

2002 **Qantas** Financial Report



*The Spirit of Australia*





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statements of financial performance  
for the year ended 30 June 2002

	Notes	Qantas Group		Qantas	
		2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>Sales and operating revenue</b>					
Net passenger revenue		9,027.5	7,941.8	8,330.7	7,385.5
Net freight revenue		563.6	596.3	558.0	588.9
Tours and travel revenue		674.4	604.3	–	–
Contract work revenue		479.1	457.3	270.1	276.0
Other sources*		578.0	588.5	582.2	1,274.3
<b>Sales and operating revenue</b>	2	<b>11,322.6</b>	10,188.2	<b>9,741.0</b>	9,524.7
<b>Expenditure</b>					
Manpower and staff related		2,689.2	2,549.9	2,281.0	2,142.6
Selling and marketing		1,158.7	1,141.6	1,153.2	1,146.8
Aircraft operating – variable		2,200.9	2,023.0	2,178.1	2,019.1
Fuel and oil		1,570.0	1,329.8	1,466.2	1,247.8
Property		264.3	246.9	244.3	228.9
Computer and communication		408.4	365.0	406.8	409.1
Depreciation and amortisation		693.5	706.7	568.6	563.7
Non-cancellable operating lease rentals		255.7	181.8	199.1	132.5
Tours and travel		584.4	525.7	–	–
Capacity hire		499.9	220.2	422.7	137.8
Other		354.4	201.8	443.2	351.7
Share of net profit of associates'	31	(36.1)	–	–	–
<b>Expenditure</b>	3	<b>10,643.3</b>	9,492.4	<b>9,363.2</b>	8,380.0
<b>Earnings before interest and tax</b>		<b>679.3</b>	695.8	<b>377.8</b>	1,144.7
Borrowing costs	3	(117.6)	(167.7)	(121.5)	(181.9)
Interest revenue	2	69.3	69.0	56.4	56.5
<b>Net borrowing costs</b>		<b>(48.3)</b>	(98.7)	<b>(65.1)</b>	(125.4)
<b>Profit from ordinary activities before related income tax expense</b>		<b>631.0</b>	597.1	<b>312.7</b>	1,019.3
Income tax expense relating to ordinary activities	4	(201.7)	(177.4)	(78.3)	(190.3)
<b>Net profit</b>		<b>429.3</b>	419.7	<b>234.4</b>	829.0
Outside equity interests in net profit		(1.3)	(4.3)	–	–
<b>Net profit attributable to members of the company</b>	21	<b>428.0</b>	415.4	<b>234.4</b>	829.0
<b>Non-owner transaction changes in equity</b>					
Increase in asset revaluation reserve on using the equity method for investments in associates	20	2.9	–	–	–
Net exchange differences relating to self-sustaining foreign operations	20	(0.9)	0.3	–	–
<b>Total changes in equity from non-owner related transactions attributable to members of the company</b>	22	<b>430.0</b>	415.7	<b>234.4</b>	829.0
<b>Basic earnings per share</b>	37	<b>29.1 cents</b>	33.0 cents		
<b>Diluted earnings per share</b>	37	<b>28.9 cents</b>	32.6 cents		

\* Excludes proceeds on sale (and on sale and leaseback) of non-current assets, Group \$52.0 million, Qantas \$49.1 (2001: Group \$163.9 million, Qantas \$159.0 million) and interest revenue of Group \$69.3 million, Qantas \$56.4 million (2001: Group \$69.0 million, Qantas \$56.5 million) which is included in net borrowing costs.

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 2002

	Notes	Qantas Group		Qantas	
		2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>Current assets</b>					
Cash	8	112.5	145.5	74.5	116.5
Receivables	9	2,386.6	1,496.2	2,551.7	1,787.9
Net receivables under hedge/swap contracts		697.7	241.5	698.9	241.5
Inventories	10	385.4	332.9	342.5	306.9
Other	12	173.5	142.7	114.9	80.0
<b>Total current assets</b>		<b>3,755.7</b>	<b>2,358.8</b>	<b>3,782.5</b>	<b>2,532.8</b>
<b>Non-current assets</b>					
Receivables	9	240.0	569.9	1,718.6	650.4
Net receivables under hedge/swap contracts		1,398.0	2,135.3	1,343.6	2,081.9
Investments accounted for using the equity method	31	58.7	42.4	–	–
Other investments	11	15.6	14.0	371.6	372.8
Property, plant and equipment	13	9,109.5	7,324.4	6,922.7	6,183.5
Intangible assets	14	161.0	21.5	–	–
Deferred tax assets		34.7	30.9	–	–
Other	12	28.3	16.4	26.0	13.2
<b>Total non-current assets</b>		<b>11,045.8</b>	<b>10,154.8</b>	<b>10,382.5</b>	<b>9,301.8</b>
<b>Total assets</b>		<b>14,801.5</b>	<b>12,513.6</b>	<b>14,165.0</b>	<b>11,834.6</b>
<b>Current liabilities</b>					
Payables	15	2,382.3	2,049.1	2,216.2	1,941.5
Interest bearing liabilities	16	837.0	974.7	1,167.1	1,134.9
Net payables under hedge/swap contracts		430.8	257.9	430.7	254.3
Provisions	17	525.8	512.8	465.2	453.4
Current tax liabilities	18	77.9	(8.8)	31.9	(45.7)
Revenue received in advance		1,285.2	1,187.8	1,178.2	1,102.2
Deferred lease benefits/income		42.4	39.8	37.8	34.2
<b>Total current liabilities</b>		<b>5,581.4</b>	<b>5,013.3</b>	<b>5,527.1</b>	<b>4,874.8</b>
<b>Non-current liabilities</b>					
Payables	15	33.7	–	33.7	–
Interest bearing liabilities	16	3,569.9	2,355.6	3,710.1	2,335.4
Net payables under hedge/swap contracts		150.8	576.7	150.8	576.7
Provisions	17	351.0	360.4	318.1	324.7
Deferred tax liabilities		524.7	496.1	401.3	393.6
Deferred lease benefits/income		329.0	381.6	287.4	329.9
Other		7.5	14.0	7.5	13.7
<b>Total non-current liabilities</b>		<b>4,966.6</b>	<b>4,184.4</b>	<b>4,908.9</b>	<b>3,974.0</b>
<b>Total liabilities</b>		<b>10,548.0</b>	<b>9,197.7</b>	<b>10,436.0</b>	<b>8,848.8</b>
<b>Net assets</b>		<b>4,253.5</b>	<b>3,315.9</b>	<b>3,729.0</b>	<b>2,985.8</b>
<b>Equity</b>					
Contributed equity	19	2,946.6	2,173.0	2,946.6	2,173.0
Reserves	20	56.3	54.3	82.9	82.9
Retained profits	21	1,239.1	1,078.0	699.5	729.9
Equity attributable to members of the company		4,242.0	3,305.3	3,729.0	2,985.8
Outside equity interests in controlled entities	23	11.5	10.6	–	–
<b>Total equity</b>	22	<b>4,253.5</b>	<b>3,315.9</b>	<b>3,729.0</b>	<b>2,985.8</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 2002

	Notes	Qantas Group		Qantas	
		2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		12,043.9	10,527.8	10,426.3	9,207.8
Cash payments in the course of operations		(10,647.7)	(9,145.5)	(8,916.6)	(8,397.2)
Interest received		69.1	69.9	55.8	57.5
Borrowing costs paid		(169.2)	(151.8)	(167.2)	(160.8)
Dividends received		13.1	43.8	2.8	690.6
Income taxes paid		(165.9)	(243.5)	(51.4)	(137.7)
<b>Net cash provided by operating activities</b>	39	<b>1,143.3</b>	<b>1,100.7</b>	<b>1,349.7</b>	<b>1,260.2</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(2,463.4)	(995.5)	(1,317.6)	(989.1)
Receipts for aircraft security deposits		124.6	44.4	123.0	45.1
Total payments for purchases of property, plant, equipment and aircraft security deposits		(2,338.8)	(951.1)	(1,194.6)	(944.0)
Proceeds from sale of property, plant and equipment		12.7	16.4	11.6	11.5
Proceeds from sale and leaseback of property, plant and equipment		-	147.5	-	147.5
Proceeds from sale of investments		39.3	-	37.5	-
Payments for investments, net of cash acquired		(19.3)	(17.1)	(19.3)	(7.1)
Loans to associates		-	(67.0)	-	-
Net funding to related parties		-	-	(1,199.4)	(10.5)
<b>Net cash (used in) investing activities</b>		<b>(2,306.1)</b>	<b>(871.3)</b>	<b>(2,364.2)</b>	<b>(802.6)</b>
<b>Cash flows from financing activities</b>					
Repayments of borrowings/swaps		(1,109.7)	(1,028.0)	(1,074.5)	(1,005.7)
Proceeds from borrowings		2,269.9	804.8	1,870.0	802.0
Proceeds from the issue of shares		652.7	19.0	652.7	19.0
Dividends paid		(124.1)	(454.8)	(120.9)	(453.3)
<b>Net cash provided by/(used in) financing activities</b>		<b>1,688.8</b>	<b>(659.0)</b>	<b>1,327.3</b>	<b>(638.0)</b>
<b>Reconciliation of cash provided by/(used in):</b>					
Operating activities		1,143.3	1,100.7	1,349.7	1,260.2
Investing activities		(2,306.1)	(871.3)	(2,364.2)	(802.6)
Financing activities		1,688.8	(659.0)	1,327.3	(638.0)
Net increase/(decrease) in cash held		526.0	(429.6)	312.8	(180.4)
Cash at the beginning of the financial year		259.2	688.8	37.1	217.5
<b>Cash at the end of the financial year</b>	39	<b>785.2</b>	<b>259.2</b>	<b>349.9</b>	<b>37.1</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.



## 1. Statement of significant accounting policies

The significant accounting policies which have been adopted in the preparation of this 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.

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

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

### (b) Change in accounting policy

#### Earnings per share

The Qantas Group has applied AASB 1027 Earnings Per Share (issued June 2001) for the first time from 1 July 2001.

The basic earnings per share (EPS) earnings are now calculated using net profit or loss, rather than excluding extraordinary items.

The diluted EPS weighted average number of shares now includes the number of ordinary shares assumed to be issued for nil consideration in relation to dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price.

The change in accounting policy has not affected the EPS in the current or prior financial years.

#### Segment reporting

The Qantas Group has applied the revised AASB 1005 Segment Reporting (issued in August 2000) for the first time from 1 July 2001.

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The new business segments reported are Aircraft Operations, Tours and Travel, and Catering.

#### Foreign currency translation

The Qantas Group has applied the revised AASB 1012 Foreign Currency Translation (issued in November 2000) for the first time from 1 July 2001. This had no financial effect in the current or prior financial years.

### (c) Principles of consolidation

#### Controlled entities

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 balances and transactions with or between Qantas and its controlled entities. Outside interests in the equity and results of controlled entities are shown as a separate item in the Qantas Group financial statements.

#### Associates

Associates are those entities, other than partnerships, over which the Qantas Group exercises significant influence and which are not intended for sale in the near future.

Investments in associates are accounted for using the equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The Qantas Group equity accounted share of net profit of associates is recognised in the Statement of Financial Performance from the date significant influence commenced up to the date significant influence ceased.

## 1. Statement of significant accounting policies *continued*

### (d) 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. Equity items are translated at historical rates. The Statement of Financial Performance is 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 the foreign currency translation reserve relating to a controlled entity that is disposed of, or partially 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 specific 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 2002, net deferred losses were \$206.2 million (2001: loss \$329.6 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 AASB 1014 Set-off and Extinguishment of Debt are satisfied.

### (e) Derivative financial instruments

The Qantas Group is subject to foreign currency, interest rate, fuel price and credit 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 accrual 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 33.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the Statement of Financial Performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. When a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains and losses that arose on the hedge prior to its termination are included in the Statement of Financial Performance for the year.



## 1. Statement of significant accounting policies *continued*

### (f) Revenue recognition

#### Passenger, tours and travel and freight sales revenue

Passenger, tours and travel 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, tours and travel and freight sales commissions are treated as a cost of sale. Passenger, tours and travel and freight sales are credited to revenue received in advance and subsequently transferred to revenue when tickets and land content are utilised or freight uplifted.

#### Contract work revenue

Contract work revenue is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably measured.

#### 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.

#### Dividends

Revenue from dividends is recognised when received.

### (g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of 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.

### (h) Taxation

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

Income tax expense is calculated on profit from ordinary activities 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 year 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 jurisdictions where a liability exists. Generally, these taxes are assessed on a formula or percentage of sales basis.

### (i) 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.

## 1. Statement of significant accounting policies *continued*

### (j) Inventories

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.

### (k) Recoverable amount of non-current assets

The carrying amounts of non-current assets valued on the cost basis are reviewed regularly 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. The write-down is expensed in the financial year in which it occurs.

### (l) 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.

#### Associated companies

An associated company is one in which Qantas exercises significant influence, but not control.

### (m) Acquisition of assets

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

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 qualifying assets such as aircraft and the acquisition, construction or production of significant items of other property, plant and equipment are capitalised as part of the cost of the asset to which they relate.

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.

### (n) 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 and amortisation 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. Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. The cost of improvements to assets are amortised over the remaining useful life of the asset or the estimated useful life of the improvement, whichever is the shorter.

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

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

These rates are in line with those for the prior year.

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

## 1. Statement of significant accounting policies *continued*

### (o) Leased and hire purchase assets

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

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, as there is a legal right of set off, and the Statement of Financial Position reflects the net position. Interest received on the debt funding is also offset against borrowing costs. Hire purchase assets are accounted for in the same way as finance leases.

Payments made under operating leases are expensed in the financial year 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.

### (p) Intangible assets

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.

For associates, the financial statements include the carrying amount of goodwill in equity accounted investments.

### (q) 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 accruals 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.

### (r) Frequent flyer accounting

The Qantas Group receives revenue from the sale of frequent flyer points to third parties. This revenue is recognised in the Statement of Financial Performance when it is received. The obligation to provide travel rewards to members of the Qantas Frequent Flyer Program is progressively accrued as points are accumulated. This accrual is based on incremental costs such as meals, fuel and passenger expenses to provide the travel rewards. The accrual is reduced as members redeem awards or their entitlements expire.

### (s) 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 oncosts 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 liabilities for employee entitlements, consideration has been given to future increases in wage and salary rates and experience with staff turnover. Related oncosts have also been included in the liability.

## 1. Statement of significant accounting policies *continued*

### (s) Employee entitlements *continued*

#### 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 28.

#### 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 19. 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.

### (t) Provisions

A provision is recognised when a legal or constructive 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 and redundancy

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

### (u) 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. 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.

### (v) 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.

### (w) Segment information

Segment information is provided in note 36.

#### Business segments

The Qantas Group operates predominantly in three business segments, being Aircraft Operations, Tours and Travel, and Catering.

#### Geographical segments

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

#### Segmental analysis of net assets and profit contribution

For the financial year ended 30 June 2002, 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 from international and domestic airline and subsidiary operations (refer note 36).

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

### (x) Earnings per share

Basic 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 37).

Diluted earnings per share is calculated after taking into account the number of ordinary shares to be issued for no consideration in relation to dilutive potential ordinary shares.

## 1. Statement of significant accounting policies *continued*

### (y) Statements of cash flows

For the purposes of the Statements of Cash Flows, cash includes cash on hand, cash at bank and money market investments readily convertible to cash, net of outstanding bank overdrafts and short-term cash borrowings (refer note 39).

### (z) 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 that necessarily take a substantial period of time 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 7.2 per cent per annum (2001: 7.8 per cent) in the current year. During the year, borrowing costs totalling \$77.0 million (2001: \$13.0 million) were capitalised into the cost of qualifying assets.

### (aa) Expenditure carried forward

Material items of expenditure are deferred to the extent that management considers 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. Items such as guarantee fees, bank fees and other fees associated with the establishment of lending facilities are capitalised as borrowing costs. Expenditure carried forward is amortised over the life of the relevant loan term. The amount of expenditure deferred in the Qantas Group Statement of Financial Position at 30 June 2002 is \$25.1 million (2001: \$12.3 million).

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$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	–	–	63.7	65.3
– associates	84.8	77.1	79.6	72.7
– other related parties	31.9	26.8	15.4	12.1
Other parties	11,205.6	10,023.4	9,579.5	8,666.9
Dividend revenue				
Related parties				
– controlled entities	–	–	–	684.4
– associates	–	60.9	2.5	23.3
Other parties	0.3	–	0.3	–
<b>Sales and operating revenue</b>	<b>11,322.6</b>	<b>10,188.2</b>	<b>9,741.0</b>	<b>9,524.7</b>
<b>Revenue from outside operating activities</b>				
Interest revenue				
Related parties				
– controlled entities	–	–	3.3	2.6
Other parties	69.3	69.0	53.1	53.9
Proceeds from sale of property, plant and equipment	12.7	16.4	11.6	11.5
Proceeds from sale of investments	39.3	–	37.5	–
Proceeds from sale and leaseback of property, plant and equipment	–	147.5	–	147.5
<b>Total revenue</b>	<b>11,443.9</b>	<b>10,421.1</b>	<b>9,846.5</b>	<b>9,740.2</b>

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	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>3. Profit from ordinary activities before related income tax expense</b>				
(a) Profit from ordinary activities before related income tax expense has been arrived at after charging/(crediting) the following items:				
Borrowing costs				
Related parties				
– controlled entities	–	–	13.9	23.4
Other parties				
– finance charges on capitalised leases	63.7	85.0	60.3	75.8
	63.7	85.0	74.2	99.2
Other borrowing costs	53.9	82.7	47.3	82.7
Borrowing costs	117.6	167.7	121.5	181.9
Depreciation				
Buildings	10.0	6.6	3.2	3.2
Plant and equipment	139.1	132.6	109.2	85.8
Aircraft and engines	224.8	206.3	200.8	184.3
Aircraft spare parts	72.5	92.5	70.3	91.0
Amortisation				
Leasehold improvements	40.3	46.5	22.6	17.7
Leasehold buildings	1.6	1.6	0.9	0.9
Leased plant and equipment	0.4	0.3	–	–
Leased aircraft and engines	191.3	217.1	159.8	180.8
Leased aircraft spare parts	1.8	0.2	1.8	–
Goodwill	11.7	3.0	–	–
Net foreign currency loss/(gain)	35.6	(75.3)	34.4	(68.5)
Profit on sale of aircraft, engines and spares	(2.7)	(2.8)	(2.8)	(2.7)
Profit on sale of property, plant and equipment	(1.9)	(44.3)	(1.8)	(37.9)
Profit on sale of investments	(31.2)	–	(17.3)	–
Amounts set aside to provisions				
Doubtful debts	28.2	14.8	28.2	14.5
Employee entitlements	28.4	69.7	20.6	58.2
Staff redundancy costs	41.5	35.7	41.3	35.7
Insurance	2.9	26.1	2.1	25.4
Operating lease charges				
Non-cancellable operating leases	255.7	181.8	199.1	132.5
Cancellable operating leases	140.5	124.7	139.4	124.2
Capacity hire – aircraft	499.9	220.2	422.7	137.8
(b) Individually significant items included in profit from ordinary activities before related income tax expense (benefit/(expense)):				
Profit on the sale of an investment in EQUANT NV*	31.2	–	17.3	–
Provision for redundancy costs**	(41.5)	(35.0)	(41.3)	(35.0)
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
Dividends received related to assets sold by an associated company	–	31.8	–	15.9
Change in accounting policy for software development costs	–	46.0	–	46.0

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

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for the year ended 30 June 2002

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>4. Income tax</b>				
The prima facie income tax on profit from ordinary activities differs from the income tax charged in the Statement of Financial Performance and is calculated as follows:				
Profit from ordinary activities	631.0	597.1	312.7	1,019.3
Prima facie income tax expense at 30% (2001: 34%) on profit from ordinary activities	189.3	203.1	93.8	346.6
(Less)/add adjustments for:				
Non-assessable income				
Deferred lease benefits	–	(0.1)	–	(0.1)
Rebatable/exempt dividend income	(3.7)	(22.9)	–	(240.0)
Other non-assessable income	(0.4)	(12.2)	–	(15.4)
Non-deductible expenditure				
Depreciation on buildings	0.8	1.3	0.8	0.9
Amortisation of lease residual values	3.2	15.5	3.2	15.5
Other non-deductible expenditure	15.4	15.7	4.1	19.8
Other assessable/(deductible) items	0.5	(4.4)	5.7	31.2
(Over)/under provision in prior years	(3.4)	1.4	(29.3)	49.2
	201.7	197.4	78.3	207.7
Individually significant income tax item				
Restatement of deferred tax balances due to change in company tax rate	–	(20.0)	–	(17.4)
<b>Income tax expense relating to ordinary activities</b>	<b>201.7</b>	<b>177.4</b>	<b>78.3</b>	<b>190.3</b>
Comprising:				
Australian income tax expense	198.9	172.1	78.3	187.7
Overseas income tax expense	2.8	5.3	–	2.6
	201.7	177.4	78.3	190.3
The income tax expense represents:				
Provision for income tax				
Australia	158.7	124.1	63.0	36.1
Overseas	3.4	5.3	2.0	3.7
Group tax loss transfers	–	(3.2)	(2.9)	(10.9)
Provision for deferred income tax	45.2	(22.5)	41.6	61.8
Future income tax benefit	(2.2)	72.3	3.9	50.4
Under/(over) provision in prior years	(3.4)	1.4	(29.3)	49.2
	201.7	177.4	78.3	190.3
The provision for deferred income tax is reduced by future income tax benefits attributable to tax losses to the amount of	0.4	0.1	–	–

Future income tax benefit and provision for deferred income tax comprises the estimated future benefit/expense at the applicable rate of 30% (2001: 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;
- 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.



## 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.

	Qantas	
	2002 Number	2001 Number
The number of Directors of Qantas whose remuneration from Qantas or any related party falls within the following bands:		
\$ \$		
0 – 9,999	1	2
30,000 – 39,999	1	1
40,000 – 49,999	–	1
50,000 – 59,999	–	2
80,000 – 89,999	1	–
90,000 – 99,999	1	1
100,000 – 109,999	1	2
110,000 – 119,999	3	1
120,000 – 129,999	–	1
130,000 – 139,999	–	1
150,000 – 159,999	1	–
160,000 – 169,999	–	1
290,000 – 299,999	–	1
360,000 – 369,999	1	–
530,000 – 539,999	–	1
600,000 – 609,999	–	1
1,160,000 – 1,169,999	–	1
1,420,000 – 1,429,999	1	–
1,470,000 – 1,479,999	–	1
2,450,000 – 2,459,999	1	–
<b>Total Directors</b>	<b>12</b>	<b>18</b>

	Qantas Group		Qantas	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Total remuneration paid or payable, or otherwise made available to all Directors of Qantas from Qantas or related parties (includes Directors' fees of \$0.917 million (2001: \$0.867 million))			5,061	5,111
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 \$0.917 million (2001: \$0.867 million))	8,027	7,347		

## 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 expiry of the relevant senior executive's service contract, 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.

These entitlements may vest and be convertible to shares between three and five years following award date, conditional on the executive remaining a Qantas Group employee and on the achievement of specific performance hurdles set by the Board. These hurdles are set by reference to the percentile performance of Qantas (based upon average relative total shareholder return) within a modified S&P ASX 200 Index and within an international airline "peer group".

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

In addition, the service contracts of certain Executive Directors and senior executives provide 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.

### Definition of executive

Approximately 3,500 (2001: 3,000) 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 and 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, the achievement of performance targets for bonus purposes, changes in organisational structure and inclusion of retirement and resignation payments where applicable.

Executive remuneration for the current year includes cash performance bonuses which are payable due to the achievement of predetermined profit objectives. No bonus was payable in the prior year as performance targets were not met.

## 6. Executives' remuneration *continued*

The number of executives of Qantas and of controlled entities whose remuneration from Qantas, entities in the Qantas Group or related parties falls within the following bands:

	Qantas Group		Qantas	
	2002 Number	2001 Number	2002 Number	2001 Number
\$ \$				
100,000 – 109,999	1	–	1	–
120,000 – 129,999	–	1	–	1
130,000 – 139,999	2	1	2	1
140,000 – 149,999	–	3	–	3
150,000 – 159,999	3	1	2	1
160,000 – 169,999	1	6	1	4
170,000 – 179,999	2	9	2	7
180,000 – 189,999	7	5	6	5
190,000 – 199,999	7	11	6	10
200,000 – 209,999	8	13	8	12
210,000 – 219,999	4	8	4	7
220,000 – 229,999	9	5	7	5
230,000 – 239,999	9	9	8	8
240,000 – 249,999	13	4	12	3
250,000 – 259,999	10	3	9	3
260,000 – 269,999	6	–	6	–
270,000 – 279,999	3	3	3	2
280,000 – 289,999	6	2	6	2
290,000 – 299,999	9	2	8	2
300,000 – 309,999	3	1	2	1
310,000 – 319,999	2	–	2	–
320,000 – 329,999	1	–	1	–
330,000 – 339,999	5	2	5	2
340,000 – 349,999	–	2	–	2
350,000 – 359,999	3	1	3	1
360,000 – 369,999	1	–	1	–
370,000 – 379,999	2	–	2	–
380,000 – 389,999	3	7	3	7
390,000 – 399,999	2	3	2	3
400,000 – 409,999	–	4	–	4
410,000 – 419,999	5	1	4	1
420,000 – 429,999	1	–	1	–
430,000 – 439,999	1	2	1	2
440,000 – 449,999	4	–	4	–
450,000 – 459,999	–	2	–	2
460,000 – 469,999	1	1	1	1
470,000 – 479,999	1	–	1	–
490,000 – 499,999	1	–	1	–
500,000 – 509,999	1	–	1	–
510,000 – 519,999	1	–	1	–
520,000 – 529,999	2	–	2	–
530,000 – 539,999	–	2	–	2
550,000 – 559,999	1	–	1	–
560,000 – 569,999	1	–	1	–

## 6. Executives' remuneration *continued*

	Qantas Group		Qantas	
	2002	2001	2002	2001
\$ \$				
600,000 – 609,999	–	1	–	1
620,000 – 629,999	1	–	1	–
630,000 – 639,999	1	1	1	1
640,000 – 649,999	–	1	–	1
750,000 – 759,999	1	–	1	–
780,000 – 789,999	1	–	1	–
810,000 – 819,999	1	–	1	–
830,000 – 839,999	1	–	1	–
920,000 – 929,999	1	–	1	–
1,010,000 – 1,019,999	2	–	2	–
1,020,000 – 1,029,999	1	–	1	–
1,160,000 – 1,169,999	–	1	–	1
1,170,000 – 1,179,999	1	–	1	–
1,340,000 – 1,349,999	1	–	1	–
1,420,000 – 1,429,999	1	–	1	–
1,470,000 – 1,479,999	–	1	–	1
1,880,000 – 1,889,999	1	–	1	–
2,450,000 – 2,459,999	1	–	1	–
3,650,000 – 3,659,999	1	–	1	–
<b>Total executives</b>	<b>158</b>	<b>119</b>	<b>147</b>	<b>109</b>

	Qantas Group		Qantas	
	2002 \$000	2001 \$000	2002 \$000	2001 \$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	<b>60,559</b>	33,618	<b>57,831</b>	31,560
<b>7. Auditors' remuneration</b>				
Audit services:				
Auditors of Qantas – KPMG	<b>1,135</b>	1,065	<b>866</b>	813
Other services:				
Auditors of Qantas – KPMG				
Other audit work	<b>394</b>	928	<b>301</b>	853
Financial reporting assistance	<b>47</b>	24	–	–
Due diligence	<b>779</b>	980	<b>779</b>	980
Tax advice	<b>596</b>	559	<b>551</b>	559
Secondments*	<b>2,161</b>	554	<b>1,480</b>	554
KPMG related practices	<b>3,977</b>	3,045	<b>3,111</b>	2,946
Consultancy	–	505	–	505
	<b>3,977</b>	3,550	<b>3,111</b>	3,451
<b>Total fees paid to KPMG</b>	<b>5,112</b>	4,615	<b>3,977</b>	4,264

\* 2002 amount for the Qantas Group includes \$1.5 million relating to user acceptance testing.

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>8. Cash</b>				
<b>Current</b>				
Cash on hand	3.9	4.7	3.9	4.7
Cash at bank	22.1	82.1	(15.9)	53.1
Cash at call	86.5	58.7	86.5	58.7
	<b>112.5</b>	<b>145.5</b>	<b>74.5</b>	<b>116.5</b>
<b>9. Receivables</b>				
<b>Current</b>				
Trade debtors	1,280.9	1,094.6	1,223.0	1,040.0
Less: provision for doubtful debts	30.7	31.1	26.7	29.0
	<b>1,250.2</b>	<b>1,063.5</b>	<b>1,196.3</b>	<b>1,011.0</b>
Trade debtors				
Related parties				
– controlled entities	–	–	99.9	79.9
– associated companies	24.1	16.5	24.1	16.4
– other related parties	72.4	73.4	71.3	73.2
	<b>96.5</b>	<b>89.9</b>	<b>195.3</b>	<b>169.5</b>
Loans owing from				
Related parties				
– controlled entities	–	–	176.7	276.1
– associated companies	–	0.2	–	–
Other parties	–	15.0	–	15.0
Short-term money market securities and term deposits	672.7	113.7	672.7	113.7
Aircraft security deposits	214.8	138.2	172.1	135.5
Sundry debtors				
Related parties				
– controlled entities	–	–	0.8	0.5
Other parties	152.4	75.7	137.8	66.6
	<b>2,386.6</b>	<b>1,496.2</b>	<b>2,551.7</b>	<b>1,787.9</b>
<b>Non-current</b>				
Loans owing from				
Related parties				
– controlled entities	–	–	1,506.5	207.7
– associated companies	–	67.0	–	–
Other parties	19.0	20.0	–	–
Bills of exchange	–	4.3	–	4.3
Aircraft security deposits	194.2	399.4	194.0	367.8
Sundry debtors				
Other parties	26.8	79.2	18.1	70.6
	<b>240.0</b>	<b>569.9</b>	<b>1,718.6</b>	<b>650.4</b>

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

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	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>10. Inventories</b>				
<b>Current</b>				
At cost				
Engineering expendables	296.2	251.3	270.6	236.6
Consumable stores	44.0	45.3	35.2	42.2
Work in progress	42.3	33.8	33.8	25.6
	<b>382.5</b>	<b>330.4</b>	<b>339.6</b>	<b>304.4</b>
At net realisable value				
Aircraft spare parts held for sale	2.9	2.5	2.9	2.5
	<b>385.4</b>	<b>332.9</b>	<b>342.5</b>	<b>306.9</b>
<b>11. Other investments</b>				
<b>Non-current</b>				
Unlisted investments				
Controlled entities at cost (refer note 29)	–	–	331.7	331.7
Associated companies at cost (refer note 31)	–	–	31.0	31.0
Other corporations at cost	15.6	14.0	8.9	10.1
	<b>15.6</b>	<b>14.0</b>	<b>371.6</b>	<b>372.8</b>
<b>12. Other assets</b>				
<b>Current</b>				
Advances, prepayments and other deposits	103.1	81.6	48.9	21.6
Other	70.4	61.1	66.0	58.4
	<b>173.5</b>	<b>142.7</b>	<b>114.9</b>	<b>80.0</b>
<b>Non-current</b>				
Expenditure carried forward	25.1	12.3	24.6	10.9
Other	3.2	4.1	1.4	2.3
	<b>28.3</b>	<b>16.4</b>	<b>26.0</b>	<b>13.2</b>

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>13. Property, plant and equipment</b>				
<b>Non-current</b>				
<b>Freehold land – owned</b>				
At cost	59.4	58.2	47.2	47.4
	59.4	58.2	47.2	47.4
<b>Buildings – owned</b>				
At cost	114.7	99.4	69.6	69.0
Less: accumulated depreciation	51.5	43.8	40.0	37.3
	63.2	55.6	29.6	31.7
<b>Buildings – leased</b>				
At cost	60.9	51.3	29.0	29.0
Less: accumulated amortisation	33.4	31.6	16.1	15.2
	27.5	19.7	12.9	13.8
Total buildings at cost	175.6	150.7	98.6	98.0
Less: accumulated depreciation and amortisation	84.9	75.4	56.1	52.5
	90.7	75.3	42.5	45.5
<b>Leasehold improvements</b>				
At cost	1,209.2	1,110.4	623.5	526.3
Less: accumulated amortisation	644.6	572.0	326.6	279.1
	564.6	538.4	296.9	247.2
<b>Plant and equipment – owned</b>				
At cost	1,407.5	1,229.9	1,020.0	793.3
Less: accumulated depreciation	861.4	766.3	544.2	456.5
	546.1	463.6	475.8	336.8
<b>Plant and equipment – leased</b>				
At cost	7.0	5.2	–	–
Less: accumulated amortisation	5.1	3.2	–	–
	1.9	2.0	–	–
Total plant and equipment at cost	1,414.5	1,235.1	1,020.0	793.3
Less: accumulated depreciation and amortisation	866.5	769.5	544.2	456.5
	548.0	465.6	475.8	336.8



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	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>13. Property, plant and equipment</b> <i>continued</i>				
<b>Aircraft and engines – owned</b>				
At cost	4,773.6	3,451.2	4,219.9	2,982.0
Less: accumulated depreciation	2,102.9	1,541.0	1,926.6	1,390.8
	2,670.7	1,910.2	2,293.3	1,591.2
<b>Aircraft and engines – hire purchased</b>				
At cost	3,541.4	3,700.7	3,332.1	3,501.8
Less: accumulated amortisation	742.3	952.5	651.8	880.1
	2,799.1	2,748.2	2,680.3	2,621.7
<b>Aircraft and engines – leased</b>				
At cost	1,145.4	1,173.7	774.4	799.0
Less: accumulated amortisation	450.9	408.0	279.0	254.9
	694.5	765.7	495.4	544.1
Total aircraft and engines at cost	9,460.4	8,325.6	8,326.4	7,282.8
Less: accumulated depreciation and amortisation	3,296.1	2,901.5	2,857.4	2,525.8
	6,164.3	5,424.1	5,469.0	4,757.0
<b>Aircraft spare parts – owned</b>				
At cost	643.2	538.4	578.6	517.8
Less: accumulated depreciation	320.9	269.6	306.1	260.5
	322.3	268.8	272.5	257.3
<b>Aircraft spare parts – leased</b>				
At cost	8.1	3.8	4.3	–
Less: accumulated amortisation	2.5	2.2	–	–
	5.6	1.6	4.3	–
Total aircraft spare parts at cost	651.3	542.2	582.9	517.8
Less: accumulated depreciation and amortisation	323.4	271.8	306.1	260.5
	327.9	270.4	276.8	257.3
<b>Manufacturers' deposits</b>				
Progress payments at cost	1,354.6	492.4	314.5	492.3
Total property, plant and equipment at cost	14,325.0	11,914.6	11,013.1	9,757.9
Less: accumulated depreciation and amortisation	5,215.5	4,590.2	4,090.4	3,574.4
	9,109.5	7,324.4	6,922.7	6,183.5

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	Opening Written Down Value	Additions	Disposals	Transfers	Depreci- ation	Other*	Closing Written Down Value
Qantas Group	2001 \$M	2002 \$M	2002 \$M	2002 \$M	2002 \$M	2002 \$M	2002 \$M
<b>13. Property, plant and equipment</b> <i>continued</i>							
<b>Reconciliations</b>							
<b>Freehold land – owned</b>	58.2	–	(0.2)	1.4	–	–	59.4
Buildings – owned	55.6	–	(0.2)	11.2	(10.0)	6.6	63.2
Buildings – leased	19.7	–	–	–	(1.6)	9.4	27.5
<b>Total buildings</b>	75.3	–	(0.2)	11.2	(11.6)	16.0	90.7
<b>Leasehold improvements</b>	538.4	66.4	(0.2)	(0.9)	(40.3)	1.2	564.6
Plant and equipment – owned	463.6	255.2	(5.7)	(5.7)	(139.1)	(22.2)	546.1
Plant and equipment – leased	2.0	0.4	–	–	(0.4)	(0.1)	1.9
<b>Total plant and equipment</b>	465.6	255.6	(5.7)	(5.7)	(139.5)	(22.3)	548.0
Aircraft and engines – owned	1,910.2	216.0	–	770.4	(224.8)	(1.1)	2,670.7
Aircraft and engines – hire purchased	2,748.2	–	–	183.5	(137.2)	4.6	2,799.1
Aircraft and engines – leased	765.7	–	–	(17.2)	(54.1)	0.1	694.5
<b>Total aircraft and engines</b>	5,424.1	216.0	–	936.7	(416.1)	3.6	6,164.3
Aircraft spare parts – owned	268.8	167.0	(1.2)	9.3	(72.5)	(49.1)	322.3
Aircraft spare parts – leased	1.6	4.3	–	–	(1.8)	1.5	5.6
<b>Total aircraft spare parts</b>	270.4	171.3	(1.2)	9.3	(74.3)	(47.6)	327.9
Manufacturers' deposits	492.4	1,754.1	–	(952.0)	–	60.1	1,354.6
<b>Total property, plant and equipment</b>	7,324.4	2,463.4	(7.5)	–	(681.8)	11.0	9,109.5

\* Other for the Qantas Group includes assets acquired as part of the acquisition of the Impulse Group, transfers to inventory and interest capitalised in manufacturers' deposits.

Qantas	2001 \$M	2002 \$M	2002 \$M	2002 \$M	2002 \$M	2002 \$M	2002 \$M
<b>Reconciliations</b>							
<b>Freehold land – owned</b>	47.4	–	(0.2)	–	–	–	47.2
Buildings – owned	31.7	–	(0.2)	1.1	(3.2)	0.2	29.6
Buildings – leased	13.8	–	–	–	(0.9)	–	12.9
<b>Total buildings</b>	45.5	–	(0.2)	1.1	(4.1)	0.2	42.5
<b>Leasehold improvements</b>	247.2	63.5	–	8.7	(22.6)	0.1	296.9
Plant and equipment – owned	336.8	238.6	(5.5)	42.3	(109.2)	(27.2)	475.8
<b>Total plant and equipment</b>	336.8	238.6	(5.5)	42.3	(109.2)	(27.2)	475.8
Aircraft and engines – owned	1,591.2	134.8	–	766.5	(200.8)	1.6	2,293.3
Aircraft and engines – hire purchased	2,621.7	–	–	183.5	(124.4)	(0.5)	2,680.3
Aircraft and engines – leased	544.1	–	–	(13.3)	(35.4)	–	495.4
<b>Total aircraft and engines</b>	4,757.0	134.8	–	936.7	(360.6)	1.1	5,469.0
Aircraft spare parts – owned	257.3	162.7	(0.7)	9.3	(70.3)	(85.8)	272.5
Aircraft spare parts – leased	–	4.3	–	–	(1.8)	1.8	4.3
<b>Total aircraft spare parts</b>	257.3	167.0	(0.7)	9.3	(72.1)	(84.0)	276.8
Manufacturers' deposits	492.3	713.7	–	(952.0)	–	60.5	314.5
<b>Total property, plant and equipment</b>	6,183.5	1,317.6	(6.6)	46.1	(568.6)	(49.3)	6,922.7

\* Other for Qantas includes transfers to inventory and interest capitalised in manufacturers' deposits.

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	Opening Written Down Value	Additions	Disposals	Transfers	Depreci- ation	Other*	Closing Written Down Value
Qantas Group	2000 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M
<b>13. Property, plant and equipment</b> <i>continued</i>							
<b>Reconciliations</b>							
<b>Freehold land – owned</b>	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>	153.5	–	(98.3)	(2.1)	(8.2)	30.4	75.3
<b>Leasehold improvements</b>	546.2	46.0	(0.2)	9.9	(46.5)	(17.0)	538.4
Plant and equipment – owned	388.3	152.2	(10.3)	31.4	(132.6)	34.6	463.6
Plant and equipment – leased	2.3	1.1	–	(0.7)	(0.3)	(0.4)	2.0
<b>Total plant and equipment</b>	390.6	153.3	(10.3)	30.7	(132.9)	34.2	465.6
Aircraft and engines – owned	1,593.8	205.0	(8.5)	327.6	(206.3)	(1.4)	1,910.2
Aircraft and engines – hire purchased	3,041.0	–	–	(141.9)	(149.6)	(1.3)	2,748.2
Aircraft and engines – leased	1,017.7	–	–	(183.2)	(67.5)	(1.3)	765.7
<b>Total aircraft and engines</b>	5,652.5	205.0	(8.5)	2.5	(423.4)	(4.0)	5,424.1
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>	235.8	165.1	(0.1)	(41.0)	(92.7)	3.3	270.4
Manufacturers' deposits	66.3	426.1	–	–	–	–	492.4
<b>Total property, plant and equipment</b>	7,108.7	995.5	(129.3)	–	(703.7)	53.2	7,324.4

\* Other for the Qantas Group 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 software costs.

Qantas	2000 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M	2001 \$M
<b>Reconciliations</b>							
<b>Freehold land – owned</b>	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>	49.2	–	(76.1)	76.5	(4.1)	–	45.5
<b>Leasehold improvements</b>	230.8	25.4	(0.5)	9.0	(17.7)	0.2	247.2
Plant and equipment – owned	263.2	115.3	(7.5)	31.4	(85.8)	20.2	336.8
<b>Total plant and equipment</b>	263.2	115.3	(7.5)	31.4	(85.8)	20.2	336.8
Aircraft and engines – owned	1,280.1	260.6	–	234.7	(184.3)	0.1	1,591.2
Aircraft and engines – hire purchased	2,941.1	–	–	(177.1)	(142.2)	(0.1)	2,621.7
Aircraft and engines – leased	544.3	–	–	40.6	(38.6)	(2.2)	544.1
<b>Total aircraft and engines</b>	4,765.5	260.6	–	98.2	(365.1)	(2.2)	4,757.0
Aircraft spare parts – owned	224.9	161.6	–	(40.9)	(91.0)	2.7	257.3
<b>Total aircraft spare parts</b>	224.9	161.6	–	(40.9)	(91.0)	2.7	257.3
Manufacturers' deposits	66.1	426.2	–	–	–	–	492.3
<b>Total property, plant and equipment</b>	5,658.7	989.1	(95.7)	174.2	(563.7)	20.9	6,183.5

\* Other for Qantas includes the capitalisation of software costs.

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>13. Property, plant and equipment</b> <i>continued</i>				
<b>Properties</b>				
<b>Recent valuations</b>				
Freehold land and buildings based on independent valuations undertaken within three years of balance date	<b>207.5</b>	162.4	<b>144.3</b>	127.0

#### Recent valuations

Independent valuations of property and aircraft assets (excluding aircraft spare parts) were obtained as at 30 June 2002.

The 2002 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 2002 independent valuation of aircraft and 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:

	2002			2001		
	Valuation Amount \$M	Carrying Amount \$M	Excess \$M	Valuation Amount \$M	Carrying Amount \$M	Excess \$M
<b>Asset class</b>						
Freehold land and buildings	207.5	122.6	84.9	162.4	113.8	48.6
Leasehold buildings and improvements	727.4	592.1	135.3	697.9	558.1	139.8
Aircraft and engines	6,839.6	6,164.3	675.3	7,134.3	5,424.1	1,710.2
	<b>7,774.5</b>	<b>6,879.0</b>	<b>895.5</b>	<b>7,994.6</b>	<b>6,096.0</b>	<b>1,898.6</b>

All valuations were performed primarily on a desktop "sight unseen" basis. 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 valuations of aircraft and engines were expressed in United States dollars and converted to their Australian dollar equivalents based on an exchange rate of 0.56388 as at 30 June 2002 (2001: 0.52352). The valuations of aircraft and engines were performed using the underlying economic value in an open, unrestricted, stable market.

#### 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	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>14. Intangible assets</b>				
<b>Non-current</b>				
Goodwill at cost	<b>180.0</b>	28.8	–	–
Less: accumulated amortisation	<b>19.0</b>	7.3	–	–
	<b>161.0</b>	21.5	–	–

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>15. Payables</b>				
<b>Current</b>				
Trade creditors				
Related parties				
– controlled entities	–	–	67.5	80.1
– associated companies	6.4	12.5	6.4	12.5
– other related parties	119.2	97.7	119.2	97.7
Other parties	1,791.2	1,591.2	1,659.4	1,480.4
	1,916.8	1,701.4	1,852.5	1,670.7
Other creditors and accruals				
Related parties				
– controlled entities	–	–	14.0	6.4
Other parties	248.7	197.8	132.9	114.5
Unredeemed frequent flyer liability	216.8	149.9	216.8	149.9
	2,382.3	2,049.1	2,216.2	1,941.5
<b>Non-current</b>				
Other creditors and accruals	33.7	–	33.7	–

Redeemed frequent flyer revenue passenger kilometres as a percentage of available seat kilometres was 5.7 per cent for the financial year (2001: 4.4 per cent). Redeemed frequent flyer revenue passenger kilometres as a percentage of revenue passenger kilometres for the financial year was 7.3 per cent (2001: 5.8 per cent). The number of passenger flight segments redeemed by frequent flyers during the year was 2.5 million (2001: 2.3 million).

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>16. Interest bearing liabilities</b>				
<b>Current</b>				
Bank loans				
– secured	35.7	–	12.3	–
– unsecured	–	367.6	–	367.6
Other loans				
Related parties – unsecured				
– controlled entities	–	–	397.3	193.1
– associated companies	11.6	18.7	11.6	18.7
Other parties				
– secured	4.2	6.0	–	–
– unsecured	310.4	19.5	310.3	19.5
Lease residual values	19.4	336.5	19.4	336.5
Finance lease and hire purchase liabilities (refer note 24)	455.7	226.4	416.2	199.5
	837.0	974.7	1,167.1	1,134.9

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>16. Interest bearing liabilities</b> <i>continued</i>				
<b>Non-current</b>				
Bank loans				
– secured	586.5	–	212.6	–
– unsecured	1,400.0	–	1,400.0	–
Other loans				
Related parties – unsecured				
– controlled entities	–	–	166.1	166.1
Other parties				
– secured	–	1.2	–	–
– unsecured	940.7	1,222.8	940.7	1,222.8
Lease residual values	–	16.3	–	16.3
Finance lease and hire purchase liabilities (refer note 24)	642.7	1,115.3	990.7	930.2
	<b>3,569.9</b>	<b>2,355.6</b>	<b>3,710.1</b>	<b>2,335.4</b>
Certain current and non-current loans relate to specific financings of aircraft and engines and are secured by the aircraft to which they relate.				
<b>17. Provisions</b>				
<b>Current</b>				
Dividends (refer note 35)	140.9	118.9	140.7	117.8
Employee entitlements (refer note 34)				
– annual leave	303.5	297.4	265.8	260.3
– long service leave	34.9	29.6	28.9	23.8
Staff redundancy costs (refer note 34)	5.9	28.9	1.4	25.1
Under recovery of rentals on sub-let premises	8.4	10.5	6.6	4.3
Insurance and other	32.2	27.5	21.8	22.1
	<b>525.8</b>	<b>512.8</b>	<b>465.2</b>	<b>453.4</b>
<b>Non-current</b>				
Employee entitlements (refer note 34)				
– long service leave	278.1	290.2	252.4	261.5
Under recovery of rentals on sub-let premises	22.0	26.4	21.6	26.4
Insurance	50.9	43.8	44.1	36.8
	<b>351.0</b>	<b>360.4</b>	<b>318.1</b>	<b>324.7</b>
<b>18. Current tax liabilities</b>				
Income tax				
– Australia	76.8	(13.2)	33.1	(47.3)
– overseas	1.1	4.4	(1.2)	1.6
	<b>77.9</b>	<b>(8.8)</b>	<b>31.9</b>	<b>(45.7)</b>

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	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>19. Contributed equity</b>				
Issued and paid up capital 1,563,858,757 (2001: 1,308,612,512) ordinary shares, fully paid	<b>2,946.6</b>	2,173.0	<b>2,946.6</b>	2,173.0

Movements in the share capital of Qantas during the financial year were as follows:

Date	Details	Number of Shares	
		M	\$M
30 June 2001	Opening balance	<b>1,308.6</b>	<b>2,173.0</b>
3 October 2001	Dividend Reinvestment Plan	<b>21.7</b>	<b>68.4</b>
25 October 2001	Institutional Equity Placement	<b>149.5</b>	<b>456.1</b>
	Incidental costs associated with equity placement	–	(11.1)
7 December 2001	Qantas Profitshare Scheme issue	<b>3.5</b>	–
10 December 2001	Shareholder Equity Placement	<b>68.2</b>	<b>207.7</b>
10 April 2002	Dividend Reinvestment Plan	<b>12.4</b>	<b>52.5</b>
<b>30 June 2002</b>	<b>Closing balance</b>	<b>1,563.9</b>	<b>2,946.6</b>

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, Qantas 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 7 December 2001, \$500 worth (subject to rounding) of fully paid bonus shares were issued to 27,961 employees, resulting in 126 shares being granted to each participating employee at an average price at date of issue of \$3.95.

### 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.



## 19. Contributed equity *continued*

Entitlements not converted to shares within eight years of award will expire. Total entitlements outstanding as at 30 June 2002 under the Plan are as follows:

Expiry Date	Exercise Price	Number of Entitlements <sup>2,3</sup>	
	\$	2002	2001
17 November 2007	4.99	5,901,500	8,115,500
24 November 2008	3.44	30,590,000	35,250,000
24 November 2008	3.62	760,000	760,000
6 December 2009 <sup>1</sup>	3.25	350,000	–
<b>Total entitlements outstanding</b>		<b>37,601,500</b>	<b>44,125,500</b>

1 These entitlements were granted during the financial year. No entitlements have been granted since the end of the financial year.

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

3 The market price of Qantas shares at 30 June 2002 was \$4.60 (30 June 2001: \$3.50).

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>20. Reserves</b>				
Asset revaluation reserve	55.5	52.6	82.9	82.9
Foreign currency translation reserve	0.8	1.7	–	–
	<b>56.3</b>	<b>54.3</b>	<b>82.9</b>	<b>82.9</b>
<b>Movements in reserves</b>				
<b>Asset revaluation reserve</b>				
Balance at the beginning of the financial year	52.6	52.6	82.9	82.9
Increase on using the equity method for investments in associates	2.9	–	–	–
<b>Balance at the end of the financial year</b>	<b>55.5</b>	<b>52.6</b>	<b>82.9</b>	<b>82.9</b>
<b>Foreign currency translation reserve</b>				
Balance at the beginning of the financial year	1.7	1.4	–	–
Net exchange differences relating to self-sustaining foreign operations	(0.9)	0.3	–	–
<b>Balance at the end of the financial year</b>	<b>0.8</b>	<b>1.7</b>	<b>–</b>	<b>–</b>

### Nature and purpose of reserve

#### Asset revaluation reserve

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value in accordance with AASB 1041 in prior financial years. An amount for the Qantas Group of \$52.6 million (2001: \$52.6 million) (Qantas: \$52.6 million (2001: \$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 translation 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 Qantas' 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(d).

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>21. Retained profits</b>				
Retained profits at the beginning of the year	1,078.0	926.8	729.9	162.8
Net profit attributable to members of the company	428.0	415.4	234.4	829.0
Dividends*	(266.9)	(264.2)	(264.8)	(261.9)
<b>Retained profits at the end of the year</b>	<b>1,239.1</b>	<b>1,078.0</b>	<b>699.5</b>	<b>729.9</b>
* Includes dividends paid to outside equity interests.				
<b>22. Total equity reconciliation</b>				
Total equity at the beginning of the year	3,315.9	2,864.4	2,985.8	2,127.7
Total changes in equity recognised in Statements of Financial Performance	430.0	415.7	234.4	829.0
Contribution of equity	773.6	291.0	773.6	291.0
Dividends	(266.9)	(264.2)	(264.8)	(261.9)
Total changes in outside equity interests	0.9	9.0	-	-
<b>Total equity at the end of the year</b>	<b>4,253.5</b>	<b>3,315.9</b>	<b>3,729.0</b>	<b>2,985.8</b>
<b>23. Outside equity interests</b>				
Ordinary share capital of controlled entities issued to outside equity interests	0.1	0.5	-	-
Outside equity interests in retained profits of controlled entities	11.4	10.1	-	-
	11.5	10.6	-	-
<b>24. 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	1,094.6	1,333.0	1,404.2	1,123.9
Buildings	2.7	7.3	2.7	5.8
Computer and communications equipment	1.1	1.4	-	-
	1,098.4	1,341.7	1,406.9	1,129.7
Payable				
Not later than one year	565.6	366.0	491.0	278.7
Later than one year but not later than five years	553.7	1,071.2	520.1	723.2
Later than five years	346.5	416.7	736.9	380.2
	1,465.8	1,853.9	1,748.0	1,382.1
Less: future lease finance charges	367.4	512.2	341.1	252.4
	1,098.4	1,341.7	1,406.9	1,129.7
Lease liabilities provided for in the financial statements				
Current liability (refer note 16)	455.7	226.4	416.2	199.5
Non-current liability (refer note 16)	642.7	1,115.3	990.7	930.2
<b>Total lease liability</b>	<b>1,098.4</b>	<b>1,341.7</b>	<b>1,406.9</b>	<b>1,129.7</b>

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>25. Operating lease and hire commitments</b>				
Future net operating lease and hire commitments not provided for in the financial statements	<b>2,480.3</b>	2,627.3	<b>1,948.3</b>	2,221.2
Payable				
Not later than one year	<b>455.0</b>	426.3	<b>345.5</b>	361.8
Later than one year but not later than five years	<b>1,278.1</b>	1,259.7	<b>985.3</b>	1,077.1
Later than five years	<b>777.6</b>	978.2	<b>645.7</b>	813.0
	<b>2,510.7</b>	2,664.2	<b>1,976.5</b>	2,251.9
Less: provision for potential under recovery of rentals on unused premises available for sub-lease (refer note 17)	<b>30.4</b>	36.9	<b>28.2</b>	30.7
	<b>2,480.3</b>	2,627.3	<b>1,948.3</b>	2,221.2
Operating lease commitments represent:				
Cancellable operating leases	<b>906.7</b>	914.9	<b>895.3</b>	910.5
Non-cancellable operating leases				
Aircraft leases	<b>1,573.6</b>	1,712.4	<b>1,053.0</b>	1,310.7
	<b>2,480.3</b>	2,627.3	<b>1,948.3</b>	2,221.2
Non-cancellable operating lease commitments, excluding unguaranteed residual payments, not provided for in the financial statements:				
Payable				
Not later than one year	<b>343.9</b>	321.1	<b>236.6</b>	258.5
Later than one year but not later than five years	<b>927.5</b>	913.7	<b>641.0</b>	734.5
Later than five years	<b>302.2</b>	477.6	<b>175.4</b>	317.7
	<b>1,573.6</b>	1,712.4	<b>1,053.0</b>	1,310.7

The Qantas Group lease aircraft, buildings and plant and equipment under finance and operating leases expiring from between one and 10 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 2002, the independent market value of aircraft leased by the Qantas Group using non-cancellable operating leases was \$2,268.0 million (2001: \$2,688.1 million) compared to an implied carrying value of \$1,995.1 million (2001: \$2,118.1 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 0.56388 as at 30 June 2002 (2001: 0.52352). They were performed primarily on a desktop "sight unseen" basis using the underlying economic value in an open, unrestricted, stable market.

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>26. Capital expenditure commitments</b>				
Capital expenditure commitments contracted but not provided for in the financial statements:				
Aircraft	<b>8,750.0</b>	10,234.6	<b>8,665.9</b>	10,150.5
Building works	<b>203.7</b>	86.8	<b>203.7</b>	86.8
Other	<b>516.2</b>	177.9	<b>397.1</b>	75.7
	<b>9,469.9</b>	10,499.3	<b>9,266.7</b>	10,313.0
Payable				
Not later than one year	<b>2,986.7</b>	1,386.7	<b>2,890.7</b>	1,292.8
Later than one year but not later than five years	<b>4,362.1</b>	4,241.3	<b>4,254.9</b>	4,148.9
Later than five years	<b>2,121.1</b>	4,871.3	<b>2,121.1</b>	4,871.3
	<b>9,469.9</b>	10,499.3	<b>9,266.7</b>	10,313.0

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>27. Contingent liabilities</b>				
<b>Related parties</b>				
Guarantees and letters of comfort to support operating lease commitments and other arrangements entered into with other parties by controlled entities	24.8	24.4	24.8	24.4
Guarantees and letters of comfort to support leveraged and operating lease commitments to other parties on behalf of associated companies	0.1	0.1	0.1	0.1
	<b>24.9</b>	<b>24.5</b>	<b>24.9</b>	<b>24.5</b>
<b>Other parties</b>				
General guarantees in the normal course of business	134.2	137.1	134.2	137.1
Contingent liabilities relating to current and threatened litigation	49.8	36.0	49.8	36.0
	<b>184.0</b>	<b>173.1</b>	<b>184.0</b>	<b>173.1</b>
	<b>208.9</b>	<b>197.6</b>	<b>208.9</b>	<b>197.6</b>

#### 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 Honolulu airports. The airlines have jointly and severally agreed to repay any unpaid balance (including interest) of the loans totalling \$294.1 million at 30 June 2002 (2001: \$315.9 million) in the event the agreements are terminated prior to expiry of the loans.

#### Aircraft financing

As part of the financing arrangements for the acquisition of aircraft, the Qantas Group has provided certain guarantees and indemnities to various lenders and equity participants in leveraged lease transactions. 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.

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 2002, total unrealised exchange losses on hedges of net revenue designated to service long-term debt were \$206.2 million (2001: \$329.6 million).

## 28. 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 (and 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, 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:

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

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

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:

Plan	Qantas Group 2002			
	Present Value of Accrued Benefits as at 30/6/1999 <sup>(iii)</sup> \$M	Net Market Value of Plan Assets as at 30/6/2001 <sup>(i)</sup> \$M	Employer Contributions to Plan for Year ended 30/6/2001 <sup>(i)</sup> \$M	Vested Benefits as at 30/6/2001 <sup>(i)</sup> \$M
Qantas Superannuation Plan	3,083.7	4,038.0	112.3	3,516.1
Australian Airlines Flight Engineers' Superannuation Plan <sup>(ii)</sup>	7.0	18.7	–	7.3
<b>Total</b>	<b>3,090.7</b>	<b>4,056.7</b>	<b>112.3</b>	<b>3,523.4</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.

(iii) 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 2001. Accordingly, comparison of accrued benefits as at 30 June 1999 to the net market value of plan assets as at 30 June 2001 is inappropriate due to the different dates.

## 28. Superannuation commitments *continued*

Plan	Qantas Group 2001			
	Present Value of Accrued Benefits as at 30/6/1999 <sup>(i)</sup> \$M	Net Market Value of Plan Assets as at 30/6/2000 \$M	Employer Contributions to Plan for Year ended 30/6/2000 \$M	Vested Benefits as at 30/6/2000 \$M
Qantas Superannuation Plan	3,083.7	3,910.4	135.5	3,255.8
Australian Airlines Flight Engineers' Superannuation Plan <sup>(ii)</sup>	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>

(i) 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 2001. Accordingly, comparison of accrued benefits as at 30 June 1999 to the net market value of plan assets as at 30 June 2001 is inappropriate due to the different dates.

(ii) The last actuarial valuation was undertaken as at 30 June 2000.

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.

	Note	Place of Incorporation	Qantas Group Ownership Interest	
			2002 %	2001 %
<b>29. 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	52.5	52.5
Holiday Tours and Travel Limited (Taiwan)		Taiwan	75	75
Holiday Tours and Travel Limited		Hong Kong	75	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	Australia	100	100
Caterair Airport Services (Sydney) Pty Limited		Australia	51	51
Airport Infrastructure Finance Pty Limited	vii	Australia	100	–
Waruda Holdings Pty Limited	iv	Australia	100	100
Cairns Wholesale Bakery and Patisserie Pty Limited	iv	Australia	100	100
Asia Pacific Distribution Limited	iv	Australia	100	100

			Qantas Group Ownership Interest	
	Note	Place of Incorporation	2002 %	2001 %
<b>29. Particulars in relation to controlled entities</b> <i>continued</i>				
Qantas Limited	iv	Australia	100	100
Airconnex Pty Limited	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	Australia	100	100
Mitokal Pty Limited	iv	Australia	100	100
VH-OEB Pty Limited	ix	Australia	–	100
Qantas Defence Services Pty Limited	iv	Australia	100	100
Snap Fresh Pty Limited	iv	Australia	100	100
738 Leasing 1 Pty Limited	i	Australia	100	–
738 Leasing 2 Pty Limited	i	Australia	100	–
QF 738 Leasing 3 Pty Limited	i	Australia	100	–
QF 738 Leasing 4 Pty Limited	i	Australia	100	–
QF 738 Leasing 5 Pty Limited	i	Australia	100	–
QF 738 Leasing 6 Pty Limited	i	Australia	100	–
QF 744 Leasing 1 Pty Limited	i	Australia	100	–
QF 744 Leasing 2 Pty Limited	i	Australia	100	–
QF 744 Leasing 3 Pty Limited	i	Australia	100	–
QF 744 Leasing 4 Pty Limited	i	Australia	100	–
QF 744 Leasing 5 Pty Limited	i	Australia	100	–
QF 744 Leasing 6 Pty Limited	i	Australia	100	–
QF A332 Leasing 1 Pty Limited	i	Australia	100	–
QF A332 Leasing 2 Pty Limited	i	Australia	100	–
QF A332 Leasing 3 Pty Limited	i	Australia	100	–
QF A332 Leasing 4 Pty Limited	i	Australia	100	–
QF A332 Leasing 5 Pty Limited	i	Australia	100	–
QF A332 Leasing 6 Pty Limited	i	Australia	100	–
QF A333 Leasing 1 Pty Limited	i	Australia	100	–
QF A333 Leasing 2 Pty Limited	i	Australia	100	–
QF A338 Leasing 1 Pty Limited	i	Australia	100	–
QF A388 Leasing 2 Pty Limited	i	Australia	100	–
Australian Airlines Limited	i, iv, v	Australia	100	–
Australian Wetleasing Operations Pty Limited	iv, v, viii	Australia	100	–
Jetconnect Limited	i	New Zealand	100	–
AAL Aviation Limited	ii, iv	Australia	100	100
Australian Resorts Pty Limited	ix	Australia	–	100
ACN 009 716 769 Pty Limited	ix	Australia	–	100
ACN 009 864 546 Pty Limited	ix	Australia	–	100
Great Keppel Holdings Pty Limited	ix	Australia	–	100
ACN 009 874 864 Pty Limited	ix	Australia	–	100
ACN 009 842 719 Pty Limited	ix	Australia	–	100
Star Handling Services Pty Limited	iv	Australia	100	100
Australian Airlines Express Courier Pty Limited	iv	Australia	100	100
Tysentle Pty Limited	ix	Australia	–	100
ARANS Superannuation Pty Limited		Australia	100	100
AAPA Superannuation Pty Limited	ix	Australia	–	100



notes to the financial statements  
for the year ended 30 June 2002

			Qantas Group Ownership Interest	
	Note	Place of Incorporation	2002 %	2001 %
<b>29. Particulars in relation to controlled entities</b> <i>continued</i>				
AAFE Superannuation Pty Limited		Australia	100	100
AAG Superannuation Pty Limited	ix	Australia	–	100
AAFA Superannuation Pty Limited	ix	Australia	–	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
Impulse Airlines Holdings Pty Limited	iv, v, vi	Australia	100	25
Impulse Airlines Australia Pty Limited	iv, v, vi	Australia	100	25
Impulse Airlines Pty Limited	iv, v, vi	Australia	100	25
Impulse Communications Pty Limited	iv, v, vi	Australia	100	25
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	ix	Australia	–	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
oneworld 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 place of incorporation, with the exception of Qantas Limited, which also carries on business in Taiwan.

All controlled entities required to be audited 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 30 April 1988 as Australian Airlines Limited. Changed its name to AAL Aviation Limited on 18 February 2002.

iii Voluntary liquidation pending.

iv Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, these controlled entities listed above are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports.

v Became a party to the Deed of Cross Guarantee on 17 June 2002, by virtue of a Deed of Assumption.

vi Interests in these companies were acquired on 21 November 2001 for purchase consideration of \$26.0 million. This resulted in goodwill on acquisition of \$150.8 million.

vii Interest in this company was acquired on 9 July 2001. The transaction was immaterial to the results.

viii Interest in this company was acquired on 28 April 2002. The transaction was immaterial to the results.

ix Voluntary deregistration during the year.

### 30. Deed of cross guarantee

It is a condition of the Class Order that Qantas and each of the controlled entities in the Class Order enter into a Deed of Cross Guarantee. The effect of the Deed is that Qantas guarantees to each creditor payment in full of any debt in the event of 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, Qantas will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that Qantas is wound up.

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

A consolidated Statement of Financial Performance and consolidated Statement of Financial Position, comprising Qantas 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 2002 is set out below:

	Consolidated	
	2002 \$M	2001 \$M
<b>Statement of financial performance</b>		
Profit from ordinary activities before related income tax expense	640.4	593.9
Income tax expense relating to ordinary activities	(196.9)	(174.2)
Net profit	443.5	419.7
Outside equity interests in net profit	(1.2)	(4.2)
Net profit attributable to members of the company	442.3	415.5
Retained profits at beginning of year	1,065.1	916.0
Dividends provided for or paid	(266.9)	(264.1)
<b>Retained profits at the end of financial year</b>	<b>1,240.5</b>	<b>1,067.4</b>
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash	90.5	131.1
Receivables	2,394.9	1,496.1
Net receivables under hedge/swap contracts	697.7	241.5
Inventories	385.4	332.6
Other	172.0	130.7
<b>Total current assets</b>	<b>3,740.5</b>	<b>2,332.0</b>
<b>Non-current assets</b>		
Receivables	1,383.4	569.9
Net receivables under hedge/swap contracts	1,398.0	2,135.3
Investments accounted for using the equity method	57.9	42.1
Other investments	22.9	23.0
Property, plant and equipment	8,066.5	7,321.9
Intangible assets	161.0	21.5
Deferred tax assets	33.6	30.3
Other	26.8	14.6
<b>Total non-current assets</b>	<b>11,150.1</b>	<b>10,158.6</b>
<b>Total assets</b>	<b>14,890.6</b>	<b>12,490.6</b>

notes to the financial statements  
for the year ended 30 June 2002

	Consolidated	
	2002 \$M	2001 \$M
<b>30. Deed of cross guarantee</b> <i>continued</i>		
<b>Current liabilities</b>		
Payables	2,375.6	2,039.6
Interest bearing liabilities	1,313.1	981.7
Net payables under hedge/swap contracts	430.8	257.9
Provisions	524.6	512.1
Current tax liabilities	75.6	(11.8)
Revenue received in advance	1,283.0	1,184.5
Deferred lease benefits/income	42.4	39.8
<b>Total current liabilities</b>	<b>6,045.1</b>	<b>5,003.8</b>
<b>Non-current liabilities</b>		
Payables	33.7	–
Interest bearing liabilities	3,196.0	2,355.6
Net payables under hedge/swap contracts	150.8	576.7
Provisions	350.2	360.0
Deferred tax liabilities	524.7	496.1
Deferred lease benefits/income	329.0	381.6
Other	7.5	14.0
<b>Total non-current liabilities</b>	<b>4,591.9</b>	<b>4,184.0</b>
<b>Total liabilities</b>	<b>10,637.0</b>	<b>9,187.8</b>
<b>Net assets</b>	<b>4,253.6</b>	<b>3,302.8</b>
<b>Equity</b>		
Contributed equity	2,946.6	2,173.0
Reserves	55.2	52.0
Retained profits	1,240.5	1,067.4
Equity attributable to members of the company	4,242.3	3,292.4
Outside equity interests in controlled entities	11.3	10.4
<b>Total equity</b>	<b>4,253.6</b>	<b>3,302.8</b>

### 31. Investments accounted for using the equity method

Details of interests in associates are as follows:

	Principal Activities	Country of Incorporation	Balance Date	Ownership Interest				Amount of Investment			
				Qantas Group		Qantas		Qantas Group		Qantas	
				2002 %	2001 %	2002 %	2001 %	2002 \$M	2001 \$M	2002 \$M	2001 \$M
Air Pacific Limited	Air transport	Fiji	31 Mar	46.3	46.1	46.3	46.1	32.8	29.4	29.4	29.4
Australian air Express Pty Limited	Air cargo	Australia	30 Jun	50.0	50.0	–	–	8.4	–	–	–
Harvey Holidays Pty Ltd	Tours and travel	Australia	30 Jun	50.0	50.0	50.0	50.0	0.3	0.4	0.4	0.4
Hallmark Aviation Services LP	Passenger handling services	USA	31 Dec	49.0	49.0	49.0	49.0	2.1	0.1	0.1	0.1
Holiday Tours and Travel (Thailand) Limited	Tours and travel	Thailand	31 Dec	36.8	36.8	–	–	1.2	0.1	–	–
Impulse Airlines Pty Limited*	Air transport	Australia	30 Jun	n/a	25.0	n/a	–	n/a	10.0	n/a	–
Jupiter Air Oceania Limited	Freight services	Australia	31 Dec	47.6	47.6	47.6	47.6	0.1	0.1	0.1	0.1
TET Limited	Tours and travel	Thailand	31 Dec	36.8	36.8	–	–	0.2	0.2	–	–
Travel Industries Automated Systems Pty Limited	Reservation systems	Australia	30 Jun	50.0	50.0	50.0	25.0	13.6	2.1	1.0	1.0
								58.7	42.4	31.0	31.0

\* Impulse Airlines Pty Limited became a 100% owned subsidiary of the Qantas Group on 21 November 2001.

In prior years the equity accounting adjustment for associates has not been material. In the current year this adjustment became material and was as follows:

	Qantas Group	
	2002 \$M	2001 \$M
<b>Results of associates</b>		
Share of associates' profit from ordinary activities before related income tax expense	27.7	–
Share of associates' income tax expense relating to ordinary activities	(9.7)	–
Share of associates net profit as disclosed by associates	18.0	–
Adjustments:		
Adjustments on initial recognition	18.1	–
<b>Share of net profit of associates' accounted for using the equity method</b>	<b>36.1</b>	<b>–</b>
<b>Share of post-acquisition retained profits and reserves attributable to associates</b>		
<i>Retained profits</i>		
Share of associates' retained profits at beginning of year	–	–
Share of net profit of associates' accounted for using the equity method	36.1	–
Dividends from associates	(12.8)	–
Share of associates' retained profits at end of year	23.3	–
<i>Asset Revaluation Reserve</i>		
Share of associates' asset revaluation reserve at beginning of year	–	–
Share of increments in asset revaluation reserve of associates	2.9	–
<b>Share of associates' asset revaluation reserve at end of year</b>	<b>2.9</b>	<b>–</b>

### 31. Investments accounted for using the equity method continued

	Qantas Group	
	2002 \$M	2001 \$M
<b>Movements in carrying amount of investments in associates</b>		
Carrying amount of investments in associates at beginning of year	42.4	33.1
Investments in associates acquired during the year	–	9.3
Investment in associates which became a controlled entity during the year	(10.0)	–
Share of net profit of associates'	36.1	–
Dividends received from associates	(12.7)	–
	55.8	42.4
Share of increment in associates' asset revaluation reserves	2.9	–
<b>Carrying amount of investments in associates at end of year</b>	<b>58.7</b>	<b>42.4</b>
<b>Summary financial position of associates</b>		
The Qantas Group's share of aggregate assets and liabilities of associates is as follows:		
Current assets	108.4	–
Non-current assets	125.0	–
Total assets	233.4	–
Current liabilities	83.5	–
Non-current liabilities	88.3	–
Total liabilities	171.8	–
Net assets – as report by associates	61.6	–
Adjustments arising from equity accounting:	–	–
Goodwill (net of amortisation)	4.0	–
Other adjustments	(6.9)	–
<b>Net assets – equity accounting adjusted</b>	<b>58.7</b>	<b>–</b>

### 32. Unhedged foreign currency balances

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

	Qantas Group 2002					Qantas Group 2001				
	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	–	–	(0.7)	–	(0.7)	–	–	(1.3)	–	(1.3)
United States dollars	114.7	1.1	(119.8)	(7.1)	(11.1)	58.2	113.7	(55.8)	(125.9)	(9.8)
UK pounds	–	–	(2.3)	–	(2.3)	–	–	(4.6)	–	(4.6)
New Zealand dollars	–	–	(0.6)	–	(0.6)	–	–	(0.8)	–	(0.8)
	114.7	1.1	(123.4)	(7.1)	(14.7)	58.2	113.7	(62.5)	(125.9)	(16.5)
<b>Controlled entities</b>										
Japanese yen	–	–	(0.3)	–	(0.3)	–	–	(0.2)	–	(0.2)
United States dollars	15.5	0.2	(2.2)	–	13.5	3.5	0.4	(3.2)	–	0.7
UK pounds	–	–	(0.7)	–	(0.7)	–	–	(1.0)	–	(1.0)
New Zealand dollars	–	–	(1.0)	–	(1.0)	–	–	(0.8)	–	(0.8)
Hong Kong dollars	5.0	0.4	(4.3)	–	1.1	2.4	0.3	(3.4)	–	(0.7)
Singapore dollars	14.0	2.5	(5.6)	–	10.9	12.5	2.0	(9.2)	–	5.3
Other currencies	3.1	–	(4.2)	–	(1.1)	2.0	0.1	(8.7)	–	(6.6)
	152.3	4.2	(141.7)	(7.1)	7.7	78.6	116.5	(89.0)	(125.9)	(19.8)

### 33. 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 accrual 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 are set out below.

2002	Notes	Weighted Average Interest Rate (% p.a.)	Floating Rate \$M	Fixed Rate Maturing in:			Non-Interest-Bearing \$M	Total \$M
				Less than 1 Year \$M	1 to 5 Years \$M	More than 5 Years \$M		
<b>Recognised financial assets</b>								
	8	4.59	112.5	-	-	-	-	112.5
	9	-	-	-	-	-	1,346.7	1,346.7
	9	4.76	-	672.7	-	-	-	672.7
	9	6.33	116.1	1.0	216.4	65.1	10.4	409.0
	9	-	-	-	-	-	179.2	179.2
	9	9.20	-	-	19.0	-	-	19.0
		-	80.9	393.9	9.8	823.3	-	1,307.9
			309.5	1,067.6	245.2	888.4	1,536.3	4,047.0
<b>Recognised financial liabilities</b>								
	15	-	-	-	-	-	1,916.8	1,916.8
	15	-	-	-	-	-	282.4	282.4
	16	3.02	-	35.7	168.6	417.9	-	622.2
	16	4.40	500.0	-	900.0	-	-	1,400.0
	16	4.97	4.2	-	-	-	-	4.2
	16	7.92	11.6	310.4	320.0	620.7	-	1,262.7
	16	9.36	-	19.4	-	-	-	19.4
	16	7.70	322.2	264.7	176.4	335.1	-	1,098.4
	17	-	-	-	-	-	140.9	140.9
	18	-	-	-	-	-	77.9	77.9
			838.0	630.2	1,565.0	1,373.7	2,418.0	6,824.9
<b>Unrecognised financial liabilities</b>								
		-	570.2	(395.2)	-	(175.0)	-	-
			1,408.2	235.0	1,565.0	1,198.7	2,418.0	6,824.9

(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.

### 33. Financial instruments *continued*

2001	Notes	Weighted Average Interest Rate (% p.a.)	Floating Rate \$M	Fixed Rate Maturing in:			Non-Interest-Bearing \$M	Total \$M
				Less than 1 Year \$M	1 to 5 Years \$M	More than 5 Years \$M		
<b>Recognised financial assets</b>								
	8	5.00	145.5	–	–	–	–	145.5
	9	–	–	–	–	–	1,153.4	1,153.4
	9	5.05	–	113.7	4.3	–	–	118.0
	9	6.75	136.1	112.9	227.5	61.1	–	537.6
	9	–	–	–	–	–	154.9	154.9
	9	5.80	–	–	–	102.2	–	102.2
		–	(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>								
	15	–	–	–	–	–	1,701.4	1,701.4
	15	–	–	–	–	–	197.8	197.8
	16	6.60	100.0	267.6	–	–	–	367.6
	16	6.59	–	6.0	1.2	–	–	7.2
	16	7.77	18.7	19.4	534.3	688.6	–	1,261.0
	16	10.93	–	335.8	17.0	–	–	352.8
	16	8.07	390.4	176.8	417.3	357.2	–	1,341.7
	17	–	–	–	–	–	118.9	118.9
	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>								
		–	518.1	(245.4)	(97.7)	(175.0)	–	–
			1,027.2	560.2	872.1	870.8	2,009.3	5,339.6

(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 10 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.

### 33. 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 per cent of estimated fuel costs out to 12 months may be hedged and up to 50 per cent in the subsequent 12 months, with any hedging outside these parameters requiring approval by the Board of Directors. During the year, the net loss from fuel hedging was \$75.9 million (2001: \$406.0 million gain).

#### (d) Deferred gains/losses on hedges of anticipated future transactions

Any unrealised gains/losses on contracts entered into to hedge anticipated specific 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 2002, the amount of deferred or unrecognised losses on hedges of net revenue designated to service long-term debt is \$206.2 million (2001: loss \$329.6 million). As at 30 June 2002, the amount of deferred losses on other hedges totalled \$109.2 million (2001: gain \$49.6 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 receivable counterparties – the credit risk is the recognised amount, net of any provision for doubtful debts. As at 30 June 2002, this amounted to \$1,346.7 million (2001: \$1,153.4 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 2002, the credit risk of the Qantas Group to other financial asset counterparties amounted to \$5,301.8 million (2001: \$5,021.9 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.



### 33. 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	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>Recognised financial instruments</b>				
<b>Financial assets</b>				
Cash	112.5	145.5	112.5	145.5
Trade debtors	1,346.7	1,153.4	1,346.7	1,153.4
Short-term money market securities, term deposits and bills of exchange	672.7	118.0	674.8	118.3
Aircraft security deposits	409.0	537.6	434.6	622.1
Sundry debtors	179.2	154.9	179.2	154.9
Loans receivable	19.0	102.2	19.0	102.2
Net receivables under hedge/swap contracts	1,307.9	1,212.6	1,464.8	1,456.9
	<b>4,047.0</b>	<b>3,424.2</b>	<b>4,231.6</b>	<b>3,753.3</b>
<b>Financial liabilities</b>				
Trade creditors	1,916.8	1,701.4	1,916.8	1,701.4
Other creditors and accruals	282.4	197.8	282.4	197.8
Bank loans – secured	622.2	–	614.9	–
Bank loans – unsecured	1,400.0	367.6	1,407.8	372.0
Other loans – secured	4.2	7.2	4.2	7.2
Other loans – unsecured	1,262.7	1,261.0	1,401.9	1,339.4
Lease residual values	19.4	352.8	20.9	393.8
Finance lease and hire purchase liabilities	1,098.4	1,341.7	1,152.2	1,479.1
Provision for dividends	140.9	118.9	140.9	118.9
Current tax liabilities	77.9	(8.8)	77.9	(8.8)
	<b>6,824.9</b>	<b>5,339.6</b>	<b>7,019.9</b>	<b>5,600.8</b>
<b>Net financial liabilities</b>	<b>(2,777.9)</b>	<b>(1,915.4)</b>	<b>(2,788.3)</b>	<b>(1,847.5)</b>
<b>Unrecognised financial instruments</b>				
<b>Financial assets</b>				
Forward contracts			–	1.6
Option contracts			12.5	86.0
			<b>12.5</b>	<b>87.6</b>
<b>Financial liabilities</b>				
Forward contracts			(63.6)	–
Interest rate swaps			(4.8)	(3.7)
			<b>(68.4)</b>	<b>(3.7)</b>

	Qantas Group Carrying Amount	
	2002 \$M	2001 \$M
<b>33. Financial instruments</b> <i>continued</i>		
(f) Net fair value <i>continued</i>		
<b>Reconciliation of net financial liabilities to net assets</b>		
Net financial liabilities as disclosed above	(2,777.9)	(1,915.4)
<b>Non-financial assets</b>		
Net deferred losses under hedge contracts	206.2	329.6
Inventories	385.4	332.9
Investments accounted for using the equity method	58.7	42.4
Other investments	15.6	14.0
Property, plant and equipment	9,109.5	7,324.4
Intangible assets	161.0	21.5
Advances, prepayments and other deposits	103.1	81.6
Deferred tax assets	34.7	30.9
Expenditure carried forward	25.1	12.3
Other assets	73.6	65.2
<b>Non-financial liabilities</b>		
Unredeemed frequent flyer liability	(216.8)	(149.9)
Other provisions	(735.9)	(754.3)
Revenue received in advance	(1,285.2)	(1,187.8)
Deferred lease benefits/income	(371.4)	(421.4)
Deferred tax liabilities	(524.7)	(496.1)
Other liabilities	(7.5)	(14.0)
<b>Net assets per statement of financial position</b>	<b>4,253.5</b>	<b>3,315.9</b>

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>34. Employee entitlements</b>				
Employee entitlement liabilities				
Provisions for employee entitlements				
Current (refer note 17)	338.4	327.0	294.7	284.1
Non-current (refer note 17)	278.1	290.2	252.4	261.5
Staff redundancy costs				
Current (refer note 17)	5.9	28.9	1.4	25.1
	<b>622.4</b>	<b>646.1</b>	<b>548.5</b>	<b>570.7</b>
Number of employees	<b>33,044</b>	31,632	<b>26,768</b>	25,604

### 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 28.

### 35. Dividends

Dividends paid or proposed by Qantas are:

Type	Cents per Share	Total Amount \$M	Date of Payment	Tax Rate for Franking Credit %	Percentage Franked %
<b>2002</b>					
Interim ordinary	8.0	124.1	10 April 2002	30	100
Final ordinary	9.0	140.7	2 October 2002	30	100
	<b>17.0</b>	<b>264.8</b>			
<b>2001</b>					
Interim ordinary	11.0	141.5	4 April 2001	34	100
Final ordinary	9.0	117.8	3 October 2001	30	100
	<b>20.0</b>	<b>259.3</b>			

Dividend franking account	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
Total franking account balance at 30 per cent (2001: 30 per cent)	<b>407.1</b>	241.4	<b>39.9</b>	144.0

The above amount represents the balance of the franking accounts as at year end, 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;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and
- (d) franking credits that may be prevented from being distributed in subsequent years.

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

From 1 July 2002, the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than on after tax profits.

As a result, the "franking credits available" for the Qantas Group were converted from \$407.1 million to \$174.5 million as at 1 July 2002.

This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

### 36. Segment information

Qantas operates predominantly in three business segments, being Aircraft Operations, Tours and Travel, and Catering.

Aircraft Operations – operation of aircraft for passenger and freight services.

Tours and Travel – sale of packaged holidays.

Catering – production and distribution of meals.

	Aircraft Operations		Tours and Travel		Catering		Eliminations		Consolidated	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M	2002 \$M	2001 \$M	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>Analysis by business segments</b>										
<b>Revenue</b>										
External segment revenue	10,494.1	9,436.5	674.4	604.3	154.1	147.4	–	–	11,322.6	10,188.2
Inter-segment revenue	29.1	271.1	451.7	424.3	335.9	306.4	(816.7)	(1,001.8)	–	–
<b>Total segment revenue</b>	<b>10,523.2</b>	<b>9,707.6</b>	<b>1,126.1</b>	<b>1,028.6</b>	<b>490.0</b>	<b>453.8</b>	<b>(816.7)</b>	<b>(1,001.8)</b>	<b>11,322.6</b>	<b>10,188.2</b>
Segment result	477.1	490.1	49.2	44.5	68.6	62.5	–	–	594.9	597.1
Share of net profit of associates	35.4	–	0.7	–	–	–	–	–	36.1	–
Profit from ordinary activities before related income tax expense									631.0	597.1
Income tax expense relating to ordinary activities									(201.7)	(177.4)
<b>Net profit</b>									<b>429.3</b>	<b>419.7</b>
Depreciation and amortisation	680.7	696.5	1.8	1.9	11.0	8.3	–	–	693.5	706.7
Non-cash items	(45.8)	68.7	(1.6)	0.2	(1.8)	(19.0)	–	–	(49.2)	49.9
<b>Individually significant items</b>										
Profit on the sale of an investment in EQUANT NV	31.2	–	–	–	–	–	–	–	31.2	–
Provision for redundancy costs	(41.5)	(35.0)	–	–	–	–	–	–	(41.5)	(35.0)
Profit on sale of Mascot Head Office land and buildings	–	41.2	–	–	–	–	–	–	–	41.2
Revenue relating to assets sold by an associated company	–	43.3	–	–	–	–	–	–	–	43.3
Dividends received related to assets sold by an associated company	–	31.8	–	–	–	–	–	–	–	31.8
Change in accounting policy for software development costs	–	46.0	–	–	–	–	–	–	–	46.0
<b>Assets</b>										
Segment assets	14,342.9	12,166.8	307.7	227.9	176.7	131.9	(84.5)	(55.4)	14,742.8	12,471.2
Equity accounted investments	57.6	42.1	1.1	0.3	–	–	–	–	58.7	42.4
<b>Consolidated total assets</b>	<b>14,400.5</b>	<b>12,208.9</b>	<b>308.8</b>	<b>228.2</b>	<b>176.7</b>	<b>131.9</b>	<b>(84.5)</b>	<b>(55.4)</b>	<b>14,801.5</b>	<b>12,513.6</b>
<b>Liabilities</b>										
<b>Consolidated total liabilities</b>	<b>10,442.0</b>	<b>9,014.7</b>	<b>254.4</b>	<b>207.7</b>	<b>117.2</b>	<b>124.4</b>	<b>(265.6)</b>	<b>(149.1)</b>	<b>10,548.0</b>	<b>9,197.7</b>
Acquisition of non-current assets	2,445.8	984.8	2.3	2.6	15.3	8.1	–	–	2,463.4	995.5

### 36. Segment information *continued*

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

	Qantas Group	
	2002 \$M	2001 \$M
<b>Analysis of total revenue by geographic region</b>		
Passenger, freight and other services revenue		
Australia	6,232.8	4,788.9
United Kingdom and Europe	942.6	1,003.3
Japan	735.3	761.6
South-East Asia/North-East Asia	736.9	830.8
The Americas and the Pacific	901.1	989.9
Other regions	462.1	392.6
	<b>10,010.8</b>	<b>8,767.1</b>
Other operating revenue		
Tours and travel revenue	674.4	604.3
Other unallocated revenue	637.4	816.8
	<b>11,322.6</b>	<b>10,188.2</b>
<b>Sales and operating revenue</b>	<b>11,322.6</b>	<b>10,188.2</b>
Revenue from outside operating activities		
Interest revenue	69.3	69.0
Proceeds from sale of property, plant and equipment	12.7	16.4
Proceeds from sale of investments	39.3	–
Proceeds from sale and leaseback of property, plant and equipment	–	147.5
	<b>121.3</b>	<b>232.9</b>
<b>Total revenue from outside operating activities</b>	<b>121.3</b>	<b>232.9</b>
<b>Total revenue</b>	<b>11,443.9</b>	<b>10,421.1</b>

### Segmental analysis of net assets and profit contribution

For the financial year ended 30 June 2002, 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 contributed by the international and domestic airline operations and subsidiary operations.

	Qantas Group	
	2002 \$M	2001 \$M
<b>Segmental analysis of earnings before interest and tax</b>		
Earnings before interest and tax		
International airline operations	202.8	458.7
Domestic airline operations	298.2	127.4
	<b>501.0</b>	<b>586.1</b>
Subsidiary operations		
Qantas Holidays Group	42.4	33.5
QantasLink Group	42.5	6.4
Qantas Flight Catering Group	69.6	54.3
Other subsidiaries	23.8	15.5
	<b>178.3</b>	<b>109.7</b>
<b>Total subsidiary operations</b>	<b>178.3</b>	<b>109.7</b>
<b>Earnings before interest and tax</b>	<b>679.3</b>	<b>695.8</b>

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

	Qantas Group	
	2002 Cents	2001 Cents
<b>37. Earnings per share</b>		
Basic earnings per share based on net profit attributable to members of the company	29.1	33.0
Diluted earnings per share based on net profit attributable to members of the company	28.9	32.6

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

	Qantas Group	
	Number M	Number M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,469.4	1,258.5
Weighted average number of ordinary shares used in the calculation of diluted earnings per share*	1,481.9	1,273.2

\* Includes the effect of 37.6 million Executive Entitlements, which has a dilutive earning per share impact of 12.5 million ordinary shares.

### 38. Events subsequent to balance date

On 21 August 2002, Qantas announced its intention to raise up to \$800 million of ordinary equity through an entitlement offer to existing shareholders to support its capital expenditure program and help fund other potential investment opportunities that may arise.

The funds will be raised by way of a non-renounceable entitlement offer made in two parts, an institutional entitlement offer of \$600 million and a retail entitlement offer of \$200 million. Qualifying shareholders will be entitled to subscribe for a pro-rata entitlement of 1 ordinary share for every 8.2 ordinary shares held, at an issue price of \$4.20 per share. The institutional component and \$100 million of the retail component of the offer have been underwritten.

The institutional entitlement offer was successfully completed on 23 August 2002. Qantas will allocate shares to participating institutions on 5 September 2002.

A prospectus for the retail entitlement offer is scheduled to be dispatched to qualifying shareholders by 6 September 2002 to allow those shareholders to subscribe for ordinary shares. The retail entitlement offer is scheduled to open on 9 September 2002 and close on 27 September 2002.

Other than the abovementioned, 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	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>39. Notes to the statements of cash flows</b>				
<b>Reconciliation of cash</b>				
For the purpose of the Statements of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts				
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	26.0	86.8	(12.0)	57.8
Cash at call	86.5	58.7	86.5	58.7
Short-term money market securities and term deposits	672.7	113.7	672.7	113.7
Other current loans	-	-	(397.3)	(193.1)
	<b>785.2</b>	<b>259.2</b>	<b>349.9</b>	<b>37.1</b>
<b>Reconciliation of net profit to net cash provided by operating activities</b>				
Profit from ordinary activities before related income tax expense	631.0	597.1	312.7	1,019.3
Add/(less) non-cash items:				
Amortisation and depreciation	693.5	706.7	568.6	563.7
Profit on sale of non-current assets	(35.8)	(47.1)	(21.9)	(40.6)
Net other items	(13.9)	98.7	443.4	(4.8)
Net cash provided by operating activities before changes in assets and liabilities	<b>1,274.8</b>	<b>1,355.4</b>	<b>1,302.8</b>	<b>1,537.6</b>
Changes in assets and liabilities:				
Increase in trade/sundry receivables	(294.2)	(238.4)	(267.0)	(237.9)
Decrease/(increase) in inventories	22.9	(135.8)	39.9	(204.7)
Increase in other assets	(171.7)	(36.3)	(20.3)	(43.0)
(Increase)/decrease in prepayments	(21.5)	3.3	(27.3)	4.1
Decrease in bills of exchange and aircraft security deposits	95.2	97.4	55.1	95.6
(Decrease)/increase in net receivables/payables under hedge/swap contracts	(61.4)	131.3	(61.7)	131.0
Increase in trade/other payables	366.9	180.0	303.6	146.1
Increase/(decrease) in revenue received in advance	97.4	6.0	76.0	(2.3)
Decrease in deferred lease benefits/income and other liabilities	(56.6)	(96.4)	(45.5)	(88.4)
(Decrease)/increase in provisions	(18.4)	67.4	(17.7)	43.9
(Decrease)/increase in deferred tax liabilities	(90.1)	(233.2)	11.8	(121.8)
<b>Net cash provided by operating activities</b>	<b>1,143.3</b>	<b>1,100.7</b>	<b>1,349.7</b>	<b>1,260.2</b>

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>39. Notes to the statements of cash flows</b> <i>continued</i>				
<b>Entities acquired during the year</b>				
Consideration	26.0	–	–	–
Cash acquired	(3.6)	–	–	–
	22.4	–	–	–
<b>Fair value of net assets of entity acquired</b>				
Property, plant and equipment	53.3	–	0.1	–
Deferred tax assets	2.4	–	0.2	–
Cash	3.6	–	–	–
Inventories	5.0	–	–	–
Receivables	9.8	–	1.2	–
Bank loans	(82.1)	–	–	–
Payables	(92.5)	–	(1.5)	–
Deferred tax liability	(12.5)	–	–	–
Provision for restructuring	(8.8)	–	–	–
Other provisions	(3.4)	–	–	–
	(125.2)	–	–	–
Goodwill on acquisition	151.2	–	–	–
Consideration cash	26.0	–	–	–

Qantas Airways Limited acquired Australian Wetleasing Operations Pty Limited on 27 April 2002 for a negligible purchase price.

Caterair Airport Services Pty Limited acquired Airport Infrastructure Finance Pty Limited on 10 July 2001 for a negligible purchase price.

Australian Regional Airlines Pty Limited acquired Impulse Airlines Holdings Limited and its controlled entities on 21 November 2001 for a total purchase price of \$26.0 million. As a result of this acquisition, goodwill on acquisition of \$150.8 million has been recognised by the Qantas Group.

### Financing facilities

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



### 39. Notes to the statements of cash flows *continued*

#### Financing facilities *continued*

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

	Qantas Group		Qantas	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
<b>Committed financing facilities</b>				
<b>Bank overdraft</b>				
Facility available	7.0	7.0	7.0	7.0
Loan note facility comprising:				
Syndicated term loan of various maturities				
Facility available	1,400.0	1,400.0	1,400.0	1,400.0
Amount of facility used	1,400.0	300.0	1,400.0	300.0
Amount of facility unused	–	1,100.0	–	1,100.0
Syndicated standby				
Facility available	683.5	700.0	683.5	700.0
Amount of facility used	–	–	–	–
Amount of facility unused	683.5	700.0	683.5	700.0
Bank loan facility				
Facility available	239.4	–	239.4	–
Amount of facility used	–	–	–	–
Amount of facility unused	239.4	–	239.4	–
<b>Commercial paper</b>				
Facility available	1,000.0	700.0	1,000.0	700.0
Amount of facility used	320.0	240.0	320.0	240.0
Amount of facility unused	680.0	460.0	680.0	460.0

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. The bank loan facility has a maturity of 9 January 2004.

### 40. 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
Chief Executive Officer	Geoff Dixon
Chief Financial Officer	Peter Gregg
Non-Executive Directors	Mike Codd, AC Trevor Eastwood, AM Rod Eddington (resigned as a Director 23 November 2001) Jim Kennedy, AO, CBE Trevor Kennedy, AM Roger Maynard John Rishton (ceased to be an alternate Director 23 November 2001) John Schubert Nick Tait.

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

Apart from the details disclosed in this note, no director has entered into a material contract with Qantas or the Qantas Group since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

## 40. Related party transactions *continued*

### 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 2002 are set out below:

	Number Held	
	2002	2001
Qantas Airways Limited ordinary shares, fully paid	312,743	297,880

### Directors' transactions in shares

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 126 shares (2001: 259 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 19.

### 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 exercises significant influence with those corporations nor derives 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 on page 51), 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 29. 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 39) 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 providing a range of administrative and investment services to controlled entities;
- Qantas Information Technology Limited providing computer and communication services to Qantas;
- Qantas Flight Catering Holdings Limited and controlled entities providing airline catering and ground handling services to Qantas;
- QH Tours Limited and controlled entities and Qantas acting as an agent for each other's products;
- Southern Cross Insurances Pte Limited providing insurance services to Qantas; and
- AAL Aviation Limited and controlled entities assisting in the hiring of aircraft capacity.

## 40. Related party transactions *continued*

### Controlled entities *continued*

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

	Qantas	
	2002 \$M	2001 \$M
Sales and operating revenue (refer note 2)	63.7	65.3
Dividends received/receivable (refer note 2)	–	684.4
Interest received/receivable (refer note 2)	3.3	2.6
Borrowing costs paid/payable (refer note 3)	13.9	23.4
Current receivables (refer note 9)	277.4	356.5
Non-current receivables (refer note 9)	1,506.5	207.7
Current payables (refer note 15)	81.5	86.5
Current interest bearing liabilities (refer note 16)	397.3	193.1
Non-current interest bearing liabilities (refer note 16)	166.1	166.1

### Associated companies

Details of interests in associated companies are provided in note 31. Transactions with associated companies are conducted on normal terms and conditions.

Transactions between Qantas and associated companies consisted of:

- Qantas providing ground handling services and performing maintenance and contract work for Air Pacific and Australian air Express;
- Qantas leasing all domestic freight capacity and subletting property to Australian air Express;
- Qantas leasing one Boeing 747-238B aircraft to Air Pacific;
- Qantas codesharing certain Air Pacific services for which it pays capacity hire costs; and
- Australian air Express providing 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	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
Sales and operating revenue (refer note 2)	84.8	77.1	79.6	72.7
Dividends received/receivable (refer note 2)	–	60.9	2.5	23.3
Expenditure	75.4	43.6	75.4	43.6
Current receivables (refer note 9)	24.1	16.7	24.1	16.4
Non-current receivables (refer note 9)	–	67.0	–	–
Current payables (refer note 15)	6.4	12.5	6.4	12.5
Current interest-bearing liabilities (refer note 16)	11.6	18.7	11.6	18.7

## 40. 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.

As a result of Institutional and Shareholder Equity Placements in October and December 2001, British Airways ownership interest in Qantas was reduced to 21.27% as at 30 June 2002.

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 ninth 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	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M
Sales and operating revenue (refer note 2)	31.9	26.8	15.4	12.1
Expenditure	186.8	32.4	182.0	23.5
Current receivables (refer note 9)	72.4	73.4	71.3	73.2
Current payables (refer note 15)	119.2	97.7	119.2	97.7

directors' declaration

1. In the opinion of the Directors of Qantas Airways Limited ("the Company"):
  - (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 2002 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 in Australia 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 29 and 30 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, 2 September 2002



**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 ("the Company") for the financial year ended 30 June 2002, 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 in Australia and statutory requirements 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 2002 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



KPMG



**Mark Epper**

Partner

Sydney, 2 September 2002

## 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  
Website www.qantas.com

### Qantas Share Registry

Level 8  
580 George Street  
Sydney NSW 2000  
Australia

or

Locked Bag A14  
Sydney South NSW 1232  
Australia

Free call 1800 177 747  
International 61 2 8280 7390  
Facsimile 61 2 9261 8489  
Email registry@qantas.com  
Website www.qantas.com

### Stock Exchange

Australian Stock Exchange  
20 Bridge Street  
Sydney NSW 2000  
Australia

### Depository for American Depository Receipts

The Bank of New York  
ADR Division  
22nd floor  
101 Barclay Street  
New York NY 10286  
USA

Telephone 1 212 815 2218  
Facsimile 1 212 815 3050

### General Counsel and Company Secretary

Brett Johnson

## financial calendar

### 2002

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

### 2003

20 February	Half-year result announcement
12 March	Record date for interim dividend
9 April	Interim dividend payable
30 June	Year end
21 August	Preliminary final result announcement
3 September	Record date for final dividend
1 October	Final dividend payable
16 October	Annual General Meeting, Adelaide

### Notice of meeting

The Annual General Meeting of Qantas Airways Limited will be held at 2.00 pm on Thursday, 17 October 2002 in the Grand Ballroom of the Burswood Convention Centre, Perth.

### Financial report

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

