Underlying PBT will be recognised through Underlying PBT in future periods when the underlying transaction occurs.

Underlying EBIT is calculated by adjusting Underlying PBT for statutory net finance costs and the impact on net finance costs of ineffective and non-designated derivatives relating to other reporting periods using a consistent methodology as outlined above.

The reconciliation of Statutory EBIT to Underlying EBIT and Underlying PBT is detailed in the table on the following page.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 2. Underlying PBT and Operating Segments (continued)

(d) Description of Underlying PBT and Underlying EBIT and Reconciliation to Statutory EBIT (continued)

	Note	June 2011 $M	June 2010 $M
Statutory profit before income tax expense and net finance costs (Statutory EBIT)		**436**	**253**
Ineffectiveness and non-designated derivatives relating to other reporting periods:			
- Exclude current year derivative mark-to-market movements relating to underlying exposures in future years		47	51
- Exclude current year derivative mark-to-market movements relating to capital expenditure		75	77
- Include prior years' derivative mark-to-market movements relating to underlying exposures in the current year		(19)	29
- Include adjustment to depreciation expense relating to excluded capital expenditure mark-to-market movements		(2)	(1)
		101	156
Non-recurring items:			
- Net loss on disposal of investments and related transaction costs[1]		20	-
- Legal provisions[2]		25	-
- Net impairment of property, plant and equipment[3]		34	48
- Redundancies, restructuring and other provisions		28	11
		107	59
Underlying EBIT	2(c)	**644**	**468**
Underlying net finance costs:			
- Statutory net finance costs		(113)	(75)
- Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs		21	(16)
	2(c)	(92)	(91)
Underlying PBT	2(c)	**552**	**377**

[1] During the year ended 30 June 2011 the Qantas Group disposed of its investments in Harvey Holidays Pty Ltd and DPEX Group, resulting in a gain of $9 million. Additionally, the Group deconsolidated Jetset Travelworld Group as a result of the merger of Jetset Travelworld Group with Stella Travel Services, resulting in a loss of $29 million.

[2] Legal provisions represent provisions for freight regulatory fines and third party class actions.

[3] As disclosed in Note 3, net impairment of property, plant and equipment for the year ended 30 June 2011 was $44 million (2010: $48 million), of which $34 million ($48 million) is presented as a non-recurring item.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 3. Other Revenue and Expenditure

	June 2011 $M	June 2010 $M
Included in other revenue		
Contract work revenue	347	402
Passenger service fees	341	295
Frequent Flyer store and other redemption revenue[1]	204	212
Frequent Flyer marketing revenue[2]	193	166
Frequent Flyer membership fees and other revenue	10	10
Lease revenue	186	165
Rolls-Royce settlement revenue	95	-
Ancillary passenger revenue	90	60
Tours and travel revenue	84	172
Qantas Club membership fees	84	81
Freight terminal fee revenue	73	61
Retail, advertising and other property revenue	54	48
Other	249	341
	2,010	**2,013**
Included in other expenditure		
Selling and marketing	626	572
Computer and communication	409	405
Property	398	396
Capacity hire	258	249
Airport security charges	135	130
Contract work material	111	92
Net impairment of property, plant and equipment	44	48
Other	449	363
	2,430	**2,255**

[1] Net of redemptions on Qantas Group's flights which are reported as net passenger revenue in the Consolidated Income Statement.
[2] Net of intra-group marketing revenue within the Qantas Group.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 4. Investments Accounted for Using the Equity Method

	June 2011 $M	June 2010 $M
Investment in associates		
- Jetset Travelworld Limited[3]	114	-
- Other	51	65
Investment in jointly controlled entities		
- AUX Investment Pty Limited[1]	292	-
- Star Track Express Holdings Pty Limited[1]	-	266
- Australian air Express Pty Ltd[1]	-	24
- Other	19	23
	476	**378**

	Ownership interest June 2011 %	Ownership interest June 2010 %
Air Pacific Limited	46	46
Australian air Express Pty Ltd[1]	-	50
AUX Investment Pty Limited[1]	50	-
Fiji Resorts Limited	21	21
Hallmark Aviation Services L.P.	49	49
Harvey Holidays Pty Ltd[2]	-	50
HT & T Travel Philippines, Inc.	28	28
Holiday Tours and Travel (Thailand) Ltd	37	37
Holiday Tours and Travel Vietnam Co. Ltd	37	37
Jetset Travelworld Limited[3]	29	-
Jetstar Pacific Airlines Aviation Joint Stock Company	27	27
LTQ Engineering Pty Limited	50	50
PT Holidays Tours & Travel	37	37
Star Track Express Holdings Pty Limited[1]	-	50
Tour East (T.E.T) Ltd	37	37

[1] In October 2010 the Group's investments in Australian air Express Pty Ltd and Star Track Express Holdings Pty Limited were transferred to AUX Investment Pty Limited in exchange for a 50 per cent shareholding in this entity. No gain or loss arose from the restructure of these investments.

[2] On 30 June 2011 the Qantas Group sold its 50 per cent interest in Harvey Holidays Pty Ltd. This transaction resulted in a gain of $4 million.

[3] As a result of the merger of Jetset Travelworld Group with Stella Travel Services, Jetset Travelworld Group is accounted for as an associate effective 1 October 2010. Consequently, the Qantas Group deconsolidated the Jetset Travelworld Group and recognised a loss of $29 million.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 5. Entities over which control was gained and lost during the year

The Qantas Group incorporated the following entities during the year:
- QF ECA A380 2010 No.1 Pty Limited (20 September 2010)
- QF ECA A380 2010 No.2 Pty Limited (20 September 2010)
- QF ECA A380 2010 No.3 Pty Limited (20 September 2010)
- QF ECA A380 2010 No.4 Pty Limited (20 September 2010)
- QF ECA A380 2011 No.1 Pty Limited (20 September 2010)
- QF ECA A380 2011 No.2 Pty Limited (20 September 2010)
- Regional Airlines Charter Pty Limited, previously known as A.C.N. 147 543 806 Pty Limited, (25 November 2010)
- QF Dash 8 Leasing No. 5 Pty Limited (8 February 2011)
- QF B738 2011 No.1 Pty Limited (17 June 2011)
- QF B738 2011 No.2 Pty Limited (17 June 2011)
- QF B738 2011 No.3 Pty Limited (17 June 2011)
- QF B738 2011 No.4 Pty Limited (17 June 2011)
- QF B738 2011 No.5 Pty Limited (17 June 2011)

On 28 January 2011, the Qantas Group acquired 75 per cent interest in H Travel Sdn Bhd.

On 11 February 2011, the Qantas Group acquired 100 per cent of the Network Aviation Group, comprising the following entities:
- Network Aviation Pty Ltd
- The Network Trust
- Network Aviation Holdings Pty Ltd
- The Network Holding Trust
- Network Holdings Investments Pty Ltd
- Network Turbine Solutions Pty Ltd
- Osnet Jets Pty Ltd

The following entities were voluntarily deregistered:
- CargoNet Pty Limited (21 February 2011)
- SCDS Holdings Pty. Ltd (21 February 2011)
- Travel Technologies Pty. Limited (21 February 2011)
- Traveltrack Solutions Pty Limited (21 February 2011)
- 200100819H Pte Ltd (9 May 2011)

The DPEX Group, comprising the following entities, was sold on 9 August 2010:
- Qantas Freight Holdings Pty Limited
- Qantas Freight Asia Holdings Pte. Limited
- Asia Express Holdings Pte. Ltd.
- DPEX Transport Group Pte. Ltd.
- DPEX Worldwide Express Pte. Ltd.
- DPEX Worldwide Express Ltd
- Kilda Express Pte Ltd
- DPEX Worldwide Co. Ltd

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 5. Entities over which control was gained and lost during the year (continued)

On 30 September 2010, the Jetset Travelworld Group merged with Stella Travel Services. As a result of this merger, the Qantas Group's shareholding in Jetset Travelworld Group reduced from 58 per cent to 29 per cent. As a consequence, from 1 October 2010 the following entities are no longer subsidiaries of the Qantas Group and instead are accounted for as associates:

- Jetset Travelworld Ltd
- A.B.N. 23 124 732 136 Pty Limited
- Business Select Pty Limited
- Jetset Pty Ltd
- JTG Corporate Pty Limited
- JTG Services Pty Limited
- JTG Travel Insurance Pty Limited
- National Cruise Centre Pty Limited
- National Ticket Centre Pty Ltd
- Orient Pacific Holidays Pty Limited
- Qantas Holidays Limited
- Qantas Business Travel Pty Limited
- Ready Travel Pty Limited
- Traveland Pty Limited
- Travelworld Pty Ltd

Note 6. Dividends

No interim dividend was paid in relation to the year ended 30 June 2011.

No final dividend will be paid in relation to the year ended 30 June 2011.

Note 7. Post Balance Date Events

On 16 August 2011, the Group announced the outcome of the strategic review of Qantas International.

The key pillars of the review are:

1. Continuing focus and investment in the customer experience
2. Deepening presence in Asia
3. Deepening and broadening alliance relationships
4. Ongoing underlying business improvement

Significantly, as a result of the review, the Group has announced it will restructure its route network and restructure the Joint Services Agreement with British Airways. As a result, six A380 aircraft will be deferred by between five and six years and will deliver from 2018/2019 to coincide with the retirement of the last B747 aircraft. In addition, four B747 aircraft will be retired earlier than previously planned.

The Group also announced that it would establish a premium airline based in Asia.

Whilst the financial impact is still being finalised, it is anticipated that Non-Recurring expenditure of between $350 million and $450 million will be incurred with less than half of this resulting in cash outflows in the period.

On 16 August 2011, the Group announced the purchase of between 106 and 110 A320 aircraft with 194 purchase rights and options.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Note 7. Post Balance Date Events (continued)

Included in the 110 aircraft are 32 “classic” A320 aircraft and 78 A320neo, being Airbus’ new engine option for the A320 family to enter service in 2015. It incorporates latest generation engines and large “Sharklet” wing tip devices, which together will deliver 15 per cent in fuel and CO_2 emission savings.

Eight of the A320 aircraft will be allocated to the new airline based in Asia.

In addition, the Group announced that it had reached agreement with Japan Airlines and Mitsubishi to establish a low cost carrier based in Japan in 2012. The new venture will be known as Jetstar Japan. Whilst each partner will have equal voting rights, the Qantas Group will have 42 per cent economic interest. As such the business will be accounted for as an investment in Associates using the equity accounting method. Of the 32 A320s purchased, 24 will be allocated to this venture and will not be funded by the Qantas Group. Qantas’ equity investment in this business is expected to total approximately $64 million over 3 years.

The net effect on capital expenditure in 2011/2012 of deferring six A380 aircraft (and associated refund of pre-delivery payments), and the sign on fees and pre-delivery payments expected in 2011/2012 as a result of the purchase agreement is a net reduction in the Group’s capital expenditure of approximately $45 million.

Except for the matters disclosed above, there has not arisen in the interval between 30 June 2011 and the date of this Report any event that would have had a material effect on the Financial Statements as at 30 June 2011.

OPERATIONAL STATISTICS

For the year ended 30 June 2011

		Year ended June 2011	Year ended June 2010	Change
TRAFFIC AND CAPACITY				
QANTAS DOMESTIC - SCHEDULED SERVICES				
Passengers carried	000	17,073	16,640	2.6%
Revenue passenger kilometres (RPK)	m	24,719	24,092	2.6%
Available seat kilometres (ASK)	m	30,928	29,795	3.8%
Revenue seat factor	%	79.9	80.9	(1.0)pts
QANTASLINK - SCHEDULED SERVICES				
Passengers carried	000	4,857	4,323	12.4%
Revenue passenger kilometres (RPK)	m	3,224	2,936	9.8%
Available seat kilometres (ASK)	m	4,714	4,369	7.9%
Revenue seat factor	%	68.4	67.2	1.2pts
JETSTAR DOMESTIC - SCHEDULED SERVICES				
Passengers carried	000	9,753	8,367	16.6%
Revenue passenger kilometres (RPK)	m	11,369	9,456	20.2%
Available seat kilometres (ASK)	m	14,256	11,615	22.7%
Revenue seat factor	%	79.8	81.4	(1.6)pts
QANTAS INTERNATIONAL - SCHEDULED SERVICES				
Passengers carried	000	5,977	5,900	1.3%
Revenue passenger kilometres (RPK)	m	51,004	49,979	2.1%
Available seat kilometres (ASK)	m	61,881	60,608	2.1%
Revenue seat factor	%	82.4	82.5	(0.1)pts
JETSTAR INTERNATIONAL - SCHEDULED SERVICES				
Passengers carried	000	4,096	3,910	4.8%
Revenue passenger kilometres (RPK)	m	11,935	11,037	8.1%
Available seat kilometres (ASK)	m	15,628	14,316	9.2%
Revenue seat factor	%	76.4	77.1	(0.7)pts
JETSTAR ASIA				
Passengers carried	000	2,700	2,288	18.0%
Revenue passenger kilometres (RPK)	m	4,508	3,227	39.7%
Available seat kilometres (ASK)	m	5,874	4,014	46.3%
Revenue seat factor	%	76.7	80.4	(3.7)pts
QANTAS GROUP OPERATIONS				
Passengers carried	000	44,456	41,428	7.3%
Revenue passenger kilometres (RPK)	m	106,759	100,727	6.0%
Available seat kilometres (ASK)	m	133,281	124,717	6.9%
Revenue seat factor	%	80.1	80.8	(0.7)pts
Aircraft in service at end of period	#	283	254	29 aircraft
QANTAS FREQUENT FLYER				
Billing	$m	1,042	952	9.5%
Awards redeemed	m	4.4	4.0	10.0%
Total members	m	7.9	7.2	9.7%
FINANCIAL				
Yield (passenger revenue per RPK)	c	10.9	10.3	5.8%
EMPLOYEES				
Average full-time equivalent employees[1]	#	32,629	32,489	0.4%
RPK per employee	000	3,272	3,100	5.5%
ASK per employee	000	4,085	3,839	6.4%

[1]Average full-time equivalent employees for the year ended 30 June 2010 include employees of Jetset Travelworld Group and DPEX Group.

CONSOLIDATED DEBT, GEARING AND CAPITALISATION OF NON-CANCELLABLE OPERATING LEASES

As at 30 June 2011

	June 2011 $M	June 2010 $M
Balance sheet equity	6,151	5,981
Less: hedge reserve	80	85
Equity excluding hedge reserve	**6,071**	**5,896**
On balance sheet debt		
Current interest-bearing liabilities	577	630
Non-current interest-bearing liabilities	5,454	5,115
Cash and cash equivalents	(3,496)	(3,704)
Aircraft security deposits	(10)	(13)
Fair value of hedges relating to debt[1]	446	208
Net on balance sheet debt	**2,971**	**2,236**
Off balance sheet debt		
Non-cancellable operating leases[2]	3,999	3,961
Net debt including off balance sheet debt	**6,970**	**6,197**
Net debt to net debt and equity (including off balance sheet debt excluding hedge reserve)	**53 : 47**	**51 : 49**

Notes:

1. Fair value of hedges related to debt are included in Other Financial Assets and Liabilities on the Consolidated Balance Sheet in accordance with AASB 139: *Financial Instruments: Recognition and Measurement.*
2. Non-cancellable operating leases are a representation assuming assets are owned and debt funded and are not consistent with the disclosure requirements of AASB 117: *Leases.*

ADJUSTED NET BORROWING COSTS

For the year ended 30 June 2011

	June 2011 $M	June 2010 $M
Borrowing costs		
Finance income	(192)	(181)
Finance costs	305	256
Unwind of discount on provisions and other liabilities	(26)	(40)
Unwind of discount on receivables	16	19
Capitalised interest	90	44
Ineffective and non-designated derivatives relating to other reporting periods	(21)	16
Implied interest on non-cancellable operating leases	326	330
Adjusted net borrowing costs	**498**	**444**
Average net debt including off balance sheet debt	**6,705**	**6,229**
Adjusted net borrowing costs as a percentage of average net debt including off balance sheet debt	**7.4%**	**7.1%**