



# FINANCIAL REPORT

**for the year ended 30 June 2002**

QANTAS SUPERANNUATION PLAN

**Financial Report – 30 June 2002**

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**Statement of Net Assets**

As at 30 June 2002

	Notes	2002 \$'000	2001 \$'000
<b>Investments</b>	3		
Australian fixed income securities		103,291	337,535
Overseas fixed income securities		419,987	144,339
Other investments at interest		221,925	302,027
Australian equity investments		1,264,965	1,499,854
Overseas equity investments		894,455	807,778
Real estate properties		16,640	29,815
Investment linked insurance policies		820,793	967,948
<b>Total Investments</b>		<b>3,742,056</b>	<b>4,089,296</b>
<b>Other Assets</b>			
Cash at bank		-	4,122
Property, plant and equipment	5	69	62
Other Receivables and Prepayments		244	186
Deferred Tax Asset	6	10,704	-
Refund Receivable	6	-	15,994
Contributions Receivable		8,714	5,122
<b>Total Other Assets</b>		<b>19,731</b>	<b>25,486</b>
<b>Total Assets</b>		<b>3,761,787</b>	<b>4,114,782</b>
<b>Liabilities</b>			
Bank Overdraft		7,737	-
Deferred Tax Liability	6	-	37,833
Current Provision for Income Tax	6	1,346	-
Benefits payable		83,139	35,380
Sundry creditors		3,545	3,534
<b>Total Liabilities</b>		<b>95,767</b>	<b>76,747</b>
<b>Net Assets available to pay Benefits</b>		<b>3,666,020</b>	<b>4,038,035</b>

*The above statement of net assets should be read in conjunction with the accompanying notes.*

**Statement of Changes in Net Assets**

For the year ended 30 June 2002

	Notes	2002 \$'000	2001 \$'000
<b>Net assets available to pay benefits at the beginning of the financial year</b>		<b>4,038,035</b>	3,910,394
Add:			
<b>Revenue from ordinary activities</b>			
<b>Net investment revenue</b>			
Interest		43,437	45,083
Dividends and trust distributions		72,150	122,485
Other revenue		711	1,139
Changes in net market value of investments	7	(344,415)	59,289
Less: Direct investment expense		(11,945)	(13,215)
		<b>(240,062)</b>	214,781
<b>Contribution revenue</b>			
Employer contributions		121,853	112,297
Members' contributions		69,267	65,928
Transfers from other funds		19,361	15,843
Transfer from Regional Airlines Superannuation Plan	4	18,775	-
		<b>229,256</b>	194,068
<b>Other revenue</b>		-	21
<b>Total revenue from ordinary activities</b>		<b>(10,806)</b>	408,870
Less:			
<b>Expenses from ordinary activities</b>			
Actuarial fees		545	357
Administration expenses		3,130	2,582
Insurance		147	139
Superannuation contributions surcharge	11	5,663	6,966
		<b>9,485</b>	10,044
<b>Benefits Paid</b>			
Exited Members		371,773	231,805
Disabled Members		1,681	1,429
		<b>373,454</b>	233,234
<b>Total expenses from ordinary activities</b>		<b>382,939</b>	243,278
<b>Total revenue less expenses and benefits paid before income tax</b>		<b>(393,745)</b>	165,592
Income tax expense/(benefit)	6	(21,730)	37,951
<b>Total revenue less expenses and benefits paid after income tax</b>		<b>(372,015)</b>	127,641
<b>Net assets available to pay benefits at the end of the financial year</b>		<b>3,666,020</b>	4,038,035

*The above statement of changes in net assets should be read in conjunction with the accompanying notes.*

**Notes to and Forming Part of the Financial Statements**

30 June 2002

**Note 1 Nature of the Fund and Principal Activities**

The Qantas Superannuation Plan is a contributory Plan established for the benefit of eligible Australian based employees of Qantas Airways Limited Group under a Trust Deed dated 1 June 1939 as subsequently amended.

The Plan is as a defined benefit Plan in that the benefit payable to the member is determined, at least in part, by reference to a formula based on years of membership and salary levels.

**Note 2 Summary of Significant Accounting Policies**

This general purpose financial report has been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements, the provisions of the Trust Deed dated 1 June 1939 and amendments thereto and relevant legislative requirements.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

**(a) Investments**

All investments of the Plan are custodially held by Commonwealth Custodial Services Limited. Investments are recorded at net market value at year end which is determined as follows:

- (i) Individual Portfolio Investments are valued at net market value at balance date, as advised by the Custodian.

Changes in the net market value of investments are included in the Statement of Changes in Net Assets in the period in which they occur.

- (ii) Investment Linked Insurance Policies are valued at the present value of the policy as advised by the insurer.

- (iii) Real Estate Properties, independent valuations are obtained from qualified valuers at no more than three yearly intervals.

- (iv) Private Equity Investments are valued according to the most recent valuation obtainable from:

- an independent external valuer;
- a third party arms length transaction;
- the current and future earnings of companies in the portfolio; or
- cost (less any diminution in value).

**(b) Receivables and Revenue Recognition**

Investment revenue and contributions are brought to account on an accruals basis. Dividends on quoted shares are deemed to accrue on the date the dividend is declared. Changes in net market value of assets are recognised in the statement of changes in net assets in the periods in which they occur. Transfers from other funds are brought to account when received.

**(c) Income Tax**

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred tax asset or deferred tax liability accounts at the net rates which are expected to apply when those timing differences reverse.

The Plan continues to be a regulated fund in accordance with the Superannuation Industry (Supervision) Act 1993 and has applied a tax rate of 15% to the taxable income for the year ended 30 June 2002.

**(d) Property, Plant and Equipment**

Property, plant and equipment is stated at cost less depreciation which in the opinion of the Trustee represents a reasonable approximation of the net market value of the items.

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 2 Summary of Significant Accounting Policies (continued)****(e) Depreciation of Property, Plant and Equipment**

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment: 3 to 5 years

**(f) Sundry Debtors and Creditors**

Sundry debtors are recognised at the amounts receivable, which approximate net fair value. Sundry creditors represent liabilities for goods and services provided to the Plan prior to the end of the financial year and which are unpaid. The amounts are unsecured. Sundry debtors and creditors are subject to normal trade credit terms.

**(g) Superannuation Contributions Surcharge**

The Plan's liability in respect of the superannuation contributions surcharge is recognised based on notional surchargeable contributions calculated by the actuary for that period. Further details are provided in Note 11.

**(h) Benefits Payable**

Benefits payable include benefits in respect of members who ceased employment with the employer sponsor prior to year end but had not been paid by that date. Benefits payable also include those members of the Regional Airlines Superannuation Plan who ceased employment with the employer sponsor prior to year end but had not been paid by that date.

**(i) Liability for Accrued Benefits**

The liability for accrued benefits is not included in the statement of net assets, but the liability at the latest measurement date is reported by way of note. Where accrued benefits are measured during the reporting period, the benefits which have accrued since the latest measurement date are also reported by way of note. The liability for accrued benefits is actuarially measured on at least a triennial basis and represents the value of the Plan's present obligations to pay benefits to its members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future payments which arise from membership of the Plan up to the date of measurement.

The present value reported in the notes is determined by reference to expected future salary levels and by application of a current, market-determined, risk adjusted discount rate and appropriate actuarial assumptions.

**(j) Employee Entitlements**

Liabilities for wages and salaries, annual leave and sick leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

**(k) Derivative Financial Instruments**

Derivative financial instruments are entered into by the investment manager to manage risk and adjust the Plan's exposure to particular investment classes. All derivative financial instruments are valued at net market value and are included in the relevant asset category.

**(l) Goods and Services Tax (GST)**

Where applicable GST incurred by the Plan that is not recoverable from the Australian Taxation Office, has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST included in their carrying amounts.

The amount of any GST recoverable from, or payable to, the Australian Taxation Office is included as an asset or liability in the Statement of Net Assets.

**(m) Foreign Currency Translation**

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date investments denominated in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the change in market value of investments for the year and hence the benefits accrued as a result of operations for the year.

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 3 Investments**

At the reporting date all investments are managed on behalf of the Trustee by:

	2002 \$'000	2001 \$'000
<b>Held in managed investment portfolios</b>		
AMP Asset Management Australia Limited	109,561	124,496
Constellation Capital Management Limited	120,638	109,529
Invesco Asset Management Australia Limited	236,834	345,403
UBS Asset Management (Australia) Limited	-	216,337
Colonial Property First State Limited	-	62,540
ING Investment Management Limited	735,230	864,829
Baring Asset Management Limited	357	173,057
Norwich Investment Management Limited	-	108,328
Lazard Asset Management Pacific Co.	256,884	256,825
Maple-Brown Abbott Limited	186,847	273,135
Citigroup Asset Management Australia Limited	185,507	197,690
SeQant Asset Management Pty. Limited	1	1
Commonwealth Custodial Services Limited	83,749	14,119
ME Portfolio Management Limited	5,000	5,012
Harbourvest Partners, LLC	78,768	10,458
State Street Global Advisors Australia Limited	44,656	37,919
Tactical Global Management Limited	45,806	32,605
Merrill Lynch Investment Managers Limited	215,142	289,107
Dresdner RMC Global Investors Australia Limited	153,925	-
Vanguard Investments Australia Limited	138,683	-
Wellington Management Limited	200,130	-
Wellington Management Limited – Equities	123,543	-
	<u>2,921,261</u>	<u>3,121,390</u>
<b>Held in Investment Linked Insurance Policies</b>		
AMP Statutory Fund No 2 Investment Linked Fund	91,798	135,893
MLC Limited	728,997	832,013
	<u>820,795</u>	<u>967,906</u>
	<u>3,742,056</u>	<u>4,089,296</u>

**Note 4 Transfers from Regional Airlines Superannuation Plan**

On 30 June 2002, the Trustees agreed to accept the transfer into the Plan of the Members of the Regional Airlines Superannuation Plan. All assets and liabilities of the Regional Airlines Superannuation Plan were also transferred into the Plan. The Plan has entered into a deed of agreement to pay the outstanding liabilities of the Regional Airlines Superannuation Plan. Details of assets and liabilities transferred from the Regional Airlines Superannuation Plan are:

	\$'000
Credit Suisse PST Capital Growth PST	17,722
Bank Account	1,524
Current Income Tax Liability	(202)
Deferred Income Tax Liability	(38)
GST Paid	2
Contributions Receivable	271
Interest Receivable	14
Benefits Payable	(451)
Accrued Administration Expense	(67)
	<u>18,775</u>

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 5 Property, Plant and Equipment**

	<b>2002</b> \$'000	2001 \$'000
Computer equipment at cost	<b>176</b>	177
Deduct: Accumulated depreciation	<b>(172)</b>	(164)
	<b>4</b>	13
Motor vehicles at cost	<b>114</b>	81
Deduct: Accumulated depreciation	<b>(49)</b>	(32)
	<b>65</b>	49
Total written down value of property, plant and equipment	<b>69</b>	62

**Note 6 Income Tax**

The Plan has received certification from the Australian Prudential Regulation Authority confirming the Plan's complying status and this has not since been revoked. Income tax is assessable at 15% on net investment earnings, employer contributions and capital gains, with deductions allowable for administration and certain other expenses. A reconciliation of income tax expense with revenues and expenses for the year before income tax is set out below:

	<b>2002</b> \$'000	2001 \$'000
Total revenue less expenses before income tax	<b>(393,745)</b>	165,592
Prima facie income tax at 15%	<b>(59,062)</b>	24,839
Tax effect of permanent differences:		
Members' contributions	<b>(10,390)</b>	(9,861)
Non Taxable Transfers In	<b>(2,904)</b>	(2,376)
Transfers from Regional Airlines Superannuation Plan	<b>(2,816)</b>	-
Benefits paid	<b>55,206</b>	33,903
Gross up of franked dividends and foreign tax credits	<b>2,363</b>	3,199
Non-taxable investment income from PSTs and Life Office Policies	<b>(6,747)</b>	(6,555)
Non-taxable capital gains – indexation and concessional tax rate	<b>16,283</b>	13,000
Other non-assessable income	<b>-</b>	(15)
Non-deductible expenses	<b>887</b>	1,045
Prima facie income tax adjusted for permanent differences	<b>(7,180)</b>	57,179
Dividend imputation and other credits	<b>(15,885)</b>	(21,328)
Under/(over) provision in prior year	<b>1,335</b>	2,100
<b>Income tax expense/(benefit)</b>	<b>(21,730)</b>	37,951
The income tax expense comprises:		
Current income tax provision	<b>25,510</b>	31,223
Movement in deferred tax liability/deferred tax asset	<b>(48,537)</b>	4,628
Less transfer of deferred tax liability from Regional Airlines Superannuation Plan	<b>(38)</b>	-
Under/(over) provision in prior year	<b>1,335</b>	2,100
Income tax expense	<b>(21,730)</b>	37,951

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 7 Changes in Net Market Value of Investments**

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
<b>Investments held at year end</b>		
Australian fixed income securities	(130)	(66,677)
Overseas fixed income securities	(5,839)	14,594
Other investment at interest	(1,356)	(5,073)
Investment linked insurance policies	(35,779)	50,162
Australian equity investments	(87,302)	126,501
Overseas equity investments	(116,389)	11,088
Real estate properties	-	(2,888)
	<u>(246,795)</u>	<u>127,707</u>
<b>Investments realised during the year</b>		
Australian fixed income securities	(3,123)	2,155
Overseas fixed income securities	9,703	(8,381)
Other investments at interest	(97)	4
Investment linked insurance policies	(5,752)	-
Australian equity investments	(2,941)	5,643
Overseas equity investments	(96,961)	(67,839)
Real estate properties	1,551	-
	<u>(97,620)</u>	<u>(68,418)</u>
<b>Total changes in net market value of investments</b>	<u>(344,415)</u>	<u>59,289</u>

**Note 8 Vested Benefits**

Vested benefits are benefits which are not conditional upon continued membership of the Plan (or any factor other than resignation from the Plan) and include benefits which members were entitled to receive had they terminated their Plan membership as at the reporting date.

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Vested benefits	<u>3,488,923</u>	<u>3,516,054</u>

Included in the vested benefits of the Plan as at 30 June 2002 are vested benefits of the Regional Airlines Superannuation Plan which were transferred into the Plan on 30 June 2002, amounting to \$18,633,851.

**Note 9 Guaranteed Benefits**

No guarantees have been made in respect of any part of the liability for accrued benefits.

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 10 Funding Arrangements**

The funding policy adopted in respect of the Plan is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. As such, in advising the Trustee on employer and member contribution rates, the actuary has considered the long-term trends in such factors as Plan membership, salary growth and average market value of Plan assets.

The rates of employer and employee contributions vary depending on numerous factors and are explained in full in the Plan's Trust Deed and Rules. Employer contributions have been made at the rates recommended by the actuary.

**Note 11 Superannuation Contributions Surcharge**

The superannuation contributions surcharge is levied on notional surchargeable contributions calculated by the fund's actuary in relation to periods from 21 August 1996 onwards. The Australian Taxation Office (ATO) assesses the amount of the surcharge based upon each member's adjusted taxable income and level of surchargeable contributions and periodically sends grouped assessments to the Plan. The liability to pay the surcharge rests with the holder of the surchargeable contributions at the time the surcharge assessment is received from the ATO.

The surcharge expense included in the statement of changes in net assets comprises:

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Instalments paid for year ended 30 June	<b>7,585</b>	7,134
Amounts received from members	<b>(1,922)</b>	(168)
	<b>5,663</b>	6,966

Any surcharge levied against the Plan is charged to the relevant members' benefits when the assessment is received and agreed. From 1 July 2000, the Plan has accepted payments from members to settle their surcharge liability. The member's benefit is then adjusted for the reduction in their surcharge liability.

No surcharge has been accrued for at 30 June as it is not possible to estimate the amount of the expense and the liability with sufficient reliability for recognition in the financial statements until an assessment is received from the Australian Taxation Office.

**Note 12 Remuneration of Auditors**

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Remuneration for audit of the financial report of the fund:		
Auditor of the fund	<b>71</b>	66
Remuneration for other services:		
Taxation Services	<b>183</b>	172
Staff secondments to assist with accounting tasks	<b>69</b>	104
Other Services	<b>29</b>	16
	<b>352</b>	358

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 13 Member Numbers**

	2002	2002	2001	2001
Members at 1 July		29,278		28,290
Plus members admitted		3,835		3,055
Plus Transfers from Regional Airlines Superannuation Plan		955		-
Less:				
Resignations	1,780		1,464	
Retirements	376		230	
Deaths	21		15	
Retrenchment	487		308	
Ill health	34	(2,698)	50	(2,067)
Members at 30 June		<u>31,370</u>		<u>29,278</u>

The membership is split as follows:

Division 1	2,081	2,446
Division 2	13,380	14,009
Division 3	12,759	10,938
Division 3a	1,197	1,155
Division 4	143	154
Division 5	581	576
Division 7	274	-
Division 10	955	-
	<u>31,370</u>	<u>29,278</u>

**Note 14 Financial Instruments****(a) Use of Derivatives**

The Plan's investment managers may use derivative financial investments to reduce risks in the share, bond and currency markets and to increase or decrease the Plan's exposure to particular investment classes or markets. Derivative financial instruments are included in the associated asset category in the statement of net assets.

At 30 June, the notional amount and net market value of derivatives held by the Plan, was as follows:

30 June 2002	Notional Principal Amounts \$'000	Net market Values \$'000
Australian fixed interest futures	18,581	8
International fixed interest futures	(36,888)	165
Australian share price index futures	(165,243)	(808)
International share price index future	160,102	924
Australian over the counter options	3,586	(771)
Forward currency contracts	546,750	(1,565)
	<u>526,888</u>	<u>(2,047)</u>

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 14 Financial Instruments (continued)****(a) Use of Derivatives (continued)**

<b>30 June 2001</b>	<b>Notional Principal Amounts \$'000</b>	<b>Net market Values \$'000</b>
Australian fixed interest futures	(234,041)	(468)
International fixed interest futures	82,733	(17)
Australian share price index futures	(136,859)	739
Australian exchange traded options	332,019	3,311
International share price index future	3,816	27
Forward currency contracts	129,702	(1,394)
	<u>177,370</u>	<u>2,198</u>

**(b) Currency Risk Exposures**

The Plan's exposure at 30 June to foreign exchange rate movements on its international investments was as follows:

	<b>US A\$'000</b>	<b>EUR A\$'000</b>	<b>GBP A\$'000</b>	<b>JPY A\$'000</b>	<b>CHF A\$'000</b>	<b>Other A\$'000</b>	<b>Total A\$'000</b>
<b>30 June 2002</b>							
Gross investment amounts denominated in foreign currency	479,282	185,437	85,466	52,171	28,876	36,104	867,336
Amount effectively hedged	(355,210)	(109,294)	(43,415)	(19,704)	(3,846)	(16,845)	(548,314)
Net exposure	<u>124,072</u>	<u>76,143</u>	<u>42,051</u>	<u>32,467</u>	<u>25,030</u>	<u>19,259</u>	<u>319,022</u>
<b>30 June 2001</b>							
Gross investment amounts denominated in foreign currency	319,387	120,927	62,048	58,766	-	61,021	622,149
Amount effectively hedged	(121,852)	33,709	(31,826)	(13,973)	-	(6,929)	(140,871)
Net exposure	<u>197,535</u>	<u>154,636</u>	<u>30,222</u>	<u>44,793</u>	<u>-</u>	<u>54,092</u>	<u>481,278</u>

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 14 Financial Instruments (continued)****(c) Interest Rate Risk Exposures**

The Plan invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Plan's investments are subject to interest rate risks and the return on the investments will fluctuate in accordance with movements in the market interest rates.

The Plan's exposure to interest rate movements on those investments at 30 June was as follows:

	Floating interest rate \$'000	Fixed interest maturing in:			Non- interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000		
<b>30 June 2002</b>						
Australian fixed income securities	-	7,040	30,876	26,458	38,917	103,291
Overseas fixed income securities	-	2,754	82,217	96,723	238,293	419,987
Other investments at interest	178,875	17,057	6,109	839	16,104	218,984
Australian equity investments	-	-	-	-	1,264,965	1,264,965
Overseas equity investments	-	-	-	-	894,455	894,455
Real estate properties	-	-	-	-	16,640	16,640
Investment linked insurance policies	-	-	-	-	820,793	820,793
Total financial assets	178,875	26,851	119,202	124,020	3,290,167	3,739,115*
Weighted average interest rate	1.49%	3.53%	4.99%	5.32%	0.00%	

\* includes cash at bank

	Floating Interest Rate \$'000	Fixed interest maturing in:			Non- Interest Bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000		
<b>30 June 2001</b>						
Australian fixed income securities	-	2,009	111,290	124,586	(589)	237,296
Overseas fixed income securities	-	3,246	6,041	27,860	97	37,244
Other investments at interest	176,482	88,333	1,383	6,141	8,634	280,973
Australian equity investments	-	-	-	-	1,807,433	1,807,433
Overseas equity investments	-	-	-	-	735,331	735,331
Real estate properties	-	-	-	-	29,667	29,667
Investment linked insurance policies	-	-	-	-	967,901	967,901
Total financial assets	176,482	93,588	118,714	158,587	3,548,474	4,095,845*
Weighted average interest rate	3.18	5.01	5.73	5.19		

\* includes cash at bank

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 14 Financial Instruments (continued)****(d) Credit Risk**

The net market value of financial assets, including derivatives, included in the statement of net assets represent the Plan's exposure to credit risk in relation to those assets.

The Plan does not have any significant exposure to any individual counterparty or industry. Its assets are invested by individual investment managers and in specific investment trusts and investment linked insurance policies as disclosed in note 3.

**(e) Net Fair Values of Financial Assets and Liabilities**

The Plan's financial assets and liabilities, including derivative instruments, are included in the statement of net assets at amounts that approximate net fair value.

**Note 15 Reserves**

In line with sound fund administrative and financial practice and actuarial advice, reserves are maintained to safeguard the Plan against events such as major catastrophes, abnormal mortality experience and to smooth periodic fluctuations in investment performance.

The excess of the net assets over the amounts of these reserves represent funds held directly to pay benefits.

The following is a summary of the reserves maintained at 30 June:

		<b>2002</b>	2001
		<b>\$'000</b>	\$'000
Investment fluctuation reserve	(i)	<b>(4,262)</b>	174,408
Disability reserves	(ii)	<b>49,844</b>	55,300
Foregone benefits reserve	(iii)	<b>672</b>	482
		<b>46,254</b>	230,190

(i) The investment fluctuation reserve is held to protect the future earnings of members accounts by smoothing investment performance. In determining the declared interest rate, the Trustees targeted a nil investment fluctuation reserve at 30 June 2002. The negative reserve results from the actual results of the Plan for the year being marginally different to the estimates made at the time of determining the declared interest rate.

(ii) Disability reserves represent reserves to cover disablement and initial incapacity claims in the future and have been determined by the Plan's actuary based on past experience of the Plan and expected future experience. The disability reserves contain the following amounts:

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Current permanent incapacities	<b>15,343</b>	15,625
Current initial disablement	<b>7,831</b>	10,291
New disablements	<b>6,420</b>	7,074
Possible future deterioration	<b>20,250</b>	22,310
	<b>49,844</b>	55,300

(iii) Benefits foregone by Division 1 members on resignation are credited to the foregone benefits reserve. The balance of the reserve at 30 June is allocated to all members of Division 1 at 30 June. The net balance represents an under distribution, which will be allocated during the year ended 30 June 2003.

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 15 Reserves (continued)**

	2002	2001
	\$'000	\$'000
<b>Movements</b>		
<b>Investment Fluctuation Reserve</b>		
Balance 1 July 2001	174,408	244,966
Investment income allocated to members during the year	<u>(178,670)</u>	<u>(70,558)</u>
Balance 30 June 2002	<u>(4,262)</u>	<u>174,408</u>
<b>Disability Reserves</b>		
Balance 1 July 2001	55,300	44,788
Transfer from/(to) assets of the Plan	(2,774)	11,748
Transfer from/(to) Forgone Benefits Reserve	(1,001)	193
Amounts allocated to members during the year	<u>(1,681)</u>	<u>(1,429)</u>
Balance 30 June 2002	<u>49,844</u>	<u>55,300</u>
<b>Foregone Benefits Reserve</b>		
Balance 1 July 2001	482	454
Transfer from assets of the Plan	1,693	2,013
Transfer from/(to) Disability Reserves	1,001	(193)
Amounts allocated to members during the year	<u>(2,504)</u>	<u>(1,792)</u>
Balance 30 June 2002	<u>672</u>	<u>482</u>

**Note 16 Termination of Plan**

Article 4 of the Plan's Trust Deed and Rules states:

- 4.1 The Plan shall be wound up as hereinafter provided upon the happening of any of the following events:
- a) if the Trustee shall consider that the Plan is insolvent or if it shall be advised by the Actuary that the Plan is insolvent and it resolves to terminate the Plan; or
  - b) if the Principal Company decides that it will permanently cease contributing to the Plan; or
  - c) if an order is made or an effective resolution is passed for the winding up of the Principal Company other than for the purpose of amalgamation or reconstruction.
- 4.2 In such events the Trustee shall give notice in writing to the Company and the Members that the Plan shall terminate on a specified date, hereinafter called the "Termination Date". As from the Termination Date the following shall apply:
- a) no further contributions shall be made by the Company and the Members other than arrears of contributions due up to the Termination Date, and
  - b) any arrears of contributions shall be paid forthwith.

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 17 Actuarial Report and Accrued Benefits**

The liability for accrued benefits is not included in the Statement of Net Assets, but the liability at the latest measurement date is reported by way of a note. Where accrued benefits are measured during the reporting period, the benefits which have accrued since the latest measurement date are also reported by way of note.

The value of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Plan up to the date of the actuarial review. The value of accrued benefits is calculated by the actuary at least on a triennial basis as part of a comprehensive actuarial review, which was performed for the period ending 30 June 1999. The present value reported has been determined using the assumed future salary levels, future Plan earnings and other relevant actuarial assumptions used in the actuarial review.

	1999 \$'000	1996 \$'000
Accrued Benefits as at 30 June	<u><b>3,056,400</b></u>	<u><b>2,113,400</b></u>

Also attached to these financial statements is the report by the Plan's actuary, Mr Mark Thompson BSc FIAA summarising the results of that actuarial review of the Plan. The next actuarial review will be conducted as at 1 July 2002 and will include members of the Regional Airlines Superannuation Plan who transferred to the Qantas Superannuation Plan on 30 June 2002.

The above amounts do not include accrued benefits of the Regional Airlines Superannuation Plan which were transferred into the Plan on 30 June 2002. The accrued benefits of the Regional Airlines Superannuation Plan at 30 June 2000 (the last date at which they were measured) was \$13,531,000.

**Note 18 Related Parties****(a) Employer Company**

Qantas Airways Limited is the employer, and the employer contributions to the Plan are disclosed in the Statement of Changes in Net Assets. Contributions are made in accordance with the Trust Deed, as disclosed in note 11.

Contributions receivable from Qantas Airways Limited as at 30 June 2002 (and received subsequent to that date) amounted to \$8.7 million (2001: \$5.1million).

Qantas Airways Limited also provides office accommodation, use of office equipment and certain administrative services to the fund. Management fees paid to the employer company for these services and reimbursement of staff salaries of \$1,166,984 (2001: \$1,205,620) are included in general administration expenses in the Statement of Changes in Net Assets.

**Notes to and Forming Part of the Financial Statements**

30 June 2002 (continued)

**Note 18 Related Parties (continued)****(b) Trustee**

The trustee of the Plan is Qantas Superannuation Limited (ACN: 003 806 960). The names of the persons who were directors of the trustee company at any time during the financial year are:

Employer sponsor representatives:

JP Ducker (resigned subsequent to year end on 31 August 2002)  
 MP Boesen  
 G Elsey (resigned 30 September 2001)  
 P Gregg (resigned 22 November 2001)  
 T Kennedy  
 K Brown (appointed 15 February 2002)  
 N Freeman (appointed 22 November 2001, resigned 22 May 2002)  
 C Storrie (appointed 24 June 2002)

Member representatives:

WB Brown (resigned 27 June 2002)  
 RF Herbert (resigned 28 June 2002)  
 FA Mildon (resigned 9 May 2002)  
 M Topic (resigned subsequent to year end on 12 July 2002)  
 R McDonald

**(c) Remuneration of Directors of the Trustee**

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Income paid or payable, or otherwise made available by Qantas Superannuation Plan	<u>35</u>	<u>9</u>

The numbers of directors whose total income was within the specified bands are as follows:

	\$	\$	2002	2001
0	-	1	11	11
1	-	9,999	-	1
10,000	-	19,999	-	-
20,000	-	29,999	-	-
30,000	-	39,999	1	-

The membership terms and conditions, contributions and benefit entitlements for the directors of the Trustee who are also members of the Plan are determined in accordance with the Trust Deed on the same basis available to other members of the Plan.

Included in the net assets of the fund is a motor vehicle, which is provided to a director of the trustee company in connection with his role in the management of the fund.

**(d) Trustee Related Transactions**

All the directors of the Trustee Company except JP Ducker and T Kennedy are also members of the Plan and made contributions to the Plan on the basis specified in note 10 on an arms length basis.


The aggregate sum contributed during the year by the directors of the Trustee Company as members of the Plan was \$172,451 (2001: \$180,128).

## Trustee's Statement

In the opinion of the trustee:

- (a) the financial statements set out on schedules 1 to 3 are drawn up so as to present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the net assets of Qantas Superannuation Plan as at 30 June 2002 and the changes in its net assets for the year then ended;
- (b) the financial statements are prepared in accordance with the requirements of the Trust Deed dated 1 June 1939, as amended and the Superannuation Industry (Supervision) Act 1993 and Regulations; and
- (c) the plan has complied with the requirements of the Trust Deed dated 1 June 1939, as amended, and with the applicable provisions of the Superannuation Industry (Supervision) Act 1993 and Regulations and Corporations Act 2001 and Regulations during the year ended 30 June 2002.

This statement is made in accordance with a resolution of the directors of the trustee company, Qantas Superannuation Limited (ABN 47 003 806 960).



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Director



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Director

Sydney  
23 October 2002

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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**Qantas Superannuation Plan**  
**Independent report by approved auditor to the**  
**Trustee and Members**

**(A) Financial Statements**

**Scope**

I have audited the financial statements of the Qantas Superannuation Plan for the year ended 30 June 2002 as set out in Schedules 1 to 3 attached. The superannuation entity's trustee is responsible for the financial statements. I have conducted an independent audit of the financial statements in order to express an opinion on them to the Trustee and members of the Qantas Superannuation Plan.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, 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 statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements, so as to present a view which is consistent with my understanding of the superannuation entity's net assets and changes in net assets.

These Accounting Standards and other mandatory professional reporting requirements are those applicable in Australia.

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

**Audit Opinion**

In my opinion, the financial statements present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, the net assets of the Qantas Superannuation Plan as at 30 June 2002 and the changes in net assets for the year ended 30 June 2002.

**(B) Compliance**

**Scope**

I have conducted tests in accordance with Australian Auditing Standards as necessary to provide reasonable assurance whether the trustee of the Qantas Superannuation Plan has, in all material respects:

- a) complied with the relevant requirements of the following provisions (to the extent applicable) of the Superannuation Industry (Supervision) Act 1993 and Regulations;

sections 19(2), 19(3), 36, 65, 66, 67, 69-85, 86-93A, 95, 97, 98, 101, 103, 104, 105, 106, 107, 109, 111, 112, 113, 117, 118, 121, 122, 124, 125, 152, 153, 154, 163, 169;

regulations; 2.10(1), 2.13(1), 2.21(3), 2.33(2), 2.43(1), 3.10, 4.08(3), 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 9.29, 9.30, 13.14, 13.17, 13.17A; and

- b) complied with the relevant requirements of the following provisions (to the extent applicable) of the Corporations Act 2001 and Regulations;

sections 1012F, 1013D, 1013K, 1016A(2), 1016A(3), 1017B(5), 1017D(3), 1017D(3A), 1017E;

and regulation 7.9.32(3)

- c) adhered to the Guidelines for preparing risk management statements (“Guidelines”) issued by APRA in Circular II.D.7 on Derivatives (to the extent applicable)

for the year ended 30 June 2002.

My procedures included examination, on a test basis, of evidence supporting compliance with those requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations.

My procedures with respect to the Guidelines consisted of confirming whether any Risk Management Statement was to be prepared by the superannuation entity’s trustee under the Guidelines contained in the APRA Circular II.D.7 at any time during the year of income.

These procedures indicated that only a Part A Risk Management Statement should be prepared by the superannuation entity’s trustee. This has been prepared and is broadly consistent with the requirements of the Guidelines.

These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the Superannuation Industry (Supervision) Act 1993 and Regulations or Guidelines or the Corporations Act 2001 and Regulations apart from those specified. The superannuation entity’s trustee is responsible for complying with the requirements

of the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations and appropriately applying the Guidelines.

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

**Audit Opinion**

In my opinion, the trustee of the Qantas Superannuation Plan has complied, in all material respects, with the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations and applied the Guidelines specified above for the year ended 30 June 2002.



PricewaterhouseCoopers  
Chartered Accountants



V J Clarke  
Partner

Sydney  
23 October 2002

**Summary of the Most Recent Actuarial Report**

30 June 2002

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*Towers Perrin*

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PRIVATE & CONFIDENTIAL

22 October 2002

Our Ref: 20136/160/PG/qant 030 & 155

The Directors  
Qantas Superannuation Limited  
Qantas Centre (SYD/APC/G)  
203 Coward St  
MASCOT NSW 2020

Dear Directors

**FINANCIAL CONDITION OF THE QANTAS SUPERANNUATION PLAN**

**SUMMARY OF ACTUARIAL REPORT**

The most recent actuarial investigation of the Qantas Superannuation Plan (the Plan) was conducted as at 1 July 1999 by Mr Kenneth Norman Lockery, Fellow of the Institute of Actuaries of Australia. The results of that investigation were presented in his report dated 17 February 2000. This section of this letter presents a summary of that report.

**Membership**

At 1 July 1999 there were 26,955 members of the Plan with salaries totalling \$1,247.9 million. This compares with 28,358 members as at 1 July 1996 (the previous investigation date).

**Assets**

The net market value of assets at 30 June 1999 was \$3,455,713,000.

For the purpose of the actuarial investigation, the value of the liabilities was compared to the actuarial value of assets which was taken to be \$3,273,858,000.

This figure was arrived at by deducting the Investment Fluctuation Reserve of \$181,855,000 from the net market value of assets.

### **Plan Experience**

The main features of the Plan's experience over the three years to 30 June 1999 were:

- There was one major amendment to the Plan's design, namely the introduction of Division 5.
- The net investment return of the actuarial value of assets averaged 13.4% per annum. This was higher than the long-term rate of investment return of 7.0% per annum assumed in the 1996 investigation. However, salary increases averaged around 6.5% per annum which were also slightly higher than the rate of 6.3% assumed in the 1996 investigation (4.0% inflationary increases plus a promotional scale). Taken together, the excess of investment returns over salary increases achieved by the Plan was approximately 6.9% per annum compared to the previous assumption of 0.7% per annum. This had a substantial beneficial effect on the financial position of the Plan.
- The rate of staff turnover was higher than expected which also had a positive effect on the financial position of the Plan.
- The Company contributions paid over the period of the investigation were \$38.6 million less than the long-term rates previously determined. This was in line with the contribution recommendation from the 1996 valuation report. However, as expected, that reduction in Company contributions reduced the level of surplus remaining in the Plan.

Overall, the total effect of the Plan's experience during the period of the investigation was to significantly increase the actuarial surplus (measured on a consistent basis of actuarial value of assets less present value of accrued benefit liabilities).

## **Funding Method and Assumptions**

### ACTUARIAL FUNDING METHOD

The PUC funding method adopted for the 1996 actuarial investigation of the Plan was again used for the 1999 investigation.

The PUC funding method is an accrued benefit funding method. Under this method, the surplus or deficit in the Plan is equal to the difference between assets on hand and the present value of future liabilities for benefits already accrued up to the date of the valuation. The recommended annual contribution rates are then made up of:

- the cost of benefits for the year of service immediately following the valuation date (the Normal Cost); and
- a variation to these rates over a defined period. The level and term of this variation are set to reduce the surplus or deficit in regard to accrued benefits.

### ACTUARIAL ASSUMPTIONS

The key economic assumptions used by Mr Lockery for this actuarial investigation were a long-term net investment earnings rate of 7.0% per annum and a long-term inflationary salary increase rate of 4.0% per annum. (These are the same assumptions as were made for the previous investigation.) The important assumption of the “gap” between the assumed investment earnings rate and the assumed inflationary salary increase rate was retained at 3.0% per annum.

The other assumptions required for the valuation (including demographic assumptions and the assumptions regarding promotional salary increases, expenses and the like) were reviewed in the light of the Plan’s recent experience. However, the assumptions used in the previous investigation were retained.

## **Valuation Results**

The actuarial investigation of the Plan at 1 July 1999 revealed total liabilities of \$3,083.7 million. Mr Lockery concluded that the Plan was in a satisfactory financial position with a surplus of assets (at actuarial value) over the value of accrued benefits of \$190.2 million.

At 30 June 1999 the market value of assets was 119.8% of vested benefits, indicating that the Plan was in a satisfactory financial position at that date based on current benefit liabilities.

At the same date, the actuarial value of assets represented 106.2% of the accrued benefit liabilities, indicating that the medium to long term funding of the Plan was also progressing satisfactorily.

### Recommendations

I have recommended that Company contributions to the Plan to provide for defined benefits be equal to the Normal Costs determined on a category by category basis, set out below, but reduced by an amount totalling \$210 million over the four-year period from 1 July 1999 to 30 June 2003.

This recommendation was made on the basis of the recommendations of Mr Lockery in the 1999 actuarial investigation, which also included the following:

- The contribution rates recommended for each category were:

<b>Group</b>	<b>Contribution Rate (% of salary)</b>
Division 2 Category A	9.7%
Division 2 Category B	10.6%
Division 2 Category C	13.5%
Division 3	10.9%
Division 4	19.5%
Division 5	1.3%

- The Company contribute such additional amounts as specifically required by the trust deed and rules or as agreed with individual members.
- The next full actuarial investigation be made on or before 1 July 2002 and that the funding level of the Plan be reviewed annually.

### Other Matters

The Plan self insures the majority of its risks in regard to benefits in excess of the actuarial reserve payable on death or disability. More specifically, a catastrophe insurance contract is maintained to limit the overall exposure to severely adverse experience, with the Plan self insuring the deductible of \$5 million and all disability income risks. As stated in the actuarial valuation report, the self insured risks are quite acceptable for a Plan of the size of the Qantas Plan, while the catastrophe insurance provides very cost-effective protection against severely adverse experience.

No allowance was made in the actuarial valuation for the introduction of the Superannuation Surcharge with effect from 20 August 1996. It was assumed that any surcharge assessed against the Plan (together with interest up to the date of the benefit payment) will be debited to the relevant members' benefits.

## ACTUARIAL STATEMENT FOR AAS25 PURPOSES

This section of this letter has been prepared for the purposes of AAS25 at the request of the Trustee of the Qantas Superannuation Plan.

### Accrued and Vested Benefits

AAS25 requires the disclosure of Accrued and Vested Benefits at the reporting date. The table below shows the amounts determined for the purposes of AAS25, together with the market value of assets (these amounts were calculated by Mr Lockery as part of the actuarial valuation as at 30 June 1999):

Reporting Date	Accrued Benefits \$ million	Vested Benefits \$ million	Assets at Market Value \$ million
1 July 1999	3,056.4	2,884.2	3,455.7
1 July 1996	2,113.4	1,986.0	2,318.7

“Accrued Benefits” have been determined as the present value of expected future benefit payments which arise from membership of the Plan up to the reporting date. Present values have been calculated using the same assumptions as for the actuarial valuations of the Plan, except that at 1 July 1999 the long term rate of general inflationary salary increases assumed for the actuarial valuation was 4.0% per annum while the “Accrued Benefits” for AAS25 purposes have been determined assuming a salary increase rate of 3.5% per annum.

“Vested Benefits” are benefits which the Plan would be required to pay if all members were to voluntarily leave employment on the reporting date.

The Accrued Benefits were calculated in a manner consistent with Guidance Note 454 issued by the Institute of Actuaries of Australia.

### CURRENT FINANCIAL POSITION

This section of this letter comments on developments since the last actuarial investigation and on the current financial position of the Plan.

In the period since the actuarial investigation as at 1 July 1999, the Superannuation Guarantee minimum contribution rate increased to 8% of salary from 1 July 2000 and increased further to 9% of salary from 1 July 2002. Also, the following new membership categories were established:

- Division 7, was created from 1 July 2001 to provide accumulation benefits for employees of subsidiary businesses of the Airline.

- Division 6 was created from 30 June 2002 to provide accumulation benefits for members of other Divisions who accepted an offer by the Airline to transfer to Division 6.
- Division 10 was created to provide predominately accumulation benefits to former Regional Airlines Superannuation Plan members who transferred to the Plan on 30 June 2002.
- From 1 September 2002 Division 8 and Division 9 were created to provide retained benefit and allocated pension facilities for members after ceasing employment with the Airline.

Because all of these new Divisions provide accumulation benefits, they have no significant effect on the financial position of the Plan. At 30 June 2002 there was no investment fluctuation reserve in respect of these accumulation benefits.

The financial experience over the three years to 30 June 2002 has been satisfactory, although the investment performance over the year to 30 June 2002 was disappointing.

At 30 June 2002 (based on the draft accounting information currently available) the Market Value of Assets still exceeded Vested Benefits by 5%.

Since 30 June 2002, the Plan's investment returns have been volatile and impacted by further uncertainty in world markets. Actual investment returns for the Plan for the period from 1 July 2001 to 18 October was -3.8% after fees and taxes. We have not measured the Plan's financial position since 30 June 2002. This position will depend upon the movements in investment markets as well as salary inflation and the interim interest rates credited to member accounts. The financial position is being closely monitored as part of the triennial actuarial investigation, currently in progress.

Otherwise, I am not aware of any other changes in the circumstances of the Plan since 1 July 1999 that would have had a significant adverse effect on the financial condition of the Plan.

Yours sincerely



Mark Thompson  
Fellow of the Institute of Actuaries of Australia