





## 2001 FINANCIAL REPORT

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## Statements of FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2001

	Notes	QANTAS GROUP		QANTAS	
		2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>SALES AND OPERATING REVENUE</b>					
Net passenger revenue		7,941.8	6,975.6	7,385.5	6,452.8
Net freight revenue		596.3	543.0	588.9	535.7
Tours and travel revenue		604.3	551.8	–	–
Other sources*		1,045.8	1,036.4	1,550.3	979.6
<b>Sales and operating revenue</b>	2	10,188.2	9,106.8	9,524.7	7,968.1
<b>EXPENDITURE</b>					
Manpower and staff related		2,549.9	2,295.8	2,142.6	1,983.4
Selling and marketing		1,141.6	1,051.0	1,146.8	1,058.5
Aircraft operating – variable		2,023.0	1,732.7	2,019.1	1,700.3
Fuel and oil		1,329.8	863.2	1,247.8	799.1
Property		246.9	215.2	228.9	206.3
Computer and communication		365.0	352.4	409.1	403.2
Depreciation and amortisation		706.7	634.0	563.7	479.1
Non-cancellable operating lease rentals		181.8	127.9	132.5	120.8
Tours and travel cost of sales		525.7	482.8	–	–
Capacity hire, insurance and other		422.0	477.8	489.5	587.7
<b>Expenditure</b>	3	9,492.4	8,232.8	8,380.0	7,338.4
<b>EARNINGS BEFORE INTEREST AND TAX (EBIT)</b>					
Borrowing costs	3	(167.7)	(199.7)	(181.9)	(200.6)
Interest revenue	2	69.0	88.5	56.5	79.9
<b>Net interest expense</b>		(98.7)	(111.2)	(125.4)	(120.7)
<b>PROFIT FROM ORDINARY ACTIVITIES</b>					
<b>BEFORE INCOME TAX EXPENSE</b>					
Income tax expense relating to ordinary activities	4	(177.4)	(244.9)	(190.3)	(170.1)
<b>NET PROFIT</b>		419.7	517.9	829.0	338.9
Outside equity interests in net profit		(4.3)	(0.6)	–	–
<b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>					
		415.4	517.3	829.0	338.9
<b>NON-OWNER TRANSACTION CHANGES IN EQUITY</b>					
Net exchange differences on translation of financial statements of self-sustaining foreign operations	21	0.3	1.2	–	–
<b>TOTAL CHANGES IN EQUITY FROM NON-OWNER RELATED TRANSACTIONS ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>					
	23	415.7	518.5	829.0	338.9
<b>BASIC EARNINGS PER SHARE</b>	38	33.0 cents	42.8 cents		
<b>DILUTED EARNINGS PER SHARE</b>	38	32.6 cents	42.7 cents		

\* Excludes proceeds on sale (and on sale and leaseback) of non-current assets Group \$163.9 million, Qantas \$159.0 million (2000: Group \$889.7 million, Qantas \$879.6 million), and interest revenue Group \$69.0 million, Qantas \$56.5 million (2000: Group \$88.5 million, Qantas \$79.9 million) which is included in net interest expense.

The Statements of Financial Performance are to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 54.

## Statements of FINANCIAL POSITION

AS AT 30 JUNE 2001

	Notes	QANTAS GROUP		QANTAS	
		2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>CURRENT ASSETS</b>					
Cash	8	145.5	118.2	116.5	106.4
Receivables	9	1,496.2	1,742.5	1,787.9	2,068.4
Net receivables under hedge/swap contracts		241.5	200.9	241.5	200.5
Inventories	10	332.9	267.9	306.9	258.3
Other	12	142.7	108.3	80.0	46.2
<b>Total current assets</b>		<b>2,358.8</b>	<b>2,437.8</b>	<b>2,532.8</b>	<b>2,679.8</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	9	569.9	603.0	650.4	793.8
Net receivables under hedge/swap contracts		2,135.3	1,758.4	2,081.9	1,710.0
Investments	11	56.4	43.0	372.8	368.2
Property, plant and equipment	13	7,324.4	7,108.7	6,183.5	5,658.7
Intangibles	14	21.5	25.0	–	–
Deferred tax assets		30.9	13.3	–	–
Other	12	16.4	17.9	13.2	8.3
<b>Total non-current assets</b>		<b>10,154.8</b>	<b>9,569.3</b>	<b>9,301.8</b>	<b>8,539.0</b>
<b>Total assets</b>		<b>12,513.6</b>	<b>12,007.1</b>	<b>11,834.6</b>	<b>11,218.8</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	15	2,049.1	1,869.2	1,941.5	1,791.0
Interest bearing liabilities	16	974.7	582.4	1,134.9	1,020.1
Net payables under hedge/swap contracts		257.9	233.5	254.3	234.4
Provisions	17	512.8	926.7	453.4	888.3
Current tax liabilities	18	(8.8)	119.9	(45.7)	36.2
Revenue received in advance		1,187.8	1,181.0	1,102.2	1,105.1
Deferred lease benefits/income		39.8	41.6	34.2	36.0
<b>Total current liabilities</b>		<b>5,013.3</b>	<b>4,954.3</b>	<b>4,874.8</b>	<b>5,111.1</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest bearing liabilities	16	2,355.6	2,530.8	2,335.4	2,573.7
Net payables under hedge/swap contracts		576.7	419.5	576.7	419.5
Provisions	17	360.4	341.4	324.7	309.3
Deferred tax liabilities		496.1	405.6	393.6	247.5
Deferred lease benefits/income		381.6	439.0	329.9	377.9
Other	19	14.0	52.1	13.7	52.1
<b>Total non-current liabilities</b>		<b>4,184.4</b>	<b>4,188.4</b>	<b>3,974.0</b>	<b>3,980.0</b>
<b>Total liabilities</b>		<b>9,197.7</b>	<b>9,142.7</b>	<b>8,848.8</b>	<b>9,091.1</b>
<b>Net assets</b>		<b>3,315.9</b>	<b>2,864.4</b>	<b>2,985.8</b>	<b>2,127.7</b>
<b>EQUITY</b>					
Contributed equity	20	2,173.0	1,882.0	2,173.0	1,882.0
Reserves	21	54.3	54.0	82.9	82.9
Retained profits	22	1,078.0	926.8	729.9	162.8
Equity attributable to members of the Company		3,305.3	2,862.8	2,985.8	2,127.7
Outside equity interests	24	10.6	1.6	–	–
<b>Total equity</b>		<b>3,315.9</b>	<b>2,864.4</b>	<b>2,985.8</b>	<b>2,127.7</b>

The Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 54.



## Statements of CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

	Notes	QANTAS GROUP		QANTAS	
		2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		10,527.8	9,066.6	9,207.8	7,892.7
Payments to suppliers and employees		(9,145.5)	(7,135.8)	(8,397.2)	(6,315.2)
Interest received		69.9	90.5	57.5	79.6
Interest paid		(151.8)	(175.5)	(160.8)	(172.8)
Dividends received		43.8	26.9	690.6	41.9
Income taxes paid		(243.5)	(272.9)	(137.7)	(185.6)
<b>Net cash provided by operating activities</b>	40	<b>1,100.7</b>	<b>1,599.8</b>	<b>1,260.2</b>	<b>1,340.6</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment		(995.5)	(1,141.8)	(989.1)	(1,037.6)
Receipts/(payments) for aircraft security deposits		44.4	(10.6)	45.1	(10.2)
Total payments for purchases of property, plant, equipment and aircraft security deposits		(951.1)	(1,152.4)	(944.0)	(1,047.8)
Proceeds from sale of property, plant and equipment		16.4	10.3	11.5	5.8
Proceeds from sale and leaseback of property, plant and equipment		147.5	819.0	147.5	819.0
Proceeds from sale of investments		–	60.4	–	54.8
Payments for investments, net of cash acquired		(17.1)	–	(7.1)	–
Loans to associates		(67.0)	–	–	–
Net funding to related parties		–	–	(10.5)	(6.4)
<b>Net cash used in investing activities</b>		<b>(871.3)</b>	<b>(262.7)</b>	<b>(802.6)</b>	<b>(174.6)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of borrowings/swaps		(1,028.0)	(798.9)	(1,005.7)	(611.5)
Debt prepayments on sale and leaseback of property, plant and equipment		–	(819.0)	–	(819.0)
Total debt repayments		(1,028.0)	(1,617.9)	(1,005.7)	(1,430.5)
Proceeds from borrowings		804.8	505.9	802.0	503.2
Proceeds from the issue of shares		19.0	–	19.0	–
Dividends paid		(454.8)	(430.0)	(453.3)	(430.0)
<b>Net cash used in financing activities</b>		<b>(659.0)</b>	<b>(1,542.0)</b>	<b>(638.0)</b>	<b>(1,357.3)</b>
<b>RECONCILIATION OF CASH PROVIDED BY/(USED IN):</b>					
Operating activities		1,100.7	1,599.8	1,260.2	1,340.6
Investing activities		(871.3)	(262.7)	(802.6)	(174.6)
Financing activities		(659.0)	(1,542.0)	(638.0)	(1,357.3)
Net decrease in cash held		(429.6)	(204.9)	(180.4)	(191.3)
Cash at the beginning of the financial year		688.8	893.7	217.5	408.8
<b>Cash at the end of the financial year</b>	40	<b>259.2</b>	<b>688.8</b>	<b>37.1</b>	<b>217.5</b>

The Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 54.

## Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of the Financial Report are:

#### **(a) BASIS OF PREPARATION**

The Financial Report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

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

#### **(b) RECLASSIFICATION OF FINANCIAL INFORMATION**

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018 Statement of Financial Performance, AASB 1034 Financial Report Presentation and Disclosures and the new AASB 1040 Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the Statement of Financial Performance to note 22.

Revenue and expense items previously disclosed as abnormal have been reclassified and are now disclosed as individually significant items in note 3(b). These items are no longer identified separately on the face of the Statement of Financial Performance.

The following assets and liabilities have been removed from previous classifications and are now disclosed as separate line items on the face of the Statement of Financial Position:

- Deferred tax assets, previously presented within other non-current assets;
- Current tax liabilities, previously presented within other current provisions; and
- Deferred tax liabilities, previously presented within other non-current provisions.

#### **(c) CHANGE IN ACCOUNTING POLICY**

##### **REVALUATION OF NON-CURRENT ASSETS**

The Qantas Group has applied AASB 1041 Revaluation of Non-Current Assets (reissued July 2001) for the first time from 1 July 2000. The standard requires each class of non-current asset to be measured on either the cost or fair value basis. AASB 1041 does not apply to inventories, foreign currency monetary assets, goodwill, deferred tax assets and other assets measured at net market value where the market value movements are recognised in the Statement of Financial Performance.

Under AASB 1041 the Qantas Group has adopted the cost basis for all non-current assets and has deemed the cost to be equal to the carrying value of those assets as at 1 July 2000. As a consequence of making this election the balance of the asset revaluation reserve at 1 July 2000 amounting to \$52.6 million is no longer available for asset write-downs. The change in accounting policy has no financial effect in the current or prior financial years. See note 21.

##### **CAPITALISATION OF SOFTWARE DEVELOPMENT COSTS**

During the financial year, the Qantas Group changed its accounting policy in relation to major software development projects. Costs incurred on major projects of this type are now capitalised and depreciated in accordance with AASB 1021 Depreciation, where they result in future economic benefits to the business. The previous policy was to expense all software-related costs as incurred.

This accounting policy has been changed to bring treatment of software development projects into line with that adopted for other major infrastructure and business system projects undertaken by the Qantas Group.

## Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### **(c) CHANGE IN ACCOUNTING POLICY (continued)**

#### **CAPITALISATION OF SOFTWARE DEVELOPMENT COSTS (continued)**

The change in accounting policy has resulted in an increase of \$32.2 million in the Qantas Group net profit for the year ended 30 June 2001. This profit increase comprises the following:

	Year Ended 30 June 2001 \$M	Year Ended 30 June 2000 \$M	Prior Years \$M	Total \$M
Impact of change in accounting policy on profit before tax:				
Software costs capitalised	31.8	16.8	26.3	74.9
Associated depreciation	(15.0)	(8.6)	(5.3)	(28.9)
<b>Increase in profit before tax</b>	<b>16.8</b>	<b>8.2</b>	<b>21.0</b>	<b>46.0</b>
Tax impact	(5.0)	(2.5)	(6.3)	(13.8)
<b>Increase in net profit</b>	<b>11.8</b>	<b>5.7</b>	<b>14.7</b>	<b>32.2</b>

### **(d) PRINCIPLES OF CONSOLIDATION**

The Qantas Group financial statements comprise the financial statements of Qantas and the Qantas Group. Results of controlled entities which were acquired or disposed of during the year are included in the Statement of Financial Performance from the date control commenced or up to the date control ceased. The consolidation process eliminates inter-entity balances and transactions. Outside interests in the equity and results of controlled entities are shown as a separate item in the Qantas Group financial statements.

### **(e) FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions, except those subject to specific hedging arrangements, are translated to Australian currency at the rates of exchange ruling at the date of each transaction. At balance date, amounts receivable and payable in foreign currencies are translated at the rates of exchange ruling at that date. Resulting exchange differences are brought to account as exchange gains or losses in the Statement of Financial Performance in the financial year in which the exchange rates change.

#### **TRANSLATION OF CONTROLLED FOREIGN ENTITIES**

All controlled entities incorporated overseas are self-sustaining foreign operations and as such, their assets and liabilities are translated at the rates of exchange ruling at balance date. The Statements of Financial Performance are translated at the average exchange rate for the year. Exchange differences arising on translation are recorded in the foreign currency translation reserve. The balance of foreign currency translation reserve relating to a controlled entity that is disposed of is transferred to retained profits in the year of disposal.

#### **HEDGING OF FOREIGN CURRENCY COMMITMENTS**

Gains and losses on derivatives used to hedge the purchase or sale of capital equipment and goods and services are deferred in the Statement of Financial Position and included in the measurement of the related purchase or sale. Net deferred losses associated with hedges of foreign currency revenue relating to future transportation services are included in the Statement of Financial Position as receivables. These losses will be included in the measurement of the relevant future foreign currency revenue at the time the transportation services are provided. As at 30 June 2001, net deferred losses were \$329.6 million (2000: loss \$374.7 million).

Revenues and expenses from cross-currency swap transactions and amounts owing to/from swap counterparties are set-off and disclosed on a net basis where the requirements of Accounting Standard AASB 1014 Set-off and Extinguishment of Debt are satisfied.



## **(f) DERIVATIVE FINANCIAL INSTRUMENTS**

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

Principal amounts outstanding under individual cross-currency swaps are disclosed as a net asset or liability. Interest payments and receipts under cross-currency swaps are recognised on an accruals basis in the Statement of Financial Performance. Premiums paid on interest rate options are amortised over the period of the hedge.

Gains and losses on derivatives used as hedges are accounted for on the same basis as the underlying exposures to which they relate. Accordingly, hedge gains and losses are included in the Statement of Financial Performance when the gains and losses arising on the related hedged position are recognised in the Statement of Financial Performance. Further details are outlined in note 34.

## **(g) REVENUE RECOGNITION**

### **PASSENGER AND FREIGHT SALES REVENUE**

Passenger and freight sales revenue is included in the Statement of Financial Performance at the fair value of the consideration received net of sales discounts and net of goods and services tax (GST). Passenger and freight sales commissions are treated as a cost of sale. Passenger and freight sales are credited to revenue received in advance and subsequently transferred to revenue when tickets are utilised or freight uplifted.

### **INTEREST REVENUE**

Interest revenue is recognised as it accrues.

### **ASSET SALES**

The gross proceeds of asset sales not originally purchased for the intention of resale are recognised at the date an unconditional contract of sale is signed. 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.

## **(h) GOODS AND SERVICES TAX**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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 ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## **(i) TAXATION**

The Qantas Group adopts the income statement liability method of tax-effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different years for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a deferred tax asset or a deferred tax liability.

Future income tax benefits relating to timing differences are not brought to account as an asset unless realisation is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account as an asset when their realisation is considered to be virtually certain.

Capital gains tax is provided in the financial statements in the financial period in which an asset is sold. Capital gains tax is not provided for when an asset is revalued.

Qantas is taxed as a public company and provides for income tax in overseas countries where a liability exists. Generally, these taxes are assessed on a formula or percentage of sales basis.

## Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### **(j) RECEIVABLES**

Receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

### **(k) INVENTORIES AND WORK IN PROGRESS**

Engineering expendables, consumable stores and work in progress, which are held for consumption, are valued at weighted average cost, less any applicable allowance for obsolescence. Assets held for sale are valued at the lower of cost and net realisable value.

### **(l) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS**

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. Assets which primarily generate cash flows, such as aircraft, are assessed on an individual basis whereas infrastructure assets are examined on a class by class basis, and compared to net surplus cash inflows. Expected net cash flows used in determining recoverable amounts have been discounted to their net present value, using a rate reflecting the cost of funds.

Appropriate provisions are made where the carrying amount exceeds recoverable amount.

### **(m) INVESTMENTS**

All investments are recorded at the lower of cost and recoverable amount.

### **CONTROLLED ENTITIES**

A controlled entity is one over which Qantas exercises control, or has the capacity to control. Dividend income from controlled entities is included in revenue of Qantas when declared by the controlled entities.

### **ASSOCIATED COMPANIES**

An associated company is one in which Qantas exercises significant influence, but not control. Dividend income from associated companies is included in revenue when received.

### **OTHER CORPORATIONS**

Dividends from investments in corporations which are not controlled entities or associated companies are included in revenue when received.

### **(n) ACQUISITION OF ASSETS**

#### **ACQUISITION COST**

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined in note 1(o).

Major modifications to aircraft and the costs associated with placing the aircraft into service are capitalised as part of the cost of the asset to which they relate. All aircraft maintenance costs are expensed as incurred. Borrowing costs associated with the acquisition of 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.

Expenditure, on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred and it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

## **(o) 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. The depreciation rates 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. The cost of improvements to leased assets is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

The principal asset depreciation periods and estimated residual value percentages are:

	Years	Residual Value %
Buildings and leasehold improvements	10–50	0
Plant and equipment	3–10	0
Jet aircraft and engines	20	0–25
Non-jet aircraft and engines	10–30	0–20
Aircraft spare parts	15–20	0–25

Depreciation and amortisation rates and residual values are reviewed annually and reassessed having regard to commercial and technological developments and the estimated useful life to the Qantas Group.

## **(p) LEASED AND HIRE PURCHASED ASSETS**

Leased assets under which the Qantas Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Any gains and losses under sale and leaseback arrangements are deferred and amortised over the lease term. 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 interest expense.

In respect of a number of finance leases, debt funding has been provided to the lessor. This debt funding has been offset against the lease liability and the Statement of Financial Position reflects the net position (refer note 25). Interest received on the debt funding is also offset against interest paid (refer note 3(a)). Hire purchase assets are accounted for in the same way as finance leases.

Payments made under operating leases are charged against profits in the financial period in which they are incurred.

In respect of 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.

### **NON-CANCELLABLE OPERATING LEASES**

Leases are deemed to be non-cancellable if there are anticipated to be significant financial penalties associated with termination.

## Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### **(q) INTANGIBLE ASSETS**

#### **GOODWILL**

Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair values of identifiable net assets acquired, is amortised on a straight line basis over the period in which future benefits are expected to arise, or 20 years, whichever is the shorter.

The unamortised balance of goodwill is reviewed at least each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the Statement of Financial Performance.

#### **OTHER INTANGIBLE ASSETS**

Trademarks, tradenames and licences are amortised on a straight line basis over the period in which future benefits are expected to arise, or 20 years, whichever is the shorter.

### **(r) PAYABLES**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Qantas Group.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

### **(s) FREQUENT FLYER LIABILITY**

The obligation to provide travel rewards to members of the Qantas Frequent Flyer Program is progressively accrued as a liability as points are accumulated. This accrual is based on the incremental cost of ultimately providing the travel rewards.

As members redeem awards or their entitlements expire, the accrual is reduced accordingly to reflect the reduction in the outstanding obligation.

### **(t) EMPLOYEE ENTITLEMENTS**

#### **WAGES AND SALARIES, ANNUAL LEAVE, SICK LEAVE AND STATUTORY ENTITLEMENTS**

Provisions for wages and salaries, annual leave including leave loading, sick leave vesting to employees and statutory overseas termination entitlements are recognised and measured as the amount unpaid at balance date at current wage and salary rates, including all related on-costs in respect of the employees' services provided up to that date.

#### **LONG SERVICE LEAVE**

The provision for long service leave represents the present value of the estimated future cash outflows to be made by the Qantas Group resulting from employees' services provided up to balance date. Liabilities for employee entitlements, which are not expected to be settled within 12 months, are discounted using rates attached to national government securities at balance date, which most closely match the timing of maturity of the related liability. In determining the provision for employee entitlements, consideration has been given to future increases in wage and salary rates and experience with staff turnover. Related on-costs have also been included in the liability.

#### **SUPERANNUATION**

The Qantas Group contributes to employee superannuation funds. Contributions to these funds are recognised in the Statement of Financial Performance as they are made. Further details are disclosed in note 29.

#### **QANTAS PROFITSHARE SCHEME**

Eligible employees of Qantas and its wholly owned controlled entities are participants in the Qantas Profitshare Scheme. Further details are disclosed in note 20. Share issues under the scheme are bonus shares and are not expensed in the Statement of Financial Performance. Costs associated with administering the scheme are expensed as incurred.

#### **(u) PROVISIONS**

A provision is recognised when an obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### **RESTRUCTURING**

Provisions for restructuring are only recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced. Costs related to ongoing activities are not provided for.

#### **(v) WORKERS' COMPENSATION**

Qantas is a licensed self-insurer under the *New South Wales Workers' Compensation Act*, the *Victorian Accident Compensation Act* and the *Queensland Workers' Compensation Act (1990)*. Qantas has made provision for all assessed workers' compensation liabilities, together with an estimate of liabilities incurred but not reported, based on an independent actuarial assessment. Workers' compensation for all remaining employees is insured commercially.

#### **(w) DEFERRED LEASE BENEFITS/INCOME**

Gains/losses on sale and finance leaseback of aircraft, sale and finance leaseback of buildings, benefits derived from cross-border leasing arrangements and variations between actual lease payments and minimum lease payments are treated as deferred lease benefits/income. These 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.

#### **(x) SEGMENT INFORMATION**

Segment information is provided in note 37.

#### **INDUSTRY SEGMENTS**

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

#### **GEOGRAPHICAL SEGMENTS**

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

#### **SEGMENTAL ANALYSIS OF NET ASSETS AND PROFIT CONTRIBUTION**

For the financial year ended 30 June 2001, the principal assets of the Qantas Group comprised the aircraft fleet, all, except one 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 of allocating such assets and the related liabilities between geographic areas.

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

Disclosure is made of a more appropriate measure of profit contributions in accordance with the Qantas Group's internal reporting system, being the earnings before interest and tax (EBIT) from international and domestic airline and subsidiary operations (refer note 37).

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

#### **(y) EARNINGS PER SHARE**

Earnings per share is determined by dividing the Qantas Group's net profit attributable to members of the Company by the weighted average number of shares on issue during the current financial year (refer note 38).

## *Notes to the* **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### **(z) STATEMENTS OF CASH FLOWS**

For the purposes of the Statements of Cash Flows, cash includes cash on hand, at bank and money market investments readily convertible to cash, net of outstanding bank overdrafts and short-term cash borrowings (refer note 40).

### **(a a) BORROWING COSTS**

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their 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 7.8 per cent per annum in the current year. During the year, borrowing costs totalling \$13.0 million (2000: \$11.1 million) were capitalised into the cost of qualifying assets.

### **(a b) DEFERRED EXPENDITURE**

Material items of expenditure are deferred to the extent that management consider it is probable that future economic benefits embodied in the expenditure will eventuate and can be measured reliably, do not relate solely to revenue that has already been brought to account and will contribute to the future earning capacity of the entity. The amount of expenditure deferred in the Qantas Group Statement of Financial Position at 30 June 2001 is \$12.3 million (2000: \$7.2 million).



	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>				
<b>REVENUE</b>				
<b>REVENUE FROM OPERATING ACTIVITIES</b>				
Sales and operating revenue				
Related parties				
– controlled entities	–	–	65.3	72.0
– associated companies	77.1	112.1	72.7	104.4
– other related parties	26.8	39.0	12.1	16.7
Other parties	10,023.4	8,921.0	8,666.9	7,725.3
Dividend revenue				
Related parties				
– controlled entities	–	–	684.4	34.7
– associated companies	60.9	32.4	23.3	14.4
Other parties	–	2.3	–	0.6
<b>Sales and operating revenue (refer note 37)</b>	<b>10,188.2</b>	<b>9,106.8</b>	<b>9,524.7</b>	<b>7,968.1</b>
<b>REVENUE FROM OUTSIDE OPERATING ACTIVITIES</b>				
Interest revenue				
Related parties				
– controlled entities	–	–	2.6	6.0
Other parties	69.0	88.5	53.9	73.9
Proceeds from sale of property, plant and equipment	16.4	10.3	11.5	5.8
Proceeds from sale of investments	–	60.4	–	54.8
Proceeds from sale and leaseback transactions	147.5	819.0	147.5	819.0
<b>Total revenue</b>	<b>10,421.1</b>	<b>10,085.0</b>	<b>9,740.2</b>	<b>8,927.6</b>

### 3. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

(a) Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:

Interest costs				
Related parties				
– controlled entities	–	–	23.4	19.4
Other parties				
– finance charges on capitalised leases	85.0	103.4	75.8	92.0
– interest received on portion of debt funded to the lessor	–	(1.7)	–	–
	85.0	101.7	99.2	111.4
Other interest costs paid/payable	82.7	98.0	82.7	89.2
<b>Borrowing costs</b>	<b>167.7</b>	<b>199.7</b>	<b>181.9</b>	<b>200.6</b>

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>3. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (continued)</b>				
Depreciation				
Buildings	6.6	6.5	3.2	3.6
Plant and equipment	132.6	96.8	85.8	55.0
Aircraft and engines	206.3	175.4	184.3	154.3
Aircraft spare parts	92.5	62.0	91.0	60.5
Amortisation				
Leasehold improvements	46.5	59.0	17.7	27.1
Leasehold buildings	1.6	1.5	0.9	0.9
Leased plant and equipment	0.3	0.6	–	–
Leased aircraft and engines	217.1	225.7	180.8	175.5
Leased aircraft spare parts	0.2	1.6	–	–
Goodwill	3.0	1.7	–	–
Expenditure carried forward	–	1.0	–	–
Net foreign currency gain	(75.3)	(6.9)	(68.5)	(7.5)
Profit on sale of aircraft, engines and spares	(2.8)	(0.8)	(2.7)	(0.6)
Profit on sale of property, plant and equipment	(44.3)	(4.3)	(37.9)	(0.5)
Profit on sale of investments	–	(60.2)	–	(54.7)
Amounts set aside to provisions				
Doubtful debts	14.8	1.7	14.5	2.4
Allowance for inventory obsolescence	–	4.3	–	4.3
Employee entitlements	69.7	43.6	58.2	37.6
Staff redundancy costs	35.7	3.7	35.7	3.7
Insurance	26.1	23.0	25.4	22.6
Operating lease charges				
Non-cancellable operating leases	181.8	127.9	132.5	120.8
Cancellable operating leases	124.7	107.4	124.2	108.4
Capacity hire – aircraft	220.2	222.4	137.9	166.5

**(b) Individually significant items included in profit  
from ordinary activities before income tax  
expense (benefit/(expense)):**

Change in accounting policy for software development costs	46.0	–	46.0	–
Profit on sale of Mascot Head Office land and buildings*	41.2	–	38.9	–
Revenue relating to assets sold by an associated company	43.3	–	43.3	–
Provision for redundancy costs**	(35.0)	–	(35.0)	–
Profit on sale of investment in EQUANT NV***	–	57.8	–	54.7

\* Included in profit on sale of property, plant and equipment in note 3(a) above.

\*\* Included in amounts set aside to provisions for staff redundancy costs in note 3(a) above.

\*\*\* Included in profit on sale of investments in note 3(a) above.

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M

#### 4. INCOME TAX

The prima facie income tax on profit from ordinary activities differs from the income tax charged in the Statements of Financial Performance and is calculated as follows:

Profit from ordinary activities	597.1	762.8	1,019.3	509.0
Prima facie income tax expense at 34% (2000: 36%)	203.1	274.6	346.6	183.2
(Less)/add adjustments for:				
Non-assessable income				
Deferred lease benefits	(0.1)	(0.7)	(0.1)	(0.7)
Rebatable/exempt dividend income	(22.9)	(11.7)	(240.0)	(17.3)
Other non-assessable income	(12.2)	(0.1)	(15.4)	(0.1)
Non-deductible expenditure				
Depreciation on buildings	1.3	1.0	0.9	1.1
Amortisation of lease residual values	15.5	22.5	15.5	22.5
Other non-deductible items	15.7	3.5	19.8	6.5
Other (deductible)/assessable items	(4.4)	(2.8)	31.2	(3.6)
Under/(over) provision in prior years	1.4	3.6	49.2	5.3
	197.4	289.9	207.7	196.9
Individually significant income tax item				
Restatement of deferred tax balances due to change in company tax rate	(20.0)	(45.0)	(17.4)	(26.8)
<b>Income tax expense</b>	<b>177.4</b>	<b>244.9</b>	<b>190.3</b>	<b>170.1</b>
Comprising:				
Australian income tax expense	172.1	236.8	187.7	163.1
Overseas income tax expense	5.3	8.1	2.6	7.0
	177.4	244.9	190.3	170.1

The income tax expense represents:

Provision for income tax				
Australia	124.1	231.0	36.1	111.5
Overseas	5.3	5.0	3.7	5.0
Group tax loss transfers	(3.2)	(18.7)	(10.9)	(0.1)
Provision for deferred income tax	(22.5)	(24.2)	61.8	28.9
Future income tax benefit	72.3	48.2	50.4	19.5
Under/(over) provision in prior years	1.4	3.6	49.2	5.3
	177.4	244.9	190.3	170.1

The provision for deferred income tax is reduced by future income tax benefits attributable to tax losses to the amount of:

	0.1	0.6	–	–
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Future income tax benefit and provision for deferred income tax comprises the estimated future benefit/expense at the applicable rate of 30% (2000: 30%).

The future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefits to be realised or the benefit can be utilised by another entity in the Qantas Group in accordance with Division 170 of the *Income Tax Assessment Act 1997*; and
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the ability of the Qantas Group to realise the benefit.

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

### QANTAS

2001

2000

#### 5. DIRECTORS' REMUNERATION

The Board of Directors determines the overall remuneration policy and packages applicable to Board members and senior executives of the Qantas Group. Remuneration levels for Executive Directors are determined with reference to external professional advice taking into account market levels of remuneration.

Directors' remuneration includes fees or salaries (as appropriate), superannuation contributions, performance bonuses (refer note 6), other benefits, and retirement and resignation payments.

Non-cash benefits include car parking, and travel and accommodation discounts obtained from time to time by Directors, some of which are through agreements entered into by the Qantas Group. Certain travel benefits are available on similar terms and conditions as those offered to other senior executives and employees of the Qantas Group. The amount of non-cash benefits has been determined on a "cost to the company" basis.

The number of Directors of Qantas whose remuneration from Qantas or any related party falls within the following bands:

\$	\$		
0 – 9,999		2	–
10,000 – 19,999		–	1
30,000 – 39,999		1	1
40,000 – 49,999		1	–
50,000 – 59,999		2	1
60,000 – 69,999		–	4
70,000 – 79,999		–	2
80,000 – 89,999		–	1
90,000 – 99,999		1	–
100,000 – 109,999		2	–
110,000 – 119,999		1	–
120,000 – 129,999		1	–
130,000 – 139,999		1	–
160,000 – 169,999		1	–
260,000 – 269,999		–	1
290,000 – 299,999		1	–
530,000 – 539,999		1	–
600,000 – 609,999		1	–
1,160,000 – 1,169,999		1	–
1,300,000 – 1,309,999		–	1
1,470,000 – 1,479,999		1	–
2,090,000 – 2,099,999		–	1

	QANTAS GROUP		QANTAS	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>5. DIRECTORS' REMUNERATION (continued)</b>				
Total remuneration paid, payable or otherwise made available to Directors of Qantas from Qantas or related parties (includes Directors' fees of \$0.867 million (2000: \$0.726 million))			5,111	4,278
Total remuneration paid, payable or otherwise made available to Directors of each entity in the Qantas Group from Qantas or any related party (includes Directors' fees of \$0.867 million (2000: \$0.726 million))	7,347	7,033		

## 6. EXECUTIVES' REMUNERATION

### REMUNERATION

Remuneration levels for executives are determined with reference to external professional advice and takes into account market levels of remuneration. Executives' remuneration includes salaries, superannuation contributions, performance bonuses, other benefits, and retirement and resignation payments.

Non-cash benefits include car parking, and travel and accommodation discounts obtained from time to time by executives, some of which are through agreements entered into by the Qantas Group. Travel benefits are available on similar terms and conditions as those offered to other senior executives and employees of the Qantas Group. The amount of non-cash benefits has been determined on a "cost to the company" basis.

### PERFORMANCE-BASED INCENTIVE SCHEMES

#### SHORT-TERM INCENTIVES

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

#### LONG-TERM INCENTIVES

Executive Directors and certain senior executives participate in a Long-Term Incentive Plan introduced in the 1996/97 financial year, which provides for a bonus payable at the earlier of the expiry of the relevant senior executive's service contract or after five years, based on the financial performance of the Qantas Group. Performance is determined on a range of criteria including the Qantas Total Shareholder Return (TSR) ranking amongst the top 100 listed Australian companies and also against the TSRs of a predetermined basket of international airlines. The incentives which vest under this Plan are not included in remuneration until they become payable.

Entitlements over unissued ordinary shares in Qantas are also issued to Executive Directors and other senior executives under the Qantas Long-Term Executive Incentive Plan introduced in the 1999/2000 financial year.

In addition, the service contracts of certain Executive Directors and senior executives provides for the payment of a bonus on the completion of five years service. This bonus is payable when the executive ceases employment with the Qantas Group and is included in remuneration at that time.

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

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

### 6. EXECUTIVES' REMUNERATION (continued)

#### DEFINITION OF EXECUTIVE

Approximately 3,000 (2000: 3,300) employees of the Qantas Group received more than \$100,000 in total remuneration during the financial year. A significant proportion of these employees were pilots (including executive and training pilots), first officers and flight engineers. However, also included were a number of licensed aircraft maintenance engineers and other award employees from areas such as Information Systems, Customer Services, Airports, and Commercial Operations.

Only those employees who received more than \$100,000 in remuneration, met the definition of an executive officer under the Corporations Act 2001 and worked mainly in Australia, are included in the following disclosures. Although these disclosures are in accordance with the Corporations Act 2001, the comparability of the disclosures between years is impacted by the appointment of certain executives part way through each year, changes in organisational structure and inclusion of retirement and resignation payments where applicable.

	QANTAS GROUP		QANTAS	
	2001	2000	2001	2000
The number of executives of Qantas and of controlled entities whose remuneration from Qantas or related parties within the Qantas Group falls within the following bands:				
\$ \$				
120,000 – 129,999	1	–	1	–
130,000 – 139,999	1	–	1	–
140,000 – 149,999	3	1	3	1
150,000 – 159,999	1	1	1	1
160,000 – 169,999	6	–	4	–
170,000 – 179,999	9	4	7	2
180,000 – 189,999	5	8	5	6
190,000 – 199,999	11	8	10	8
200,000 – 209,999	13	3	12	3
210,000 – 219,999	8	8	7	8
220,000 – 229,999	5	7	5	5
230,000 – 239,999	9	6	8	5
240,000 – 249,999	4	3	3	2
250,000 – 259,999	3	5	3	5
260,000 – 269,999	–	4	–	4
270,000 – 279,999	3	2	2	2
280,000 – 289,999	2	1	2	–
290,000 – 299,999	2	3	2	3
300,000 – 309,999	1	4	1	4
310,000 – 319,999	–	1	–	1
320,000 – 329,999	–	1	–	1
330,000 – 339,999	2	–	2	–
340,000 – 349,999	2	–	2	–
350,000 – 359,999	1	1	1	1
360,000 – 369,999	–	2	–	2
370,000 – 379,999	–	2	–	2
380,000 – 389,999	7	–	7	–
390,000 – 399,999	3	–	3	–
400,000 – 409,999	4	5	4	5
410,000 – 419,999	1	3	1	2
420,000 – 429,999	–	2	–	2



	QANTAS GROUP		QANTAS	
	2001	2000	2001	2000

## 6. EXECUTIVES' REMUNERATION (continued)

\$	\$				
430,000 – 439,999	2	–	2	–	
440,000 – 449,999	–	1	–	1	
450,000 – 459,999	2	2	2	2	
460,000 – 469,999	1	–	1	–	
470,000 – 479,999	–	2	–	2	
480,000 – 489,999	–	3	–	3	
490,000 – 499,999	–	–	–	–	
510,000 – 519,999	–	3	–	3	
520,000 – 529,999	–	1	–	1	
530,000 – 539,999	2	–	2	–	
540,000 – 549,999	–	1	–	1	
560,000 – 569,999	–	1	–	1	
580,000 – 589,999	–	1	–	1	
590,000 – 599,999	–	1	–	1	
600,000 – 609,999	1	–	1	–	
630,000 – 639,999	1	–	1	–	
640,000 – 649,999	1	–	1	–	
840,000 – 849,999	–	1	–	1	
1,160,000 – 1,169,999	1	–	1	–	
1,300,000 – 1,309,999	–	1	–	1	
1,310,000 – 1,319,999	–	1	–	1	
1,470,000 – 1,479,999	1	–	1	–	
2,090,000 – 2,099,999	–	1	–	1	
<b>Total Executives</b>	<b>119</b>	<b>105</b>	<b>109</b>	<b>95</b>	

	QANTAS GROUP		QANTAS	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000

Total remuneration received, or due and receivable, from Qantas, entities in the Qantas Group or related parties by executives whose income exceeds \$100,000

33,618	35,724	31,560	33,372
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## 7. AUDITORS' REMUNERATION

Audit services related to the half year and full financial reports	1,065	1,010	813	721
Other services performed by KPMG including due diligence, taxation and accounting advice:				
Auditors of company – KPMG	2,938	2,355	2,863	2,262
KPMG – related practices	578	44	578	44

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>8. CASH</b>				
<b>CURRENT</b>				
Cash on hand	4.7	3.4	4.7	3.4
Cash at bank	82.1	19.7	53.1	7.9
Cash at call	58.7	95.1	58.7	95.1
	145.5	118.2	116.5	106.4
<b>9. RECEIVABLES</b>				
<b>CURRENT</b>				
Trade debtors	1,094.6	1,028.6	1,040.0	989.6
Less: provision for doubtful debts	31.1	18.6	29.0	16.7
	1,063.5	1,010.0	1,011.0	972.9
Trade debtors				
Related parties				
– controlled entities	–	–	79.9	56.9
– associated companies	16.5	24.1	16.4	23.6
– other related parties	73.4	77.9	73.2	77.7
	89.9	102.0	169.5	158.2
Loans owing from				
Related parties				
– controlled entities	–	–	276.1	310.0
– associated companies	0.2	–	–	–
Other parties	15.0	–	15.0	–
Short-term money market securities and term deposits	113.7	570.6	113.7	570.6
Aircraft security deposits	138.2	21.4	135.5	20.6
Sundry debtors				
Related parties				
– controlled entities	–	–	0.5	0.4
Other parties	75.7	38.5	66.6	35.7
	1,496.2	1,742.5	1,787.9	2,068.4
<b>NON-CURRENT</b>				
Loans owing from				
Related parties				
– controlled entities	–	–	207.7	253.2
– associated companies	67.0	–	–	–
Other parties	20.0	21.0	–	–
Bills of exchange	4.3	4.3	4.3	4.3
Aircraft security deposits	399.4	541.2	367.8	508.4
Sundry debtors				
Other parties	79.2	36.5	70.6	27.9
	569.9	603.0	650.4	793.8

Non-current bills of exchange and current and non-current aircraft security deposits have been pledged as security to providers of aircraft finance.

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>10. INVENTORIES</b>				
<b>CURRENT</b>				
At cost				
Engineering expendables	251.3	189.9	236.6	182.7
Consumable stores	45.3	35.6	42.2	33.2
Work in progress	33.8	38.5	25.6	38.5
	330.4	264.0	304.4	254.4
At realisable value				
Aircraft spare parts held for sale	2.5	3.9	2.5	3.9
	332.9	267.9	306.9	258.3
<b>11. INVESTMENTS</b>				
<b>NON-CURRENT</b>				
Unlisted investments				
Controlled entities (refer note 30)	–	–	331.7	331.8
Associated companies at cost (refer note 32)	42.4	33.1	31.0	30.6
Other corporations at cost	14.0	9.9	10.1	5.8
	56.4	43.0	372.8	368.2
<b>12. OTHER ASSETS</b>				
<b>CURRENT</b>				
Advances, prepayments and other deposits	81.6	84.8	21.6	25.7
Other	61.1	23.5	58.4	20.5
	142.7	108.3	80.0	46.2
<b>NON-CURRENT</b>				
Expenditure carried forward	12.3	7.2	10.9	4.9
Other	4.1	10.7	2.3	3.4
	16.4	17.9	13.2	8.3

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>NON-CURRENT</b>				
<b>FREEHOLD LAND – OWNED</b>				
At cost	58.2	4.8	47.4	–
At Directors' valuation 1992	–	57.3	–	57.3
At Directors' valuation 1993	–	1.7	–	1.7
	58.2	63.8	47.4	59.0
<b>BUILDINGS – OWNED</b>				
At cost	99.4	129.6	69.0	24.4
At Directors' valuation 1992	–	44.6	–	44.6
At Directors' valuation 1996	–	9.7	–	–
	99.4	183.9	69.0	69.0
Less: accumulated depreciation				
At cost	43.8	29.4	37.3	13.8
Directors' valuation 1992	–	20.7	–	20.7
Directors' valuation 1996	–	1.6	–	–
	43.8	51.7	37.3	34.5
	55.6	132.2	31.7	34.5
<b>BUILDINGS – LEASED</b>				
At cost	51.3	51.3	29.0	29.0
Less: accumulated amortisation	31.6	30.0	15.2	14.3
	19.7	21.3	13.8	14.7
Total buildings at cost and valuation	150.7	235.2	98.0	98.0
Less: accumulated depreciation/amortisation	75.4	81.7	52.5	48.8
	75.3	153.5	45.5	49.2
<b>LEASEHOLD IMPROVEMENTS</b>				
At cost	1,110.4	1,071.2	526.3	493.5
Less: accumulated amortisation	572.0	525.0	279.1	262.7
	538.4	546.2	247.2	230.8
<b>PLANT AND EQUIPMENT – OWNED</b>				
At cost	1,229.9	1,092.2	793.3	675.6
Less: accumulated depreciation	766.3	703.9	456.5	412.4
	463.6	388.3	336.8	263.2
<b>PLANT AND EQUIPMENT – LEASED</b>				
At cost	5.2	5.2	–	–
Less: accumulated amortisation	3.2	2.9	–	–
	2.0	2.3	–	–
Total plant and equipment at cost	1,235.1	1,097.4	793.3	675.6
Less: accumulated depreciation/amortisation	769.5	706.8	456.5	412.4
	465.6	390.6	336.8	263.2

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>(continued)</b>				
<b>AIRCRAFT AND ENGINES – OWNED</b>				
At cost	3,451.2	2,593.2	2,982.0	2,147.6
Less: accumulated depreciation	1,541.0	999.4	1,390.8	867.5
	1,910.2	1,593.8	1,591.2	1,280.1
<b>AIRCRAFT AND ENGINES – HIRE PURCHASED</b>				
At cost	3,700.7	3,980.8	3,501.8	3,838.1
Less: accumulated amortisation	952.5	939.8	880.1	897.0
	2,748.2	3,041.0	2,621.7	2,941.1
<b>AIRCRAFT AND ENGINES – LEASED</b>				
At cost	1,173.7	1,541.7	799.0	737.0
Directors' valuation 1998	–	11.6	–	11.6
	1,173.7	1,553.3	799.0	748.6
Less: accumulated amortisation				
At cost	408.0	529.2	254.9	197.9
Directors' valuation 1998	–	6.4	–	6.4
	408.0	535.6	254.9	204.3
	765.7	1,017.7	544.1	544.3
Total aircraft and engines at cost and valuation	8,325.6	8,127.3	7,282.8	6,734.3
Less: accumulated depreciation/amortisation	2,901.5	2,474.8	2,525.8	1,968.8
	5,424.1	5,652.5	4,757.0	4,765.5
<b>AIRCRAFT SPARE PARTS – OWNED</b>				
At cost	538.4	472.9	517.8	455.3
Less: accumulated depreciation	269.6	238.9	260.5	230.4
	268.8	234.0	257.3	224.9
<b>AIRCRAFT SPARE PARTS – LEASED</b>				
At cost	3.8	3.8	–	–
Less: accumulated amortisation	2.2	2.0	–	–
	1.6	1.8	–	–
Total aircraft spare parts at cost	542.2	476.7	517.8	455.3
Less: accumulated depreciation/amortisation	271.8	240.9	260.5	230.4
	270.4	235.8	257.3	224.9
<b>MANUFACTURERS' DEPOSITS</b>				
Progress payments at cost	492.4	66.3	492.3	66.1
Total property, plant and equipment at cost and valuation	11,914.6	11,137.9	9,757.9	8,581.8
Less: accumulated depreciation/amortisation	4,590.2	4,029.2	3,574.4	2,923.1
	7,324.4	7,108.7	6,183.5	5,658.7

Under AASB 1041 the Qantas Group has adopted the cost basis for all non-current assets and has deemed the cost to be equal to the carrying value of those assets as at 1 July 2000. As a consequence of making this election, previous Directors' valuations are no longer applicable.

Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

QANTAS GROUP	OPENING WRITTEN DOWN VALUE	ADDITIONS	DISPOSALS	TRANSFERS	DEPRECIATION	OTHER*	CLOSING WRITTEN DOWN VALUE
	2000 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>							
<b>(continued)</b>							
<b>RECONCILIATIONS</b>							
Freehold Land – Owned	63.8	–	(11.9)	–	–	6.3	58.2
Buildings – Owned	132.2	–	(98.3)	(2.1)	(6.6)	30.4	55.6
Buildings – Leased	21.3	–	–	–	(1.6)	–	19.7
<b>Total Buildings</b>	<b>153.5</b>	<b>–</b>	<b>(98.3)</b>	<b>(2.1)</b>	<b>(8.2)</b>	<b>30.4</b>	<b>75.3</b>
Leasehold Improvements	546.2	46.0	(0.2)	9.9	(46.5)	(17.0)	538.4
Plant & Equipment – Owned	388.3	152.2	(10.3)	31.4	(132.6)	34.6	463.6
Plant & Equipment – Leased	2.3	1.1	–	(0.7)	(0.3)	(0.4)	2.0
<b>Total Plant &amp; Equipment</b>	<b>390.6</b>	<b>153.3</b>	<b>(10.3)</b>	<b>30.7</b>	<b>(132.9)</b>	<b>34.2</b>	<b>465.6</b>
Aircraft & Engines – Owned	1,593.8	205.0	(8.5)	327.6	(206.3)	(1.4)	1,910.2
Aircraft & Engines – Hire Purchased	3,041.0	–	–	(141.9)	(149.6)	(1.3)	2,748.2
Aircraft & Engines – Leased	1,017.7	–	–	(183.2)	(67.5)	(1.3)	765.7
<b>Total Aircraft &amp; Engines</b>	<b>5,652.5</b>	<b>205.0</b>	<b>(8.5)</b>	<b>2.5</b>	<b>(423.4)</b>	<b>(4.0)</b>	<b>5,424.1</b>
Aircraft Spare Parts – Owned	234.0	165.1	(0.1)	(41.0)	(92.5)	3.3	268.8
Aircraft Spare Parts – Leased	1.8	–	–	–	(0.2)	–	1.6
<b>Total Aircraft Spare Parts</b>	<b>235.8</b>	<b>165.1</b>	<b>(0.1)</b>	<b>(41.0)</b>	<b>(92.7)</b>	<b>3.3</b>	<b>270.4</b>
Manufacturers' Deposit	66.3	426.1	–	–	–	–	492.4
<b>Total Property, Plant and Equipment</b>	<b>7,108.7</b>	<b>995.5</b>	<b>(129.3)</b>	<b>–</b>	<b>(703.7)</b>	<b>53.2</b>	<b>7,324.4</b>

\*Other includes assets acquired as part of the acquisition of Caterair Airport Services Pty Limited and Caterair Airport Services (Sydney) Pty Limited and the capitalisation of prior year software costs relating to the change in accounting policy detailed in note 1(c).



QANTAS	OPENING WRITTEN DOWN VALUE	ADDITIONS	DISPOSALS	TRANSFERS	DEPRECIATION	OTHER*	CLOSING WRITTEN DOWN VALUE
	2000 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>							
<b>(continued)</b>							
<b>RECONCILIATIONS</b>							
Freehold Land - Owned	59.0	-	(11.6)	-	-	-	47.4
Buildings – Owned	34.5	-	(76.1)	76.5	(3.2)	-	31.7
Buildings – Leased	14.7	-	-	-	(0.9)	-	13.8
<b>Total Buildings</b>	<b>49.2</b>	<b>-</b>	<b>(76.1)</b>	<b>76.5</b>	<b>(4.1)</b>	<b>-</b>	<b>45.5</b>
<b>Leasehold Improvements</b>	<b>230.8</b>	<b>25.4</b>	<b>(0.5)</b>	<b>9.0</b>	<b>(17.7)</b>	<b>0.2</b>	<b>247.2</b>
Plant & Equipment – Owned	263.2	115.3	(7.5)	31.4	(85.8)	20.2	336.8
<b>Total Plant &amp; Equipment</b>	<b>263.2</b>	<b>115.3</b>	<b>(7.5)</b>	<b>31.4</b>	<b>(85.8)</b>	<b>20.2</b>	<b>336.8</b>
Aircraft & Engines – Owned	1,280.1	260.6	-	234.7	(184.3)	0.1	1,591.2
Aircraft & Engines – Hire Purchased	2,941.1	-	-	(177.1)	(142.2)	(0.1)	2,621.7
Aircraft & Engines – Leased	544.3	-	-	40.6	(38.6)	(2.2)	544.1
<b>Total Aircraft &amp; Engines</b>	<b>4,765.5</b>	<b>260.6</b>	<b>-</b>	<b>98.2</b>	<b>(365.1)</b>	<b>(2.2)</b>	<b>4,757.0</b>
Aircraft Spare Parts – Owned	224.9	161.6	-	(40.9)	(91.0)	2.7	257.3
<b>Total Aircraft Spare Parts</b>	<b>224.9</b>	<b>161.6</b>	<b>-</b>	<b>(40.9)</b>	<b>(91.0)</b>	<b>2.7</b>	<b>257.3</b>
Manufacturers' Deposit	66.1	426.2	-	-	-	-	492.3
<b>Total Property, Plant and Equipment</b>	<b>5,658.7</b>	<b>989.1</b>	<b>(95.7)</b>	<b>174.2</b>	<b>(563.7)</b>	<b>20.9</b>	<b>6,183.5</b>

\*Other includes the capitalisation of prior year software costs relating to the change in accounting policy detailed in note 1(c).

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### PROPERTIES

##### RECENT VALUATIONS

Freehold land and buildings based on independent valuations undertaken within three years of balance date

	162.4	254.9	127.0	140.4
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##### RECENT VALUATIONS

Independent valuations of property and aircraft assets (excluding aircraft spare parts) were obtained as at 30 June 2001.

The 2001 independent valuation of land, buildings and leasehold improvements was carried out by Mr Russell Cowell FVLE AREI, of Knight Frank Valuations (NSW) Pty Limited. The 2001 independent valuation of aircraft and spare engines was carried out by Mr John Vitale ISTAT Certified Appraiser, of AVITAS Inc.

The valuations for each asset class were in excess of their carrying amounts. However, no additional increments have been brought to account. Details of the valuations obtained for the Qantas Group were:

ASSET CLASS	2001			2000		
	Valuation Amount \$M	Carrying Amount \$M	Excess \$M	Valuation Amount \$M	Carrying Amount \$M	Excess \$M
Freehold land and buildings	162.4	113.8	48.6	254.9	196.0	58.9
Leasehold buildings and improvements	697.9	558.1	139.8	689.6	567.5	122.1
Aircraft and engines	7,134.3	5,424.1	1,710.2	6,753.8	5,652.5	1,101.3
	7,994.6	6,096.0	1,898.6	7,698.3	6,416.0	1,282.3

All valuations were performed primarily on a desktop "sight unseen" basis. The valuations of aircraft and engines were expressed in United States dollars and converted to their Australian dollar equivalents based on an exchange rate of 0.52352 as at 30 June 2001 (2000: 0.60369). The valuations of aircraft and engines were performed using the underlying economic value in an open, unrestricted, stable market. The property valuations were performed using the open market value or special use value to the Qantas Group, taking into account the age and condition of the assets.

The Directors' valuations in 1992, 1993, 1996 and 1998 were carried out as at 30 June of the respective year and were on the basis of the opening market values for existing use.

#### 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 (refer note 16).

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>14. INTANGIBLES</b>				
<b>NON-CURRENT</b>				
Goodwill at cost	28.8	36.8	–	–
Less: accumulated amortisation	7.3	11.8	–	–
	21.5	25.0	–	–

#### 15. ACCOUNTS PAYABLE

##### CURRENT

Trade creditors				
Related parties				
– controlled entities	–	–	80.1	97.1
– associated companies	12.5	10.5	12.5	10.4
– other related parties	97.7	124.5	97.7	124.3
Other parties	1,591.2	1,463.5	1,480.4	1,343.5
	1,701.4	1,598.5	1,670.7	1,575.3
Sundry creditors and accruals				
Related parties				
– controlled entities	–	–	6.4	1.7
Other parties	197.8	159.6	114.5	102.9
Unredeemed frequent flyer liability	149.9	111.1	149.9	111.1
	2,049.1	1,869.2	1,941.5	1,791.0

Redeemed frequent flyer Revenue Passenger Kilometres as a percentage of Available Seat Kilometres was 4.4 per cent for the financial year (2000: 3.6 per cent).

#### 16. INTEREST BEARING LIABILITIES

##### CURRENT

Bank loans				
– unsecured	367.6	100.7	367.6	100.7
Other loans				
Related parties – unsecured				
– controlled entities	–	–	193.1	459.5
– associated companies	18.7	–	18.7	–
Other parties				
– secured	6.0	2.5	–	–
– unsecured	19.5	329.8	19.5	329.8
Lease residual values	336.5	49.3	336.5	49.3
Finance lease and hire purchase liabilities (refer note 25)	226.4	100.1	199.5	80.8
	974.7	582.4	1,134.9	1,020.1

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>16. INTEREST BEARING LIABILITIES</b>				
<b>(continued)</b>				
<b>NON-CURRENT</b>				
Bank loans				
– unsecured	–	67.6	–	67.6
Other loans				
Related parties – unsecured				
– controlled entities	–	–	166.1	255.8
Other parties				
– secured	1.2	4.2	–	–
– unsecured	1,222.8	869.7	1,222.8	869.7
Lease residual values	16.3	284.4	16.3	284.4
Finance lease and hire purchase liabilities (refer note 25)	1,115.3	1,304.9	930.2	1,096.2
	2,355.6	2,530.8	2,335.4	2,573.7
Certain current and non-current loans relate to specific financings of aircraft and are secured by the aircraft to which they relate.				
<b>17. PROVISIONS</b>				
<b>CURRENT</b>				
Dividends (refer note 36)	118.9	581.3	117.8	581.3
Employee entitlements (refer note 35)				
– annual leave	297.4	271.0	260.3	240.8
– long service leave	29.6	31.7	23.8	28.8
Staff redundancy costs (refer note 35)	28.9	17.6	25.1	13.6
Under recovery of rentals on sub-let premises	10.5	4.3	4.3	4.3
Insurance and other	27.5	20.8	22.1	19.5
	512.8	926.7	453.4	888.3
<b>NON-CURRENT</b>				
Employee entitlements (refer note 35)				
– long service leave	290.2	272.7	261.5	248.1
Under recovery of rentals on sub-let premises	26.4	30.2	26.4	30.2
Insurance	43.8	38.5	36.8	31.0
	360.4	341.4	324.7	309.3
<b>18. CURRENT TAX LIABILITIES</b>				
Income tax				
– Australia	(13.2)	112.2	(47.3)	30.4
– overseas	4.4	7.7	1.6	5.8
	(8.8)	119.9	(45.7)	36.2
<b>19. OTHER LIABILITIES</b>				
<b>NON-CURRENT</b>				
Systems development put contract liability	–	37.1	–	37.1
Other	14.0	15.0	13.7	15.0
	14.0	52.1	13.7	52.1

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M

## 20. CONTRIBUTED EQUITY

Issued and paid up capital

1,308,612,512 (2000: 1,211,059,282) ordinary shares, fully paid

2,173.0	1,882.0	2,173.0	1,882.0
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Movements in the share capital of Qantas during the financial year were as follows:

Date	Details	NUMBER OF SHARES	
		M	\$M
30 June 2000	Opening balance	1,211.1	1,882.0
3 November 2000	Qantas Profitshare Scheme issue	6.9	–
13 December 2000	Dividend Reinvestment Plan	68.7	225.2
4 April 2001	Dividend Reinvestment Plan	21.9	65.8
30 June 2001	Closing balance	1,308.6	2,173.0

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 winding up of the Company ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

### QANTAS PROFITSHARE SCHEME

The Qantas Profitshare Scheme is open to all eligible employees of Qantas and its wholly-owned controlled entities. On 3 November 2000, \$1,000 worth (subject to rounding) of fully paid bonus shares were issued to 26,598 employees, resulting in 259 shares being granted to each participating employee.

### QANTAS LONG-TERM EXECUTIVE INCENTIVE PLAN

Executive Directors and certain other senior executives also participate in the Qantas Long-Term Executive Incentive Plan. The Plan provides executives with entitlements to be issued shares in Qantas. These entitlements may vest and be convertible to shares between three and five years following award date, conditional on the executive remaining a Qantas employee and on the achievement of specific performance hurdles set by the Board. These hurdles are set by reference to the percentile performance of Qantas (based upon average relative total shareholder return) within a modified S&P ASX 200 Index and within an international airline "peer group". To the extent that any entitlements vest, they may be converted into shares within eight years of award in proportion to the gain in share price from the date the entitlements are awarded to the date they are converted to shares. No entitlements have vested or expired as yet under this plan, nor have any shares been issued. Entitlements not converted to shares within eight years of award will expire. Total entitlements outstanding as at 30 June 2001 under the Plan are as follows:

Expiry Date	EXERCISE PRICE <sup>1</sup> \$	NUMBER OF ENTITLEMENTS <sup>2</sup>	
		2001	2000
17 November 2007	4.99	8,115,500	9,965,000
24 November 2008	3.44	35,250,000	–
24 November 2008	3.62	760,000	–
Total entitlements outstanding		44,125,500	9,965,000

1 The market price of Qantas shares at 30 June 2001 was \$3.50 (30 June 2000: \$3.38).

2 These entitlements do not allow the holder to participate in any share issue of Qantas or the Qantas Group.

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>21. RESERVES</b>				
Asset revaluation reserve	52.6	52.6	82.9	82.9
Foreign currency translation reserve	1.7	1.4	–	–
	54.3	54.0	82.9	82.9

### MOVEMENTS IN RESERVES

#### ASSET REVALUATION RESERVE

Balance at beginning of the financial year	52.6	52.6	82.9	82.9
<b>Balance at the end of the financial year</b>	<b>52.6</b>	<b>52.6</b>	<b>82.9</b>	<b>82.9</b>

#### FOREIGN CURRENCY TRANSLATION RESERVE

Balance at the beginning of the financial year	1.4	0.2	–	–
Add: Net translation adjustments on consolidation of controlled foreign entities	0.3	1.2	–	–
<b>Balance at the end of the financial year</b>	<b>1.7</b>	<b>1.4</b>	<b>–</b>	<b>–</b>

### NATURE AND PURPOSE OF RESERVE

#### ASSET REVALUATION

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in prior financial years. An amount of \$52.6 million (Qantas: \$52.6 million) is not available for future asset write-downs as a result of using the deemed cost election for land when adopting AASB 1041.

#### FOREIGN CURRENCY RESERVE

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. Refer to accounting policy note 1(e).

### 22. RETAINED PROFITS

Retained profits at the beginning of the year	926.8	1,124.1	162.8	538.5
Net profit attributable to members of the Company	415.4	517.3	829.0	338.9
Dividends*	(264.2)	(714.6)	(261.9)	(714.6)
<b>Retained profits at the end of the year</b>	<b>1,078.0</b>	<b>926.8</b>	<b>729.9</b>	<b>162.8</b>

\*Includes dividends paid to Outside Equity Interests and on shares issued to employees as part of the Qantas Profitshare Scheme.

### 23. TOTAL EQUITY RECONCILIATION

Total equity at the beginning of the year	2,864.4	3,059.9	2,127.7	2,503.4
Total changes in equity recognised in				
Statements of Financial Performance	415.7	518.5	829.0	338.9
Contribution of equity	291.0	–	291.0	–
Dividends	(264.2)	(714.6)	(261.9)	(714.6)
Total changes in outside equity interest	9.0	0.6	–	–
<b>Total equity at end of year</b>	<b>3,315.9</b>	<b>2,864.4</b>	<b>2,985.8</b>	<b>2,127.7</b>



	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>24. OUTSIDE EQUITY INTERESTS</b>				
Ordinary share capital of controlled entities issued to outside equity interests	0.5	0.2	–	–
Outside equity interests in retained profits of controlled entities	10.1	1.4	–	–
	10.6	1.6	–	–
<b>25. FINANCE LEASE COMMITMENTS</b>				
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	1,333.0	1,396.5	1,123.9	1,168.6
Buildings	7.3	8.4	5.8	8.4
Computer and communications equipment	1.4	0.1	–	–
	1,341.7	1,405.0	1,129.7	1,177.0
Payable				
Not later than one year	366.0	210.1	278.7	175.0
Later than one year but not later than five years	1,071.2	1,131.0	723.2	946.7
Later than five years	416.7	488.2	380.2	409.3
	1,853.9	1,829.3	1,382.1	1,531.0
Less: future finance charges	512.2	424.3	252.4	354.0
	1,341.7	1,405.0	1,129.7	1,177.0
Balance represents:				
Current liability (refer note 16)	226.4	100.1	199.5	80.8
Non-current liability (refer note 16)	1,115.3	1,304.9	930.2	1,096.2
	1,341.7	1,405.0	1,129.7	1,177.0

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>26. OPERATING LEASE AND HIRE COMMITMENTS</b>				
Future net operating lease and hire commitments not provided for in the financial statements:	2,627.3	1,897.1	2,221.2	1,686.4
Payable				
Not later than one year	426.3	319.8	361.8	273.7
Later than one year but not later than five years	1,259.7	996.6	1,077.1	853.3
Later than five years	978.2	615.2	813.0	593.9
	2,664.2	1,931.6	2,251.9	1,720.9
Less: provision for potential under-recovery of rentals on unused premises available for sub-lease (refer note 17)	36.9	34.5	30.7	34.5
	2,627.3	1,897.1	2,221.2	1,686.4
Operating lease commitments represent:				
Cancellable operating leases	914.9	611.4	910.5	602.5
Non-cancellable operating leases				
Aircraft leases	1,712.4	1,285.7	1,310.7	1,083.9
	2,627.3	1,897.1	2,221.2	1,686.4
Non-cancellable operating lease commitments, excluding unguaranteed residual payments, not provided for in the financial statements:				
Payable				
Not later than one year	321.1	229.6	258.5	185.1
Later than one year but not later than five years	913.7	715.0	734.5	574.2
Later than five years	477.6	341.1	317.7	324.6
	1,712.4	1,285.7	1,310.7	1,083.9

The Qantas Group lease aircraft, buildings and plant and equipment under finance and operating leases expiring from between one and ten years. All 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.

At 30 June 2001, the independent market value of aircraft leased by the Qantas Group using non-cancellable operating leases was \$2,688.1 million (2000: \$1,578.4 million) compared to an implied carrying value of \$2,118.1 million (2000: \$1,195.1 million) had the leased assets been capitalised on inception. The valuations were expressed in United States dollars and converted to their Australian dollar equivalents based on an exchange rate of 0.52352 as at 30 June 2001 (2000: 0.60369). They were performed primarily on a desktop "sight unseen" basis using the underlying economic value in an open, unrestricted, stable market.

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M

## 27. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments contracted but not provided for in the financial statements:

Aircraft	10,234.6	628.6	10,150.5	628.6
Building works	86.8	78.3	86.8	74.9
Other	177.9	150.4	75.7	47.3
	10,499.3	857.3	10,313.0	750.8
Payable				
Not later than one year	1,386.7	684.5	1,292.8	610.2
Later than one year but not later than five years	4,241.3	172.8	4,148.9	140.6
Later than five years	4,871.3	–	4,871.3	–
	10,499.3	857.3	10,313.0	750.8

## 28. CONTINGENT LIABILITIES

### RELATED PARTIES

Guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties by controlled entities

	24.4	15.2	24.4	15.2
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Guarantees and letters of comfort to support leveraged and operating lease commitments to other parties on behalf of associated companies

	0.1	3.0	0.1	3.0
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	24.5	18.2	24.5	18.2
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### OTHER PARTIES

General guarantees in the normal course of business

	137.1	118.5	137.1	118.5
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Contingent liabilities relating to current and threatened litigation

	36.0	33.7	36.0	33.7
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	173.1	152.2	173.1	152.2
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	197.6	170.4	197.6	170.4
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### TERMINAL FUEL FACILITIES

The Qantas Group, together with other airlines, has entered into various agreements in order to facilitate the funding and installation of jet turbine fuel hydrant systems and terminal equipment facilities at Los Angeles and Hawaii airports. The airlines have jointly and severally agreed to repay any unpaid balance (including interest) of the loans totalling \$315.9 million (2000: \$244.1 million) in the event the agreements are terminated prior to expiry of the loans.

## Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### **28. CONTINGENT LIABILITIES (continued)**

#### **AIRCRAFT FINANCING**

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

Qantas and certain controlled entities have entered into asset value underwriting arrangements with lenders under certain aircraft secured financings. These arrangements protect the value of the aircraft security to the lenders to a predetermined level. This is reflected by the balance of aircraft security deposits held with certain financial institutions and included in current and non-current receivables totalling \$537.6 million (2000: \$562.6 million).

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

#### **UNREALISED LOSSES - BACK TO BACK HEDGES**

Where long-term foreign currency borrowings have been denominated in surplus net revenue currencies, offsetting forward foreign exchange contracts have been used to match the cash flows arising under the borrowings with the expected revenue surpluses used to hedge the borrowings. To the extent a gain or loss is incurred, this is deferred until the net revenue is realised. As at 30 June 2001, total unrealised exchange losses on hedges of net revenue designated to service long-term debt were \$329.6 million compared to \$374.7 million as at 30 June 2000.

### **29. SUPERANNUATION COMMITMENTS**

The Qantas Group maintains three superannuation plans covering Australian-based employees. The Qantas Group also maintains a number of superannuation and retirement plans for local staff in overseas countries. Plan trustees are indemnified by the Qantas Group against actions, claims and demands arising from their lawful administration of the superannuation plans.

The superannuation plans for Australian-based employees of Qantas (including employees of certain controlled entities) provides either accumulation benefits (with a guaranteed minimum benefit for members of Division 1 of the Qantas Superannuation Plan (QSP)) or a combination of accumulation and defined benefits payable as a lump sum. Qantas is committed to making contributions to the Plan, the commitment being legally enforceable on the basis of actuarial advice of amounts required to fully fund the superannuation benefits provided for in the rules of the Plan, after allowing for employee contributions. In addition, the Qantas Group is required to provide a minimum level of contributions under the Australian Superannuation Guarantee legislation.

The various plans were last actuarially assessed as detailed in the table below. The actuarial valuations confirmed that the value of the assets of the plans were sufficient to meet all anticipated liabilities, including vested benefits of the plans in the event of termination of the plans and voluntary or compulsory termination of employment of each employee at balance date.

The Regional Airlines Superannuation Plan comprises several categories of membership according to the employers, being Southern Australia Airlines Pty Limited, Eastern Australia Airlines Pty Limited, Sunstate Airlines (Qld) Pty Limited and Airlink Pty Limited.

The last actuarial reviews of the plans were as follows:

<b>Plan</b>	<b>Type of Plan</b>	<b>Name and Qualifications of Actuary (i)</b>	<b>Date</b>
Qantas Superannuation Plan	Defined benefit Accumulation	Mr Ken Lockery FIA FIAA Not applicable	30 June 1999
Australian Airlines Flight Engineers' Superannuation Plan	Defined benefit	Mr Cyril Twomey FIA FIAA	30 June 2000
Regional Airlines Superannuation Plan	Accumulation	Not applicable	

(i) Actuarial valuations performed by actuaries employed by Towers Perrin in Australia.

## 29. SUPERANNUATION COMMITMENTS (continued)

Certain controlled entities have a legally enforceable obligation under various awards to contribute to industry plans on behalf of some employees. These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement or death.

The following defined benefit superannuation plans are sponsored by the Qantas Group:

<b>2001 QANTAS GROUP</b>				
Plan	Present Value of Accrued Benefits as at 30/6/1999 (iii) \$M	Net Market Value of Plan Assets as at 30/6/2000 (i) \$M	Employer Contributions to Plan for year ended 30/6/2000 (i) \$M	Vested Benefits as at 30/6/2000 (i) \$M
Qantas Superannuation Plan (QSP)	3,083.7	3,910.4	135.5	3,255.8
Australian Airlines Flight Engineers' Superannuation Plan (ii)	7.0	18.0	–	7.0
<b>Total</b>	<b>3,090.7</b>	<b>3,928.4</b>	<b>135.5</b>	<b>3,262.8</b>

<b>2000 QANTAS GROUP</b>				
Plan	Present Value of Accrued Benefits as at 30/6/1999 (iii) \$M	Net Market Value of Plan Assets as at 30/6/1999 \$M	Employer Contributions to Plan for year ended 30/6/1999 \$M	Vested Benefits as at 30/6/1999 \$M
Qantas Superannuation Plan (QSP)	3,083.7	3,455.7	160.4	2,884.2
Australian Airlines Flight Engineers' Superannuation Plan (ii)	13.2	16.4	–	6.4
<b>Total</b>	<b>3,096.9</b>	<b>3,472.1</b>	<b>160.4</b>	<b>2,890.6</b>

(i) Extracted from the most recent audited financial statements of the Plans. The Net Market Value of Plan Assets does not represent the actuarial value of assets, as it does not include allowance for fluctuations in the value of plan investments.

(ii) The last actuarial valuation was undertaken as at 30 June 2000 (30 June 1997 for prior year comparatives).

(iii) In the current year, the most recent actuarial valuation of the QSP was at 30 June 1999. The most recent audited financial report prepared by the QSP was at 30 June 2000. Accordingly, comparison of accrued benefits as at 30 June 1999 to the net market value of plan assets as at 30 June 2000 is inappropriate due to the different dates.

Vested benefits are benefits that are not conditional upon continued membership of the Plan and include benefits which members were entitled to receive had they terminated their membership of the Plan as at balance date.

The Directors, based on the advice of the Trustees of the Plans, are not aware of any changes in circumstances since the date of the most recent financial reports of the Plans that would have a material impact on the overall financial position of the Plans, unless otherwise disclosed.

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	Note	Country of Incorporation	QANTAS GROUP OWNERSHIP INTEREST	
			2001 %	2000 %
<b>30. PARTICULARS IN RELATION TO CONTROLLED ENTITIES</b>				
Qantair Limited	iv	Australia	100	100
Q.H. Tours Limited	iv	Australia	100	100
Holiday Tours and Travel Pte Limited		Singapore	75	75
Jetabout Holidays Pte Limited		Singapore	75	75
Tour East Singapore (1996) Pte Limited		Singapore	75	75
Tour East (Hong Kong) Limited		Hong Kong	75	75
PT Tour East Indonesia		Indonesia	60	60
PT Pacto Holiday Tours		Indonesia	53	53
Holiday Tour and Travel Limited (Taiwan)	i	Taiwan	75	–
Holiday Tours and Travel Limited		Hong Kong	92.5	92.5
QH International Co, Limited		Japan	100	100
Jetabout Japan Inc		Japan	100	100
QH Tours (UK) Limited		United Kingdom	100	100
Qantas Holidays Limited	iv	Australia	100	100
Qantas Viva! Holidays Limited		Australia	100	100
QH Cruises Pty Limited	iv	Australia	100	100
Qantas Information Technology Limited	iv	Australia	100	100
Qantas Airline Systems and Research Limited	iv	Australia	100	100
Qantas Flight Catering Holdings Limited	iv	Australia	100	100
Qantas Flight Catering Limited	iv	Australia	100	100
Caterair Airport Services Pty Limited	iv, vi	Australia	100	49
Caterair Airports Services (Sydney) Pty Limited	vi	Australia	51	–
Waruda Holdings Pty Limited	iv, vi	Australia	100	–
Cairns Wholesale Bakery and Patisserie Pty Limited	iv, vi	Australia	100	–
Asia Pacific Distribution Limited	iv	Australia	100	100
Qantas Limited	iv	Australia	100	100
Airconnex Pty Limited	i, ii, iv	Australia	100	100
Southern Cross Insurances Pte Limited		Singapore	100	100
Qantas Superannuation Limited		Australia	100	100
Qanlease Limited	iv	Australia	100	100
Qanfad Pty Limited	iv	Australia	100	100
BD No 1 Limited		Cayman Islands	100	100
Kurrajong Limited		Cayman Islands	100	100
EMSYS Pty Limited	iii, iv	Australia	100	100
Mitokal Pty Limited	iv	Australia	100	100
VH-OEB Pty Limited	v	Australia	100	100
Qantas Defence Services Pty Limited	iv	Australia	100	100
Snap Fresh Pty Limited	iv	Australia	100	100
Australian Airlines Limited	iv	Australia	100	100
Australian Resorts Pty Limited	v	Australia	100	100
ACN 009 716 769 Pty Limited	v	Australia	100	100
ACN 009 864 546 Pty Limited	v	Australia	100	100
Great Keppel Holdings Pty Limited	v	Australia	100	100
ACN 009 874 864 Pty Limited	v	Australia	100	100
ACN 009 842 719 Pty Limited	v	Australia	100	100
Star Handling Services Pty Limited	iv	Australia	100	100
Australian Airlines Express Courier Pty Limited	iv	Australia	100	100

**QANTAS GROUP  
OWNERSHIP INTEREST**

	Note	Country of Incorporation	2001 %	2000 %
<b>30. PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)</b>				
Tysentle Pty Limited	v	Australia	100	100
ARANS Superannuation Pty Limited		Australia	100	100
AAPA Superannuation Pty Limited	v	Australia	100	100
AAFE Superannuation Pty Limited		Australia	100	100
AAG Superannuation Pty Limited	v	Australia	100	100
AAFA Superannuation Pty Limited	v	Australia	100	100
TAA Superannuation Pty Limited		Australia	100	100
Australian Regional Airlines Pty Limited	iv	Australia	100	100
Sunstate Airlines (Qld) Pty Limited	iv	Australia	100	100
Southern Australia Airlines Pty Limited	iv	Australia	100	100
Airlink Pty Limited	iv	Australia	100	100
Australian Regional Airlines (Qld) Pty Limited	iv	Australia	100	100
Air Queensland Pty Limited		Australia	100	100
Eastern Australia Airlines Pty Limited	iv	Australia	100	100
ACN 000 199 468 Pty Limited	iv	Australia	100	100
First Brisbane Airport Pty Limited	iv	Australia	100	100
First Brisbane Airport Unit Trust		n/a	100	100
Second Brisbane Airport Pty Limited	iv	Australia	100	100
Second Brisbane Airport Unit Trust		n/a	100	100
TAA Aviation Pty Limited	iv	Australia	100	100
Nostam Pty Limited		Australia	100	100
In Tours Airline Unit Trust No 1		n/a	100	100
Priestdale Pty Limited	v	Australia	100	100
Denmell Pty Limited	iv	Australia	100	100
Denmint Pty Limited	iv	Australia	100	100
Denmost Pty Limited	iv	Australia	100	100
Denold Pty Limited	iv	Australia	100	100
Denpen Pty Limited	iv	Australia	100	100
Denpet Pty Limited	iv	Australia	100	100
Denpost Pty Limited	iv	Australia	100	100
Denrac Pty Limited	iv	Australia	100	100
Densale Pty Limited	iv	Australia	100	100
Denseed Pty Limited	iv	Australia	100	100
Denshore Pty Limited	iv	Australia	100	100
Densip Pty Limited	iv	Australia	100	100
Densound Pty Limited	iv	Australia	100	100
<b>oneworld</b> Handling Services Pty Limited	iv	Australia	100	100
Engine No. 9 Pty Limited	iv	Australia	100	100

All controlled entities carry on business in their country of incorporation, with the exception of Qantas Limited, which also carries on business in Taiwan. All controlled entities are audited by member firms of KPMG.

Indentation of controlled entities signifies that the issued capital of the entity is owned by the entity above.

- i Incorporated during the financial year.
- ii Incorporated on 16 November 2000 as Qantas Regionals Pty Limited. Changed its name to Qantas Longreach Pty Limited on 23 November 2000. Changed its name to Airconnex Pty Limited on 16 May 2001.
- iii Formerly Macquarie Syndication No. 2 Pty Limited.
- iv Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 these controlled entities listed below are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of financial reports.
- v Voluntary deregistration pending.
- vi Interests in these companies were acquired on 13 July 2000 for purchase consideration of \$9.3 million. This resulted in goodwill on acquisition of \$17.7 million.

## Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### **30. PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)**

It is a condition of the Class Order that the Company and each of the controlled entities enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company 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 the Company is wound up.

The Deed was first entered into by the controlled entities on 4 June 2001. Refer note 31.

### **31. DEED OF CROSS GUARANTEE**

A consolidated Statement of Financial Performance and consolidated Statement of Financial Position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2001 is set out below:

	<b>CONSOLIDATED</b>
	2001 \$M
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	
Profit from ordinary activities before income tax	593.9
Income tax expense relating to ordinary activities	174.2
Net profit	419.7
Outside equity interests in net (profit)/loss	(4.2)
Net profit attributable to members of the company	415.5
Retained profits at beginning of year	916.0
Dividends provided for or paid	(264.1)
<b>Retained profits at end of financial year</b>	<b>1,067.4</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	
<b>CURRENT ASSETS</b>	
Cash	131.1
Receivables	1,496.1
Net receivables under hedge/swap contracts	241.5
Inventories	332.6
Other	130.7
<b>Total current assets</b>	<b>2,332.0</b>
<b>NON-CURRENT ASSETS</b>	
Receivables	569.9
Net receivables under hedge/swap contracts	2,135.3
Investments	65.1
Property, plant and equipment	7,321.9
Intangibles	21.5
Deferred tax assets	30.3
Other	14.6
<b>Total non-current assets</b>	<b>10,158.6</b>
<b>Total assets</b>	<b>12,490.6</b>



**CONSOLIDATED**2001  
\$M**31. DEED OF CROSS GUARANTEE (continued)****CURRENT LIABILITIES**

Accounts payable	2,039.6
Interest-bearing liabilities	981.7
Net payables under hedge/swap contracts	257.9
Provisions	512.1
Current tax liabilities	(11.8)
Revenue received in advance	1,184.5
Deferred lease benefits/income	39.8
<b>Total current liabilities</b>	<b>5,003.8</b>

**NON-CURRENT LIABILITIES**

Interest-bearing liabilities	2,355.6
Net payables under hedge/swap contracts	576.7
Provisions	360.0
Deferred tax liabilities	496.1
Deferred lease benefits/income	381.6
Other	14.0
<b>Total non-current liabilities</b>	<b>4,184.0</b>

**Total liabilities** 9,187.8

**Net assets** 3,302.8

**EQUITY**

Contributed equity	2,173.0
Reserves	52.0
Retained profits	1,067.4
Equity attributable to members of the Company	3,292.4
Outside equity interests in controlled entities	10.4
<b>Total equity</b>	<b>3,302.8</b>

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

### 32. PARTICULARS IN RELATION TO ASSOCIATED COMPANIES

Details of interests in associated companies are as follows:

	Principal Activities	Country of Incorporation	Balance Date	OWNERSHIP INTEREST				AMOUNT OF INVESTMENT			
				QANTAS GROUP		QANTAS		QANTAS GROUP		QANTAS	
				2001 %	2000 %	2001 %	2000 %	2001 \$M	2000 \$M	2001 \$M	2000 \$M
Air Pacific Limited	Air transport	Fiji	31 Mar	46.1	46.1	46.1	46.1	29.4	29.4	29.4	29.4
Australian Air Express Pty Limited	Air cargo	Australia	30 Jun	50.0	50.0	–	–	–	–	–	–
Caterair Airport Services Pty Limited*	Catering services	Australia	30 Nov	n/a	49.0	–	–	n/a	1.2	–	–
Harvey Holidays Pty Ltd	Tours and travel	Australia	30 Jun	50.0	–	50.0	–	0.4	–	0.4	–
Hallmark Aviation Services LP	Passenger handling services	USA	31 Dec	49.0	49.0	49.0	49.0	0.1	0.1	0.1	0.1
Holiday Tours and Travel Sdn Bhd**	Tours and travel	Malaysia	31 Dec	n/a	22.5	–	–	n/a	0.1	–	–
Holiday Tours and Travel (Thailand) Limited	Tours and travel	Thailand	31 Dec	36.8	36.8	–	–	0.1	0.1	–	–
Impulse Airlines Pty Limited	Air transport	Australia	30 Jun	25.0	–	–	–	10.0	–	–	–
Jupiter Air Oceania Limited	Freight services	Australia	31 Dec	49.0	49.0	49.0	49.0	0.1	0.1	0.1	0.1
TET Limited	Tours and travel	Thailand	31 Dec	36.8	36.8	–	–	0.2	–	–	–
Travel Industries Automated Systems Pty Limited	Reservation systems	Australia	30 Jun	50.0	50.0	25.0	25.0	2.1	2.1	1.0	1.0
								42.4	33.1	31.0	30.6

\* Caterair Airport Services Pty Limited became a 100% owned subsidiary of the Qantas Group on 13 July 2000.

\*\* On 28 July 2000 Qantas Group sold down its shareholding in Holiday Tours and Travel Sdn Bhd to 11.25% and therefore it is no longer an associate.

Investments in associated companies are accounted for on a cost basis in the financial statements of the Qantas Group and Qantas, as they are not material.

### 33. UNHEDGED FOREIGN CURRENCY BALANCES

The Australian currency equivalents of unhedged foreign currency balances included in the financial statements are:

	QANTAS GROUP 2001					QANTAS GROUP 2000				
	Current Asset \$M	Non-Current Asset \$M	Current Liability \$M	Non-Current Liability \$M	Total \$M	Current Asset \$M	Non-Current Asset \$M	Current Liability \$M	Non-Current Liability \$M	Total \$M
<b>QANTAS</b>										
Japanese yen	–	–	(1.3)	–	(1.3)	–	–	(1.9)	–	(1.9)
United States dollars	58.2	113.7	(55.8)	(125.9)	(9.8)	50.5	140.5	(52.2)	(142.0)	(3.2)
UK pounds	–	–	(4.6)	–	(4.6)	–	–	(6.7)	–	(6.7)
New Zealand dollars	–	–	(0.8)	–	(0.8)	–	–	(1.1)	–	(1.1)
	58.2	113.7	(62.5)	(125.9)	(16.5)	50.5	140.5	(61.9)	(142.0)	(12.9)
<b>CONTROLLED ENTITIES</b>										
Japanese yen	–	–	(0.2)	–	(0.2)	8.2	4.9	(7.4)	(1.9)	3.8
United States dollars	3.5	0.4	(3.2)	–	0.7	4.5	0.2	(4.9)	–	(0.2)
UK pounds	–	–	(1.0)	–	(1.0)	–	–	(1.4)	–	(1.4)
New Zealand dollars	–	–	(0.8)	–	(0.8)	–	–	(0.5)	–	(0.5)
Hong Kong dollars	2.4	0.3	(3.4)	–	(0.7)	1.3	0.1	(1.3)	–	0.1
Singapore dollars	12.5	2.0	(9.2)	–	5.3	11.8	1.8	(8.8)	(0.4)	4.4
Other currencies	2.0	0.1	(8.7)	–	(6.6)	–	–	(5.4)	–	(5.4)
	78.6	116.5	(89.0)	(125.9)	(19.8)	76.3	147.5	(91.6)	(144.3)	(12.1)

### 3.4. FINANCIAL INSTRUMENTS

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 interest rate, foreign currency, fuel price and credit risks. The Qantas Group manages these risk exposures using various financial instruments, using a set of policies approved by the Board of Directors. Qantas Group policy is not to enter, issue or hold derivative financial instruments for speculative trading purposes.

#### (a) INTEREST RATE RISK

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. Interest payments and receipts under interest rate swaps are recognised on an accruals basis in the Statement of Financial Performance. Premiums paid on interest rate options are amortised over the period of the hedge. The Qantas Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below.

2001	Notes	Weighted Average Interest Rate (% p.a.)	Floating Rate \$M	Fixed Rate Maturing in: Less than 1 year \$M	1 to 5 years \$M	More than 5 years \$M	Non- Interest Bearing \$M	Total \$M
<b>RECOGNISED FINANCIAL ASSETS</b>								
Cash	8	5.00	145.5	–	–	–	–	145.5
Trade debtors	9	–	–	–	–	–	1,153.4	1,153.4
Short-term money market securities, term deposits and bills of exchange	9	5.05	–	113.7	4.3	–	–	118.0
Aircraft security deposits	9	6.75	136.1	112.9	227.5	61.1	–	537.6
Sundry debtors	9	–	–	–	–	–	154.9	154.9
Loans receivable	9	5.80	–	–	–	102.2	–	102.2
Net receivables under swap contracts (i)		–	(863.1)	96.7	1,034.0	945.0	–	1,212.6
			(581.5)	323.3	1,265.8	1,108.3	1,308.3	3,424.2
<b>RECOGNISED FINANCIAL LIABILITIES</b>								
Trade creditors	15	–	–	–	–	–	1,701.4	1,701.4
Sundry creditors and accruals	15	–	–	–	–	–	197.8	197.8
Bank loans – unsecured	16	6.60	100.0	267.6	–	–	–	367.6
Other loans – secured	16	6.59	–	6.0	1.2	–	–	7.2
Other loans – unsecured	16	7.77	18.7	19.4	534.3	688.6	–	1,261.0
Lease residual values	16	10.93	–	335.8	17.0	–	–	352.8
Finance lease and hire purchase liabilities	16	8.07	390.4	176.8	417.3	357.2	–	1,341.7
Provision for dividends	17	–	–	–	–	–	118.9	118.9
Current tax liabilities	18	–	–	–	–	–	(8.8)	(8.8)
			509.1	805.6	969.8	1,045.8	2,009.3	5,339.6
<b>UNRECOGNISED FINANCIAL LIABILITIES</b>								
Interest rate swaps (ii)		–	518.1	(245.4)	(97.7)	(175.0)	–	–
			1,027.2	560.2	872.1	870.8	2,009.3	5,339.6

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

### 34. FINANCIAL INSTRUMENTS (continued)

2000	Notes	Weighted Average Interest Rate (% p.a.)	Floating Rate \$M	Fixed Rate Maturing in: Less than 1 year \$M	1 to 5 years \$M	More than 5 years \$M	Non- Interest Bearing \$M	Total \$M
<b>RECOGNISED FINANCIAL ASSETS</b>								
Cash	8	5.75	118.2	–	–	–	–	118.2
Trade debtors	9	–	–	–	–	–	1,112.0	1,112.0
Short-term money market securities, term deposits and bills of exchange	9	6.24	–	570.6	4.3	–	–	574.9
Aircraft security deposits	9	5.93	126.1	1.1	377.7	57.7	–	562.6
Sundry debtors	9	–	–	–	–	–	75.0	75.0
Loans receivable	9	9.20	–	–	21.0	–	–	21.0
Net receivables under swap contracts (i)		–	(1,039.2)	68.5	985.0	917.3	–	931.6
			(794.9)	640.2	1,388.0	975.0	1,187.0	3,395.3
<b>RECOGNISED FINANCIAL LIABILITIES</b>								
Trade creditors	15	–	–	–	–	–	1,598.5	1,598.5
Sundry creditors and accruals	15	–	–	–	–	–	159.6	159.6
Bank loans – unsecured	16	7.41	–	100.7	67.6	–	–	168.3
Other loans – secured	16	5.76	6.7	–	–	–	–	6.7
Other loans – unsecured	16	7.76	–	329.8	289.8	579.9	–	1,199.5
Lease residual values	16	11.09	–	49.3	284.4	–	–	333.7
Finance lease and hire purchase liabilities	16	7.57	407.3	55.4	567.3	375.0	–	1,405.0
Provision for dividends	17	–	–	–	–	–	581.3	581.3
Current tax liabilities	18	–	–	–	–	–	119.9	119.9
Systems development put contract liability	19	–	–	–	–	–	37.1	37.1
			414.0	535.2	1,209.1	954.9	2,496.4	5,609.6
<b>UNRECOGNISED FINANCIAL LIABILITIES</b>								
Interest rate swaps (ii)			351.2	(48.1)	(128.1)	(175.0)	–	–
			765.2	487.1	1,081.0	779.9	2,496.4	5,609.6

(i) Notional principal amounts. Interest payable/receivable has been included in the calculation of the effective interest rate of the underlying financial liability or asset. Excludes unrealised loss on revenue back to back hedges.

(ii) Notional principal amounts.

#### (b) FOREIGN EXCHANGE RISK

Cross-currency swaps are used to convert long-term foreign currency borrowings (both recognised and unrecognised) 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 ten years. Where this has occurred, back to back forward foreign exchange contracts have been used to hedge the cash flows arising under the borrowings with the expected revenue surpluses used to hedge the borrowings. To the extent a gain or loss is incurred, this is deferred until the net revenue is realised. 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 of Directors. Purchases and sales 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 unless otherwise approved by the Board of Directors.

### **34. FINANCIAL INSTRUMENTS (continued)**

#### **(c) FUEL PRICE RISK**

The Qantas Group uses options and swaps on aviation fuel 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 percent of estimated fuel costs out to 12 months may be hedged and up to 50 percent in the subsequent 12 months, with any hedging outside these parameters requiring approval by the Board of Directors. During the year the net gain from fuel hedging was \$406.0 million (2000: \$275.4 million gain).

#### **(d) DEFERRED GAINS/LOSSES ON HEDGES OF ANTICIPATED FUTURE TRANSACTIONS**

Any unrealised gains/losses on contracts entered into to hedge anticipated sales and purchases of goods and services, together with the cost of the contracts, are recognised in the financial statements at the time the underlying transaction occurs.

As at 30 June 2001, the amount of deferred or unrecognised losses on hedges of net revenue designated to service long-term debt is \$329.6 million (2000: loss \$374.7 million). As at 30 June 2001, the amount of deferred gains on other hedges totalled \$49.6 million (2000: gain \$368.9 million).

#### **(e) 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 receivables counterparties – the credit risk is the recognised amount, net of any provision for doubtful debts. As at 30 June 2001, this amounted to \$1,153.4 million (2000: \$1,112.0 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 of Directors is required to maintain the level of the counterparty exposure.

The Qantas Group minimises the concentration of credit risk by undertaking transactions with a large number of customers and counterparties in various countries. As at 30 June 2001, the credit risk of the Qantas Group to other financial asset counterparties amounted to \$5,021.9 million (2000: \$4,635.1 million) and was spread over a number of regions, including Australia, Asia, Europe and the United States.

#### **(f) NET FAIR VALUE**

##### **RECOGNISED FINANCIAL INSTRUMENTS**

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.

##### **UNRECOGNISED FINANCIAL INSTRUMENTS**

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.

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

### 34. FINANCIAL INSTRUMENTS (continued)

#### (f) NET FAIR VALUE (continued)

The following table shows the carrying amount and net fair value of financial assets and liabilities at balance date:

	QANTAS GROUP CARRYING AMOUNT		QANTAS GROUP NET FAIR VALUE	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>RECOGNISED FINANCIAL INSTRUMENTS</b>				
<b>FINANCIAL ASSETS</b>				
Cash	145.5	118.2	145.5	118.2
Trade debtors	1,153.4	1,112.0	1,153.4	1,112.0
Short-term money market securities, term deposits and bills of exchange	118.0	574.9	118.3	574.9
Aircraft security deposits	537.6	562.6	622.1	665.9
Sundry debtors	154.9	75.0	154.9	75.0
Loans receivable	102.2	21.0	102.2	21.0
Net receivables under swap contracts	1,212.6	931.6	1,456.9	979.4
	3,424.2	3,395.3	3,753.3	3,546.4
<b>FINANCIAL LIABILITIES</b>				
Trade creditors	1,701.4	1,598.5	1,701.4	1,598.5
Sundry creditors and accruals	197.8	159.6	197.8	159.6
Bank loans – unsecured	367.6	168.3	372.0	175.0
Other loans – secured	7.2	6.7	7.2	6.8
Other loans – unsecured	1,261.0	1,199.5	1,339.4	1,224.6
Lease residual values	352.8	333.7	393.8	386.2
Finance lease and hire purchase liabilities	1,341.7	1,405.0	1,479.1	1,565.6
Provision for dividends	118.9	581.3	118.9	581.3
Current tax liabilities	(8.8)	119.9	(8.8)	119.9
Systems development put contract liability	–	37.1	–	37.1
	5,339.6	5,609.6	5,600.8	5,854.6
<b>Net financial liabilities</b>	<b>(1,915.4)</b>	<b>(2,214.3)</b>	<b>(1,847.5)</b>	<b>(2,308.2)</b>
<b>UNRECOGNISED FINANCIAL INSTRUMENTS</b>				
<b>FINANCIAL ASSETS</b>				
Forward contracts			1.6	262.9
Option contracts			86.0	93.2
			87.6	356.1
<b>FINANCIAL LIABILITIES</b>				
Interest rate swaps			(3.7)	(1.9)

	<b>QANTAS GROUP CARRYING AMOUNT</b>	
	2001 \$M	2000 \$M
<b>34. FINANCIAL INSTRUMENTS (continued)</b>		
<b>(f) NET FAIR VALUE (continued)</b>		
<b>RECONCILIATION OF NET FINANCIAL LIABILITIES TO NET ASSETS</b>		
Net financial liabilities as disclosed above	(1,915.4)	(2,214.3)
<b>NON-FINANCIAL ASSETS</b>		
Net receivables under hedge contracts	329.6	374.7
Inventories	332.9	267.9
Investments	56.4	43.0
Property, plant and equipment	7,324.4	7,108.7
Intangibles	21.5	25.0
Advances, prepayments and other deposits	81.6	84.8
Deferred tax asset	30.9	13.3
Expenditure carried forward	12.3	7.2
Other assets	65.2	34.2
<b>NON-FINANCIAL LIABILITIES</b>		
Unredeemed frequent flyer liability	(149.9)	(111.1)
Other provisions	(754.3)	(686.8)
Revenue received in advance	(1,187.8)	(1,181.0)
Deferred lease benefits/income	(421.4)	(480.6)
Deferred tax liabilities	(496.1)	(405.6)
Other liabilities	(14.0)	(15.0)
<b>Net assets per Statement of Financial Position</b>	<b>3,315.9</b>	<b>2,864.4</b>

	<b>QANTAS GROUP</b>		<b>QANTAS</b>	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>35. EMPLOYEE ENTITLEMENTS</b>				
Employee entitlement liabilities				
Provisions for employee entitlements				
Current (refer note 17)	327.0	302.7	284.1	269.6
Non-current (refer note 17)	290.2	272.7	261.5	248.1
Staff redundancy costs				
Current (refer note 17)	28.9	17.6	25.1	13.6
	646.1	593.0	570.7	531.3
Number of employees (#)	31,632	29,217	25,604	24,304

#### **SUPERANNUATION**

Employees of the Qantas Group are entitled to benefits on retirement, disability or death from various superannuation plans. Further details are included in note 29.

## Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

### 36. DIVIDENDS

Dividends proposed or paid by Qantas are:

Type	Cents per Share	Total Amount \$M	Date of Payment	Franked Tax Rate %	Percentage Franked %
2001					
Interim ordinary	11.0	141.5	4 April 2001	34	100
Final ordinary	9.0	117.8	3 October 2001	30	100
	<u>20.0</u>	<u>259.3</u>			
2000					
Interim ordinary	11.0	133.3	29 March 2000	36	100
Final ordinary	11.0	133.3	4 October 2000	34	100
Special	37.0	448.0	13 December 2000	34	100
	<u>59.0</u>	<u>714.6</u>			

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
Total franking account balance at 30 per cent (2000: 34 per cent)	241.4	174.2	144.0	–

The above amount represents the balance of the franking accounts as at 30 June 2001, after taking into account adjustments for:

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



**QANTAS GROUP**2001  
\$M2000  
\$M**37. SEGMENT INFORMATION****ANALYSIS OF TOTAL REVENUE BY GEOGRAPHIC REGION**

Passenger, freight and services revenue		
Australia	4,788.9	4,618.7
United Kingdom and Europe	1,003.3	855.8
Japan	761.6	631.0
South-East Asia/North-East Asia	830.8	646.0
Americas and the Pacific	989.9	783.5
Other regions	392.6	308.7
	8,767.1	7,843.7
Other operating revenue		
Tours and travel revenue	604.3	551.8
Miscellaneous revenue	816.8	711.3
<b>Sales and operating revenue</b>	<b>10,188.2</b>	<b>9,106.8</b>
Other revenue		
Interest revenue	69.0	88.5
Proceeds from sale of property, plant and equipment	16.4	10.3
Proceeds from sale of investments	–	60.4
Proceeds from sale and leaseback transactions	147.5	819.0
<b>Total other revenue</b>	<b>232.9</b>	<b>978.2</b>
<b>Total revenue</b>	<b>10,421.1</b>	<b>10,085.0</b>

**EARNINGS BEFORE INTEREST AND TAX (EBIT)**

Earnings before interest and tax		
International airline operations	458.7	374.8
Domestic airline operations	127.4	272.0
Profit on the sale of investment in EQUANT NV	–	57.8
	586.1	704.6
Subsidiary operations		
Qantas Holidays Group	33.5	28.1
QantasLink Group	6.4	67.2
Qantas Flight Catering Group	54.3	39.4
Other subsidiaries	15.5	34.7
<b>Total subsidiary operations</b>	<b>109.7</b>	<b>169.4</b>
<b>Earnings before interest and tax</b>	<b>695.8</b>	<b>874.0</b>

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

## Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### **37. SEGMENT INFORMATION (continued)**

#### **SEGMENTAL ANALYSIS OF NET ASSETS AND PROFIT CONTRIBUTION**

For the financial year ended 30 June 2001, the principal assets of the Qantas Group comprised the aircraft fleet, all, except one, of which were registered and domiciled in Australia. These assets are used flexibly across the Qantas Group's worldwide route network. Accordingly, there is no suitable basis for allocating such assets and the related liabilities between geographic areas.

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

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

	<b>QANTAS GROUP</b>	
	<b>2001 Cents</b>	<b>2000 Cents</b>
<b>38. EARNINGS PER SHARE</b>		
Earnings per share based on net profit attributable to Members of the Company	33.0	42.8
Diluted earnings per share based on net profit attributable to Members of the Company	32.6	42.7

The calculation of earnings per share is based upon the weighted average number of shares outstanding during the year.

	<b>Number M</b>	<b>Number M</b>
Weighted average number of ordinary shares used in the calculation of earnings per share	1,258.5	1,209.3
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	1,273.2	1,212.6

#### **CHANGES IN ACCOUNTING POLICY**

As detailed in note 1(c), the Qantas Group changed its accounting policy in relation to major software development projects. The effect for the financial year ended 30 June 2001 has been to increase earnings per share by 2.6 cents and diluted earnings per share by 2.6 cents as compared with the amounts of earnings per share that would have been determined using the previous accounting policy.

### **39. EVENTS SUBSEQUENT TO BALANCE DATE**

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature that, in the opinion of the Directors, has significantly affected or may significantly affect, the operations of the Qantas Group, the results of those operations, or the state of affairs of the Qantas Group, in this financial year or in future financial years.

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M

#### 40. NOTES TO THE STATEMENTS OF CASH FLOWS

##### RECONCILIATION OF CASH

Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:

Cash on hand and at bank	86.8	23.1	57.8	11.3
Cash at call	58.7	95.1	58.7	95.1
Short-term money market securities and term deposits	113.7	570.6	113.7	570.6
Other current advances	–	–	(193.1)	(459.5)
	259.2	688.8	37.1	217.5

##### RECONCILIATION OF NET PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net profit before tax	597.1	762.8	1,019.3	509.0
Add/(less) non-cash items:				
Amortisation and depreciation	706.7	631.8	563.7	476.9
Profit on sale of non-current assets	(47.1)	(65.3)	(40.6)	(55.8)
Net other items	98.7	74.4	(4.8)	81.3
Net cash provided by operating activities before changes in assets and liabilities	1,355.4	1,403.7	1,537.6	1,011.4
Changes in assets and liabilities:				
(Increase) in trade/sundry receivables	(238.4)	(161.0)	(237.9)	(183.6)
(Increase) in inventories	(135.8)	(20.2)	(204.7)	(18.8)
(Increase)/decrease in other assets	(36.3)	(0.1)	(43.0)	1.9
Decrease/(increase) in prepayments	3.3	(20.9)	4.1	(5.0)
Decrease/(increase) in bills of exchange and aircraft security deposits	97.4	(9.7)	95.6	(8.7)
Decrease in net receivables/payables under hedge/swap contracts	131.3	123.0	131.0	124.7
Increase in trade/sundry payables	180.0	348.1	146.1	385.5
Increase/(decrease) in revenue received in advance	6.0	167.3	(2.3)	166.3
(Decrease)/increase in deferred lease benefits/income and other liabilities	(96.4)	51.1	(88.4)	58.3
Increase/(decrease) in provisions	67.4	(2.4)	43.9	8.7
(Decrease) in deferred tax liabilities	(233.2)	(279.1)	(121.8)	(200.1)
Net cash provided by operating activities	1,100.7	1,599.8	1,260.2	1,340.6

## Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### 40. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

#### NON-CASH FINANCING AND INVESTING ACTIVITIES

In 2000, the Qantas Group entered into various finance lease arrangements for property, plant and equipment totalling \$819.0 million which were fully prepaid and therefore appropriate cash flow movements have been reflected in the Statement of Cash Flows. No such arrangements have been entered into during the current financial year.

#### FINANCING FACILITIES

A bank overdraft facility covers the combined balances of Qantas and wholly controlled entities held with the Commonwealth Bank of Australia. Subject to the continuance of satisfactory credit ratings, the bank overdraft facility may be utilised at any time. The Bank may terminate this facility without notice.

A combined \$2.1 billion loan note facility comprising a syndicated term loan and standby has been established to provide increased borrowing flexibility for the Qantas Group. The syndicated term loan amortises between 3 November 2003 and 3 May 2006. The syndicated standby expires between 2 May 2003 and 3 May 2006 and may be utilised at short notice.

The total amount of committed financing facilities available to the Qantas Group as at balance date are detailed below.

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
<b>COMMITTED FINANCING FACILITIES</b>				
<b>BANK OVERDRAFT</b>				
Facility available	7.0	7.0	7.0	7.0
<b>Loan note facility comprising:</b>				
Syndicated term loan of various maturities				
Facility available	1,400.0	–	1,400.0	–
Amount of facility used	300.0	–	300.0	–
Amount of facility unused	1,100.0	–	1,100.0	–
Syndicated standby				
Facility available	700.0	700.0	700.0	700.0
Amount of facility used	–	–	–	–
Amount of facility unused	700.0	700.0	700.0	700.0
<b>COMMERCIAL PAPER</b>				
Facility available	700.0	700.0	700.0	700.0
Amount of facility used	240.0	–	240.0	–
Amount of facility unused	460.0	700.0	460.0	700.0

#### 4.1. RELATED PARTY TRANSACTIONS

##### DIRECTORS

The names of persons who were Directors of Qantas at any time during the financial year are as follows:

CHAIRMAN	Margaret Jackson (appointed 1 August 2000) Gary Pemberton, AC (retired 1 August 2000)
CHIEF EXECUTIVE OFFICER	Geoff Dixon (appointed 1 August 2000) James Strong (retired 5 March 2001)
CHIEF FINANCIAL OFFICER	Peter Gregg (appointed 13 September 2000) Gary Toomey (resigned 13 September 2000)
NON-EXECUTIVE DIRECTORS	Mike Codd, AC John Ducker, AO (retired 31 August 2000) Trevor Eastwood, AM Rod Eddington (appointed 1 February 2001) Jim Kennedy, AO, CBE Trevor Kennedy, AM Lord Marshall (appointed 1 July 2000, resigned 1 February 2001) Roger Maynard John Rishton (appointed as an alternate Director 20 June 2001) John Schubert (appointed 23 October 2000) Derek Stevens (resigned as a Director 1 July 2000, retired as an alternate Director 20 June 2001) Nick Tait.

Information on remuneration, superannuation and retirement benefits of Directors is disclosed in note 5.

##### DIRECTORS' HOLDINGS OF SHARES

The relevant interests of the Directors of Qantas and their Director-related entities in shares of entities within the Qantas Group as at 30 June 2001 are set out below:

	NUMBER HELD	
	2001	2000
Qantas Airways Limited		
Ordinary shares, fully paid	297,880	577,432

Shares are issued to Executive Directors as participants in the Qantas Profitshare Scheme on the same basis as other eligible employees. During the current year, each Executive Director received 259 shares (2000: 208 ordinary shares).

Executive Directors participate in the Qantas Long-Term Executive Incentive Plan which provides executives with entitlements to be issued shares in Qantas. Further details are disclosed in note 20.

## Notes to the **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2001

### **41. RELATED PARTY TRANSACTIONS (continued)**

#### **OTHER TRANSACTIONS OF DIRECTORS AND DIRECTOR-RELATED ENTITIES**

A number of Directors of Qantas also hold directorships with other corporations which provide goods or services to the Qantas Group in the ordinary course of business on normal terms and conditions and are considered to be trivial in nature. None of these Directors exercise significant influence with those corporations nor derive any direct personal benefit from the transactions between the Qantas Group and these other corporations.

During the financial year, Qantas paid a premium on normal commercial terms and conditions to insure all Directors of Qantas (as listed above), all Directors of related parties of Qantas and other officers of Qantas and its related parties against liabilities incurred in their capacity as Director or officer, as the case may be, of Qantas or any related parties.

In addition to the transactions referred to above, transactions were entered into during the financial year with the Directors of Qantas and its controlled entities or with Director-related entities, which:

- occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the Director or Director-related entity at arm's-length in the same circumstances;
- do not have the potential to adversely affect decisions about the allocation of scarce resources or the discharge of responsibility of the Directors, or
- are trivial or domestic in nature, and include travel and accommodation discounts obtained from time to time by Directors, some of which are through agreements entered into by the Qantas Group.

Certain travel benefits are available on similar terms and conditions as those offered to other employees of the Qantas Group. All remuneration levels are determined with reference to external professional advice taking into account market levels of remuneration. All benefits are included in the aggregate amount of remuneration disclosed in note 5.

#### **CONTROLLED ENTITIES**

Details of interests in controlled entities are set out in note 30. 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 (refer note 40) and as such reciprocal borrowings occur regularly between Qantas and its controlled entities.

Transactions between Qantas and related parties in the wholly owned group consisted of:

- Qantas provided a range of administrative and investment services to controlled entities;
- Qantas Information Technology Limited provided computer and communication services to Qantas;
- Qantas Flight Catering Holdings Limited and controlled entities provided airline catering and ground handling services to Qantas;
- QH Tours Limited and controlled entities and Qantas acted as an agent for each other's products;
- Southern Cross Insurances Pte Limited provided insurance services to Qantas; and
- Australian Airlines Limited and controlled entities assisted in the hiring of aircraft capacity.

#### 41. RELATED PARTY TRANSACTIONS (continued)

##### CONTROLLED ENTITIES (continued)

Transactions and balances with partly and wholly owned subsidiaries are included in the financial statements as follows:

	QANTAS	
	2001 \$M	2000 \$M
Sales and operating revenue (refer note 2)	65.3	72.0
Dividends received/receivable (refer note 2)	684.4	34.7
Interest received/receivable (refer note 2)	2.6	6.0
Interest paid/payable (refer note 3)	23.4	19.4
Current receivables (refer note 9)	356.5	367.3
Non-current receivables (refer note 9)	207.7	253.2
Current payables (refer note 15)	86.5	98.8
Current interest bearing liabilities (refer note 16)	193.1	459.5
Non-current interest bearing liabilities (refer note 16)	166.1	255.8

##### ASSOCIATED COMPANIES

Details of interests in associated companies are provided in note 32. Transactions with associated companies are conducted on normal terms and conditions.

Transactions between Qantas and associated companies consisted of:

- Qantas provided ground handling services and performed maintenance and contract work for Air Pacific and Australian Air Express;
- Qantas leased all domestic freight capacity and sublet property to Australian Air Express;
- Qantas leased two Boeing 747-238B aircraft to Air Pacific (one was returned in August 2000);
- Qantas wetleased eight Boeing 717-200 aircraft and 13 Beechcraft 1900D aircraft from Impulse Airlines;
- Qantas codeshared certain Air Pacific services for which it pays capacity hire costs; and
- Australian Air Express provided certain domestic freight and document delivery services for Qantas.

Transactions and balances with associated companies are included in the financial statements as follows:

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
Sales and operating revenue (refer note 2)	77.1	112.1	72.7	104.4
Dividends received/receivable (refer note 2)	60.9	32.4	23.3	14.4
Expenditure	43.6	130.4	43.6	130.4
Current receivables (refer note 9)	16.7	24.1	16.4	23.6
Non-current receivables (refer note 9)	67.0	–	–	–
Current payables (refer note 15)	12.5	10.5	12.5	10.4

## 41. RELATED PARTY TRANSACTIONS (continued)

### OTHER RELATED PARTIES

#### BRITISH AIRWAYS PLC

In March 1993, British Airways Plc (British Airways) acquired 25 per cent of the shares in Qantas from the Australian Government. As a condition of the sale, British Airways entered into a 10 year Commercial Agreement with the Qantas Group to identify and develop potential synergies in their operations.

On 12 May 1995, the Trade Practices Commission (the predecessor to the Australian Competition & Consumer Commission) authorised a Joint Services Agreement (JSA) between Qantas and British Airways. The JSA was intended to be a partial implementation of the Commercial Agreement. Under the JSA, the Qantas Group and British Airways co-ordinate various aspects of their services between Australia and South-East Asia, South-East Asia and Europe, and Australia and Europe. The JSA has enabled both airlines to reduce costs, while improving schedules, fares and connections for passengers.

The JSA sets out in detail the financial settlement procedures between the two airlines to ensure that the return each airline obtains from the designated route services recognises the value of the route rights it utilises. In common with standard industry practice, the Qantas Group and British Airways also carry passengers on an interline basis on the same terms and conditions as with other carriers.

The alliance with British Airways enters its eighth year and continues to drive significant value, with co-operation occurring across almost all functions.

The two organisations continue to co-ordinate sales and marketing activity around the world, investing in joint offices, joint lounges, travel shops and airport facilities in many cities, thus offering the best in customer service to all passengers.

Other transactions, such as ground handling, contract work, property rentals and interline commissions, were conducted on normal terms and conditions.

Qantas and British Airways continued their membership of the **oneworld** alliance during the financial year. The alliance is designed to raise the standard of global air travel through a range of customer benefits. The shared **oneworld** brand augments existing relationships between the Qantas Group and British Airways.

Transactions and balances with British Airways are included in the financial statements as follows:

	QANTAS GROUP		QANTAS	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M
Sales and operating revenue (refer note 2)	26.8	39.0	12.1	16.7
Expenditure	32.4	35.5	23.5	24.7
Current receivables (refer note 9)	73.4	77.9	73.2	77.7
Current payables (refer note 15)	97.7	124.5	97.7	124.3



*Directors'* **DECLARATION**

1. In the opinion of the Directors of Qantas Airways Limited:
  - (a) the financial statements and notes, set out on pages 2 to 54 are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
    - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the subsidiaries identified in notes 30 and 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 the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Signed pursuant to a Resolution of the Directors:



**MARGARET JACKSON**

Chairman

Sydney, 3 September 2001



**GEOFF DIXON**

Chief Executive Officer

## *Independent* **AUDIT REPORT**

TO THE MEMBERS OF QANTAS AIRWAYS LIMITED

### **SCOPE**

We have audited the Financial Report of Qantas Airways Limited for the financial year ended 30 June 2001, consisting of the Statements of Financial Performance, Statements of Financial Position, Statements of Cash Flows, accompanying notes, and the Directors' Declaration set out on pages 2 to 55. The Financial Report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's Directors are responsible for the Financial Report. We have conducted an independent audit of this Financial Report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Financial Report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Financial Report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the Financial Report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

### **AUDIT OPINION**

In our opinion, the Financial Report of Qantas Airways Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



**KPMG**



**DOUG JUKES**

Partner

Sydney, 3 September 2001

## Corporate **DIRECTORY**

### **REGISTERED OFFICE**

Qantas Airways Limited  
ABN 16 009 661 901  
Qantas Centre  
Level 9 Building A  
203 Coward Street  
Mascot NSW 2020  
Australia

Telephone 61 2 9691 3636

Facsimile 61 2 9691 3339

Internet Address [www.qantas.com.au](http://www.qantas.com.au)

### **QANTAS SHARE REGISTRY**

Level 2  
60 Carrington Street  
Sydney NSW 2000  
Australia

Toll Free 1800 177 747

International 61 2 8234 5470

Facsimile 61 2 8234 5435

### **STOCK EXCHANGE**

Australian Stock Exchange  
20 Bridge Street  
Sydney NSW 2000  
Australia

### **DEPOSITARY FOR AMERICAN DEPOSITARY RECEIPTS**

The Bank of New York

ADR Division

101 Barclay Street

New York NY USA

Telephone 1 212 815 2218

Facsimile 1 212 571 3050

### **GENERAL COUNSEL & COMPANY SECRETARY**

Brett Johnson

### **FINANCIAL CALENDAR**

#### **2001**

30 June	Year end
16 August	Preliminary final result announcement
5 September	Record date for final dividend
3 October	Final dividend payable
18 October	Annual General Meeting, Melbourne

#### **2002**

21 February	Half year result announcement
13 March	Record date for interim dividend
10 April	Interim dividend payable
30 June	Year end
22 August	Preliminary final result announcement
4 September	Record date for final dividend
2 October	Final dividend payable
17 October	Annual General Meeting, Perth

### **NOTICE OF MEETING**

The Annual General Meeting of Qantas Airways Limited will be held at 2:00 p.m. on Thursday, 18 October 2001 in the Melbourne Concert Hall of the Victorian Arts Centre, Melbourne.

