

Annual Report 2011



Contents

Message from the Chairman	2
Your Trustee	5
Key Plan facts	10
Financial position	11
Investments	12
How your super is invested	20
Investment returns	25
Important information about Qantas Super	31
Our service providers	38
Financial statements	39

Message from the Chairman



Welcome to the 2011 Qantas Superannuation Plan Annual Report.

Qantas Super puts you, the member, at the centre of everything we do. We are proud to be the superannuation fund of choice for Qantas Group employees. We are committed to helping provide the best possible retirement outcomes for you, our members, by protecting and growing your retirement savings and providing you with a range of valuable benefits and services.

During the year we have delivered on this commitment by maintaining our focus on improving services, becoming more efficient in our operations and delivering strong investment returns. Our Growth option delivered an annual return of 10.16%. This compares against the median return of 8.71%* for similar investment options in a broad cross section of super funds.

In November 2011, we launched our voluntary insurance offer. This allows members to increase their Death and Total and Permanent Disability cover through a policy provided by MLC Group Insurance, to a level better suited for individual needs.

* SR50 Median Balanced Option (60-76% growth assets), SuperRatings Fund Crediting Rate Survey, June 2011

Strong investment performance

In this report you will see how our investment options have performed in 2010/2011. Despite the volatile investment conditions, all of the Plan's five investment options ended the 2010/2011 financial year in positive territory.

Throughout the year the Trustee continued to:

- ▶ maintain its focus on the long term objectives (adjusted for risk) for each investment option
- ▶ manage investment expenses, ensuring value for money for all underlying investments, and
- ▶ implement investments in alternative asset classes.

One specific example of how the Trustee looked for opportunities to protect value for members and reduce costs was through a review of foreign exchange costs and processes. After completing detailed analysis, the Trustee appointed Russell Implementation Services to provide foreign exchange services. This initiative could deliver cost savings to the Plan in excess of \$750,000 per year.

A healthy financial position

In 2009, with the aim of ensuring the long term health of the Plan's financial position, the Trustee and the Company put in place an additional funding plan developed by the Plan's Actuary. This plan was based on additional contributions to be made by the Company of up to \$66 million over a three year period.

Due to the weaker investment returns in the June quarter 2010, the rate of additional contributions increased for the first two quarters of the 2010/11 financial year. Improved investment returns in late 2010 allowed for the rate of additional quarterly contributions to then be slowed in 2011. Additional contribution arrangements are in place to support increased benefit payments made necessary due to redundancy programs.

The Trustee continues to monitor the financial position closely and adjust the additional contributions as appropriate. Both the Trustee and the Company are committed to the long term financial strength of the Plan.

Enhanced services for members

Key initiatives delivered in the past 12 months include:

- ▶ introduction of binding death benefit nominations on 1 July 2011
- ▶ increased member communication materials and resources for members
- ▶ the launch of e-communication services, allowing members to opt-in to receive email Super Updates and relevant Plan information
- ▶ a new service to help members consolidate their other super funds into Qantas Super

- ▶ facilitating the payment of benefits to members who are eligible for the early release of super due to Severe Financial Hardship or on Compassionate Grounds.
- ▶ increased member presentations, including extensive participation in redundancy information workshops and support for members.

Members will continue to see new service improvements, along with enhancements to the member website in the year ahead.

Importantly I encourage members to review our new voluntary insurance offer, which is designed to provide easy access to additional insurance cover at competitive premiums through their Qantas Super membership.

The Qantas Super team

Throughout the year, the Qantas Super team and the Directors of the Plan continued with their dedication and hard work, all motivated to protect value, create value and deliver service excellence to you, our members. For this I sincerely thank them.

After four years as Chief Executive, Janet Torney resigned in late August 2011 in order to pursue the next phase of her career. Janet made a significant contribution to the Plan, driving enhanced member services, overseeing the creation of a leading-edge investment team, and ensuring that a rigorous risk and governance framework was in place.

On behalf of the Board I thank Janet for her commitment and wish her well for the future. I look forward to welcoming Janet's replacement to Qantas Super early in 2012.

The membership of the Trustee Board is unchanged since our last Annual Report. Congratulations to John Sipek who was re-elected as the Member-elected Director for Group C employees.

Finally, I thank you, as a member of Qantas Super, for your continued support.

Anne Ward
Chair of Trustee

Your Trustee

The Qantas Superannuation Plan is managed by the Trustee, Qantas Superannuation Limited.

The Trustee company has ten directors – five appointed by Qantas Airways Limited and five elected by members.

Directors at the time of this publication are:

Company-appointed Directors

Anne Ward

Chairman, Qantas Superannuation Limited

General Peter Cosgrove AC, MC
Director of Qantas Airways Limited

Steven Fouracre

Group Treasurer Qantas

Nicole Grantham

Head of Group Audit & Risk

Jon Scriven

Group Executive People

Member-elected Directors

Mark Thorpe

Technical Aircrew (Group A)

Craig Pagden

Flight Attendants (Group B)

John Sipek

Aircraft Trade Persons other than provided in Group D, Store Workers and Food Production Workers (Group C)

Kash Gillies

Licensed Aircraft Maintenance Engineers, Transport Workers, Technical Salaried Employees, Airline Officers Award Levels 1-4 and Nurses (Group D)

Greg Manning

All other Qantas Group employees (Group E).

Company-appointed Directors



Anne Ward
Chairman, Qantas Superannuation Limited



General Peter Cosgrove, AC, MC
Director of Qantas Airways Limited



Steven Fouracre
Group Treasurer
Qantas



Nicole Grantham
Head of Group Audit & Risk



Jon Scriven
Group Executive People

Member-elected Directors



Mark Thorpe
Technical Aircrew
(Group A)



Craig Pagden
Flight Attendants
(Group B)



John Sipek
Aircraft Trade
Persons other than provided in Group D,
Store Workers and
Food Production
Workers (Group C)



Kash Gillies
Licensed Aircraft
Maintenance
Engineers,
Transport Workers,
Technical Salaried
Employees, Airline
Officers Award
Levels 1-4 and
Nurses (Group D)



Greg Manning
All other Qantas
Group employees
(Group E)

Director attendance 2010/2011

Six Board meetings						
	Aug	Oct	Dec	Feb	Apr	Jun
Anne Ward	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended
Peter Cosgrove	meeting attended	meeting not attended	meeting attended	meeting attended	meeting not attended	meeting attended
Steven Fouracre	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended
Nicole Grantham	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended
Jon Scriven	meeting attended	meeting not attended	meeting attended	meeting attended	meeting attended	meeting attended
Mark Thorpe	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended
Craig Pagden	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended
John Sipek	meeting attended	meeting attended	meeting not attended	meeting attended	meeting attended	meeting attended
Kash Gillies	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended
Greg Manning	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended	meeting attended

- meeting attended
- meeting not attended

Trustee committees

The Trustee has established a number of committees to assist in managing its functions and responsibilities. Information on each of the committees is provided below. Ad-hoc committees are also established by the Board to oversee specific matters as required.

Committee	Trustee Director representation	Meetings 2010/2011
Audit & Risk Committee	Nicole Grantham (Chairman from Nov 2010)	5
	Steven Fouracre (Chairman to October 2010)	
	Greg Manning	
	John Sipek	
Claims Committee	Delegated to Executive Office and chaired by the Chief Executive Officer	12
	Janet Torney (resigned Aug 2011)	
	David Adams	
	Marilyn Loyer	
Investment Committee	Steven Fouracre (Chairman)	6
	Kash Gillies	
	Mark Thorpe	
	Anne Ward	
Member Services Committee	Peter Cosgrove (Chairman)	5
	Kash Gillies	
	Craig Pagden	
	Jon Scriven	
Remuneration Committee	Anne Ward (Chairman)	1
	Jon Scriven	
	Greg Manning	

Trust Deed changes

During the year to 30 June 2011 three amendments were made to the Trust Deed.

- ▶ An amendment to allow for successor fund transfers from another fund into the Plan, or from the Plan to another fund. A successor fund transfer involves the transfer of a group of members from one superannuation fund to another. A successor fund's trustee agrees to confer the equivalent rights on the member to those the member enjoyed in the original fund.
- ▶ Binding death benefit nominations were introduced effective 1 July 2011.
- ▶ An amendment to allow for the early release of superannuation benefits in the case of severe financial hardship or on compassionate grounds.

Visit the Plan's website in the Publications section at www.qantassuper.com.au to view a copy of the Plan's Consolidated Trust Deed and subsequent amendments.

Key Plan facts

Credited Interest Rate 10.16% for Growth Option

The annual compound net return for the Growth Option (over the entire year) was 10.16% for the year ended 30 June 2011.

Credited Interest Rates for members who elected other Member Investment Choice options are shown on page 27.

For members in Division 9 - Flexible Income Stream and Division 14 -Transition to Retirement the annual compound net return for the Growth Option was 11.66% for the year ended 30 June 2011.

Size of the Plan \$5.87 billion

The Plan's net assets available to pay benefits was \$5.87 billion at 30 June 2011, up from \$5.43 billion at 30 June 2010.

Membership 33,123

The Plan's membership at 30 June 2011 was 33,123. During the year 2,745 members joined and 2,354 members departed.

Company contributions \$296.6 million

Qantas Airways Limited (the Company) and associated employers contributed \$296.6 million towards members' super during the year. This included salary sacrifice contributions made by members.

Financial position

Some Plan members are entitled to defined benefits. These benefits are generally calculated by reference to superannuation salary (Final Average Salary) and length of service.

Accordingly, these benefits are not directly impacted by investment returns, and do not move up or down as the investment returns vary.

Over time, the Company makes contributions which are sufficient to meet these defined benefits. The structure of the defined benefits and the funding of those benefits has been designed to take account of the risk that there will be times when assets are higher relative to the defined benefits and lower relative to those benefits. This relationship is monitored by the Trustee and the Plan's Actuary, who recommends changes to contribution rates when appropriate.

In 2009, following the downturn in the investment markets, a revised funding plan for the defined benefit divisions of the Plan was implemented. The Trustee and Company agreed to the funding plan and the associated monitoring program. In addition to current contributions, further payments of up to \$66 million were to be made by the Company over a three year period.

The Trustee has continued to undertake detailed monitoring of this additional funding plan, and additional contributions were paid in the 2010/2011 financial year.

The Trustee continues to monitor the Plan's financial position closely and will adjust the additional contributions as appropriate. Member benefits continue to be met and the Trustee maintains its focus on managing the Plan over the long term for the benefit of all members.

Investments

Investment objectives and strategy

The Trustee manages the Plan's investments by reference to its investment objectives and its investment strategies.

The Trustee's guiding principles for the Plan's assets (including any reserves) are:

- ▶ To invest assets in a manner that is consistent with the Trust Deed and law
- ▶ To prudently manage risk, including adequate diversity and appropriate levels of liquidity, and
- ▶ To ensure that any delegated investment decisions are appropriately made, with accountability back to the Trustee.

Specific investment objectives and strategies apply for each Member Investment Choice Option and the assets backing the defined benefit liabilities to reflect their different characteristics.

A summary of the investment strategy for each MIC Option is contained on pages 21 to 24.

For the Growth Option and the assets backing the defined benefit liabilities, the investment objectives are to:

- ▶ Limit the probability of a negative return to four years in twenty (20%), and
- ▶ Achieve a return (after tax and investment expenses) that exceeds CPI by at least 4% pa over moving five year periods.

As at 30 June 2011 the strategic asset allocation for the assets backing the defined benefit liabilities was the same as the Growth Option, as detailed on pages 23 and 24.

A description of the investment objectives and strategy for each investment option is contained in the **Plan Investment Summary**, which is available on the Plan's member website. This document provides members with detailed information on the Plan's investments.

Asset allocation

For the Plan as a whole, the actual asset allocation (at Gross Market Value) was as follows:

	30 June 2010 \$ million	30 June 2011 \$ million	Change \$ million
Return seeking assets			
Australian Equities	1,382.32	1,247.67	-134.65
International Equities	1,395.92	1,335.79	-60.13
Private Equity¹	-	84.59	84.59
Return seeking alternatives			
Credit	332.92	168.67	-164.25
Diversity	165.17	245.21	80.04
Infrastructure	-	88.96	88.96
Private Equity ¹	67.13	-	-67.13
Property	209.98	350.14	140.16
Total return seeking alternatives	775.21	852.98	144.91
Risk controlling assets			
Risk diversifying alternatives			
Credit	82.20	355.64	273.44
Diversity	28.82	13.90	-14.92
Property	130.93	-	-130.93
Total risk diversifying alternatives	241.95	369.54	127.59
Fixed interest	926.19	993.22	67.03
Cash	624.53	1,002.36	377.83
Total plan assets	5,346.12	5,886.15	540.04

¹ Reported as return seeking alternatives in 2010 Annual Report

Please note: the basis for valuation for actual asset allocation is Gross Market Value. The basis for valuation for total managed investment portfolios (page 16) and the unaudited abridged financial statements (page 39) is Net Market Value.

The asset allocation for each Member Investment Choice Option as at 30 June 2011 can be viewed on the Plan's website within the **Investments** section under 'Investment Options'.

Annual strategic investment review

Over the year, the Trustee reviewed the Plan's investments to ensure that they remain appropriate. This included reviewing the Plan's:

- ▶ Investment philosophy
- ▶ Investment governance and delegations
- ▶ Investment strategies and objectives
- ▶ Portfolio construction
- ▶ Investment managers and mandates and
- ▶ Investment operations.

As a result of the 2010 review, the Trustee approved new strategic asset allocations for the Plan's Growth and Aggressive Options which were implemented in November 2010. Further information on the strategic asset allocations is provided on page 23 and 24.

Review of investment policies

Over the last year the Board has reviewed all of its investment policies. This includes the following policies, including:

- ▶ Investment Policy Statement
- ▶ Valuation of Illiquid Assets
- ▶ Liquidity Risk Management Policy
- ▶ Active Share Ownership Policy.

The Active Share Ownership Policy sets out the approach which the Trustee has adopted in order to actively encourage the companies that the Plan invests in to follow best practice structures and processes in the conduct of their business. This policy is available on the Plan's website.

Additional information about the investments and investment policies of the Plan is contained in the **Plan Investment Summary**, which is available on the Plan's member website.

Investment managers

The Trustee continually monitors and reviews the appropriateness of the Plan's investment managers in relation to the Plan's objectives and strategies.

In 2010/2011, the Trustee conducted a complete review of Return Seeking and Risk Diversifying Alternatives, Fixed Interest and Cash asset classes.

Investment limits

The Plan's Investment Policy Statement includes a number of limits on what the Plan can invest in. Specifically in 2010/2011:

- ▶ No more than 20% of the Plan's assets by value were invested with any single investment manager
- ▶ No more than 15% of the Plan's assets on a risk weighted basis were invested with any single investment manager

- ▶ No derivatives were used directly by the Trustee. Although investment managers are permitted to use futures, options and other derivative instruments, they are not permitted to use derivatives to gear the Plan
- ▶ The derivatives charge ratio is the percentage of the total market value of the assets of the fund (other than cash) that the Trustee has charged as security for derivatives investments made by the Trustee. The derivative charge ratio for the Plan did not exceed 5% during the year, and
- ▶ The largest holding in any one asset or security was less than 5%.

Additionally:

- ▶ Four investment managers individually manage more than 5% of the Plan's assets as at 30 June 2011. These are included in the list of Investment Managers at 30 June 2011 on page 16, and
- ▶ As at 30 June 2011, the Plan had approximately \$17.8 million (at market value) invested in Qantas Airways Limited (QAL) including QAL shares and QAL corporate bonds via the investments managed by its investment managers.

Who manages your super?

Investment managers as at 30 June 2011	Net Market Value \$ million	%
Ardea Investment Management Pty Ltd	252.8	4.3%
Altrinsic Global Advisors LLC	202.6	3.4%
BlackRock Asset Management Australia Limited	807.3	13.7%
Cooper Investors Pty Limited	199.1	3.4%
Independent Asset Management Pty Limited	191.5	3.3%
Independent Franchise Partners, LLP	146.9	2.5%
IronBridge Capital Management, LP	199.1	3.4%
JP Morgan Chase Bank N.A.	41.3	0.7%
K2 / D&S Management Company LLC	242.5	4.1%
Lazard Asset Management Pacific Co.	233.8	4.0%
Macquarie Investment Management Limited	721.3	12.3%
Merlon Capital Partners Pty Limited	183.7	3.1%
Orbis Investment Management (Australia) Pty Limited	140.3	2.4%
Palisade Investment Partners Limited	89.0	1.5%
PIMCO Australia Pty Limited	261.7	4.5%
Property Portfolio	350.6	6.0%
Queensland Investment Corporation	289.6	4.9%
Realindex Investments Pty Limited	191.5	3.3%
Russell Investment Management Limited	167.1	2.8%
Sankaty Advisors LLC	194.3	3.3%
Standish Mellon Asset Management Company LLC	168.7	2.9%
Vanguard Investments Australia Limited	350.6	6.0%
Vianova Asset Management Pty Limited	189.1	3.2%
Westbourne Credit Management Limited	47.1	0.8%
Other (terminated mandates in transition as at 30 June 2011)	15.2	0.3%
Total managed investment portfolios	5,876.7	100.0%

Investment market performance

The year in review

In Australia the 2010/2011 financial year saw:

- ▶ The Australian economy record an annual growth rate of 14% for the year to 30 June 2011
- ▶ The Reserve Bank of Australia (RBA) raise interest rates just one time (November 2010), from 4.50% to 4.75%
- ▶ Australian Equities, although volatile, perform strongly over the course of the financial year, returning 11.9%, and
- ▶ The Australian dollar (A\$) rise dramatically over the year, starting at 84.1 US cents and increasing to 107.1 US cents at the financial year-end.

The Australian economy continued to grow and remained resilient throughout the financial year, withstanding natural disasters and rising global economic uncertainty. Despite the Queensland floods and Cyclone Yasi at the start of 2011, Gross Domestic Product (GDP) increased by 14% for the year to June 2011. Inflation for the year came in above the RBA's range, at 3.6%, however

considerable downside risks to global economic growth prompted the RBA to leave the official cash rate at 4.75%, after a single 25 basis point (bps) increase in November 2010. The unemployment level decreased slightly from 5.1% to 4.9% over the financial year.

Global economic data for the 2011 financial year varied by region. In the US, the rate of economic recovery was slower than expected, which led the Federal Reserve to revise down its forecast for US economic growth in 2011 to just 2.8%, while also maintaining an accommodative monetary position, leaving interest rates near zero for the entire year. Meanwhile, the US labour market remained hesitant to add new jobs over the year and the unemployment rate remained historically high at 9.2% (albeit, down 0.3% from June 2010).

European economies have had divergent experiences, as some economies (in particular, Germany and France) strengthened, while the peripheral countries of Greece, Ireland, Spain and Portugal (who in April 2011, became the third European country to request a formal bailout) struggled. Despite sovereign debt concerns and a shaky outlook for global growth, the European Central Bank (ECB) tightened monetary policy, raising interest rates by 25bps to 1.25% in April, in an effort to control inflationary pressures.

The Chinese growth story continued over the year, with GDP growing 9.5%. However, China's inflation rate also rose significantly and was 6.4% over the year to June 2011. In response, the People's Bank of China began implementing tightening measures consistently throughout the year, such as increasing the required reserves ratio for domestic banks and raising lending and deposits rates.

Following the natural disasters earlier in the year, Japan experienced a significant downward shift in both supply and demand within its economy. However, the Bank of Japan was quick to inject additional liquidity into the economy post

the earthquake and tsunami which did help to provide some stability. However, two consecutive quarters of negative GDP growth (December and March quarters) resulted in Japan entering a technical recession, although there were some emerging signs that economic activity was beginning to stabilise late in the financial year.

Australian Equities returns were positive over the 12 months, but were anything but steady and were hindered by declining investor sentiment, particularly as global concerns about European sovereign debt escalated over the last quarter of the financial year. A high Australian dollar also deterred potential offshore investors and negatively affected certain industry profits, further holding back Australian Equities capital appreciation. Overall, the S&P/ASX 300 Accumulation Index* returned 11.9% over the year to 30 June 2011.

* Index returns, gross of tax and fees.

Global Equities also recorded positive performance over the 2010/2011 financial year, despite pulling back from April 2011 highs as a result of the uncertainty around solvency in some of the peripheral European nations and weak economic data coming out of the US. Overall, the MSCI World ex Australia Index* (unhedged into Australian dollars) returned 2.7% for the year to 30 June 2011, whilst the Australian dollar hedged MSCI World ex Australia Index* returned 26.7% over the same period, reflecting the strengthening of the A\$ over the period.

The Australian fixed interest market performed well over the 2010/2011 financial year, especially as bond prices rose amidst equity market volatility late in the year. Cash returns, as measured by the UBSA Bank Bill Index*, returned 5.0% for the financial year, while the UBSA Composite Bond Index (All Maturities) returned 5.6%. Global fixed interest, as measured by the Barclays Global Aggregate Index* (hedged into A\$) returned 6.9%, outperforming the Australian fixed interest market.

Looking forward

There are significant headwinds to global economic growth going forward, such as persistently high unemployment in the US and Europe, fiscal austerity in Europe, ongoing sovereign debt concerns and historically high consumer savings rates in the developed world. There is a risk that subdued global demand, or alternatively domestic inflationary pressure, will derail the growth trajectory of emerging economies, and in particular China, which could negatively impact Australia's resource driven economy. However, Australia is relatively well placed compared to other developed market economies, with a strong pipeline of projects related to mining expansion, an unemployment rate of only 4.9%, and room to move in monetary policy.

*Index returns, gross of tax and fees.

How your super is invested

In 2010/2011, most members of the Plan were eligible for Member Investment Choice (MIC). This allows members to select their preferred investment strategy to apply to their accumulation account balances.

The Divisions where MIC was not available to members in 2010/2011 were Divisions 1*, 4, 12 and members in Division 2 with defined benefit guarantees resulting from prior membership of Australian Airlines plans. Division 2 members with defined benefit guarantees may be eligible for MIC if they forgo their defined benefit guarantees.

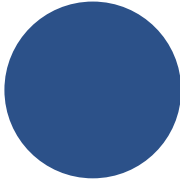
Switches between MIC Options are available on a monthly basis.

The default option is the Growth Option.

* Members of Division 1 are allowed to exercise Member Investment Choice (MIC) from the date Division 1 members reach their normal Retirement Date for superannuation purposes. For further information, Division 1 members can contact us on **1300 654 384**.

About the MIC Options

Cash Option



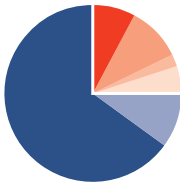
100% Risk controlling assets

- 100% Fixed Interest and Cash

Objectives

- ▶ To achieve a return equal to the UBSA Bank Bill Index, after tax and investment expenses, over a rolling one-year period.
- ▶ To never achieve a negative annual return.

Conservative Option



25% Return seeking assets

- 8% Australian Equities
- 10% International Equities
- 2% Private equity
- 5% Return Seeking Alternatives

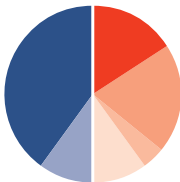
75% Risk controlling assets

- 10% Risk Diversifying Alternatives
- 65% Fixed Interest and Cash

Objectives

- ▶ To achieve a return that exceeds CPI by at least 3.0% p.a. over a 3 year period, after tax and investment fees.
- ▶ To outperform the notional return on the benchmark portfolio
- ▶ To limit the probability of a negative annual return to 1 year in 20 (or 5%).

Balanced Option



50% Return seeking assets

- 16% Australian Equities
- 20% International Equities
- 4% Private equity
- 10% Return Seeking Alternatives

50% Risk controlling assets

- 10% Risk Diversifying Alternatives
- 40% Fixed Interest and Cash

Objectives

- ▶ To achieve a return that exceeds CPI by at least 3.5% p.a. over a 5 year period, after tax and investment fees.
- ▶ To outperform the notional return on the benchmark portfolio.
- ▶ To limit the probability of a negative annual return to 3 years in 20 (or 15%).

Characteristics

By investing in cash and the short term money market, the Cash Option provides access to stable, but usually low, returns. As a result, the risk of negative returns is negligible.

- ▶ Expected average net return 3.8% p.a.
- ▶ Standard deviation 0.8%
- ▶ Probability of negative annual return 0.0%

Investment fees

The returns credited to accounts invested in the Cash Option are net of tax* and actual investment costs.

For the Cash Option the investment costs are estimated to be approximately 0.10% p.a. of assets.

Returns¹

The investment return for the Cash Option was 4.21% for the 12 months to 30 June 2011. The average rate of net earnings over the past 5 years to 30 June 2011 was 4.50% p.a.

Characteristics

A large proportion of the Conservative Option is invested in risk controlling assets, resulting in stable, modest returns, with a relatively low likelihood of negative returns. The small allocation to return seeking assets provides some growth opportunities.

- ▶ Expected average net return 5.5% p.a.
- ▶ Standard deviation 4.3%
- ▶ Probability of negative annual return 6.7%

Investment fees

The returns credited to accounts invested in the Conservative Option are net of tax* and actual investment costs.

For the Conservative Option the investment costs are estimated to be approximately 0.25% p.a. of assets.

Returns¹

The investment return for the Conservative Option was 6.88% for the 12 months to 30 June 2011. The average rate of net earnings over the past 5 years to 30 June 2011 was 4.39% p.a.

Characteristics

The Balanced Option provides a mix of asset classes, combining the growth features of the return seeking assets with the stability of the risk controlling assets.

- ▶ Expected average net return 6.9% p.a.
- ▶ Standard deviation 8.0%
- ▶ Probability of negative annual return 14.7%

Investment fees

The returns credited to accounts invested in the Balanced Option are net of tax* and actual investment costs.

For the Balanced Option the investment costs are estimated to be approximately 0.40% p.a. of assets.

Returns¹

The investment return for the Balanced Option was 8.87% for the 12 months to 30 June 2011. The average rate of net earnings over the past 5 years to 30 June 2011 was 3.83% p.a.

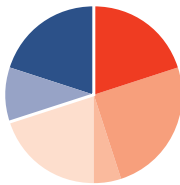
* Gross of tax for Division 9 and Division 14 members.

¹ Different CIRs apply to Division 9 and Division 14 members. These are shown on page 28.

Past performance cannot be relied on as an indication of future returns.

The future performance of each investment option cannot be guaranteed, as investments can move up and down, sometimes sharply and without warning, over both short and long periods of time.

Growth Option



70% Return seeking assets

- 20% Australian Equities
- 25% International Equities
- 5% Private equity
- 20% Return Seeking Alternatives

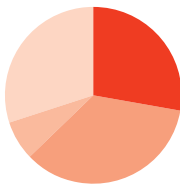
30% Risk controlling assets

- 10% Risk Diversifying Alternatives
- 20% Fixed Interest and Cash

Objectives

- ▶ To achieve a return that exceeds CPI by at least 4.0% p.a. over a 5 year period, after tax and investment fees.
- ▶ To outperform the notional return on the benchmark portfolio.
- ▶ To limit the probability of a negative annual return to 4 years in 20 (or 20%).

Aggressive Option



100% Return seeking assets

- 28% Australian Equities
- 35% International Equities
- 7% Private equity
- 30% Return Seeking Alternatives

Objectives

- ▶ To achieve a return that exceeds CPI by at least 4.5% p.a. over a 7 year period, after tax and investment fees.
- ▶ To outperform the notional return on the benchmark portfolio.
- ▶ To limit the probability of a negative annual return to 5 years in 20 (or 25%).

Characteristics

The Growth Option is dominated by return seeking assets, although a small proportion of risk controlling assets are held.

- ▶ Expected average net return 7.9% p.a.
- ▶ Standard deviation 10.9%
- ▶ Probability of negative annual return 18.8%

Investment fees

The returns credited to accounts invested in the Growth Option are net of tax* and actual investment costs.

For the Growth Option the investment costs are estimated to be approximately 0.50% p.a. of assets.

Returns¹

The investment return for the Growth Option was 10.16% for the 12 months to 30 June 2011. The average rate of net earnings over the past 5 years to 30 June 2011 was 2.99% p.a.

Characteristics

With all of the assets invested in return seeking assets, the Aggressive Option is expected to provide the highest level of returns in the long term. However this portfolio has the highest level of volatility and the likelihood of negative returns in any year is the highest.

- ▶ Expected average net return 9.1% p.a.
- ▶ Standard deviation 14.7%
- ▶ Probability of negative annual return 22.7%

Investment fees

The returns credited to accounts invested in the Aggressive Option are net of tax* and actual investment costs.

For the Aggressive Option the investment costs are estimated to be approximately 0.60% p.a. of assets.

Returns¹

The investment return for the Aggressive Option was 12.14% for the 12 months to 30 June 2011. The average rate of net earnings over the past 5 years to 30 June 2011 was 2.34% p.a.

* Gross of tax for Division 9 and Division 14 members.

¹ Different CIRs apply to Division 9 and Division 14 members. These are shown on page 28.

Past performance cannot be relied on as an indication of future returns.

The future performance of each investment option cannot be guaranteed, as investments can move up and down, sometimes sharply and without warning, over both short and long periods of time.

Investment returns

Credited Interest Rates (CIRs)

CIRs are the positive or negative earning rates applied to your accounts net of investment managers' fees and other investment expenses. These are determined by the Trustee monthly.

The CIRs reflect the Member Investment Choice option your accounts are invested in. The CIRs are net of investment tax for most Divisions other than for Divisions 9 and 14 where they are gross of investment tax.

Interim CIRs are used to calculate account balances at other dates, and are also used to determine the final payment amount should you cease to be a member during the month.

It is important that you know that the CIRs can be negative. This means that it is possible for the benefits you receive to be less than the contributions and transfers you and the Company make to your account.

Please be aware that the actual returns applied to your account are based upon the CIRs and will depend on the investment option you are invested in, the period of time that you were invested in the option and the timing of cash flows into and out of your account. For application purposes, the monthly CIRs are first annualised and then an adjustment is made to take into account the actual number of days in each month.

A 5 year history of the CIRs for the Growth Option is shown in the following table.

	Credited Interest Rate % p.a.
2010/2011	10.16
2009/2010	8.78
2008/2009	-11.29
2007/2008	-5.79
2006/2007	15.94
3 year average**	2.06
5 year average**	2.99

* Growth Option CIRs that apply to active Divisions and Division 8. Different CIRs apply to Division 9 and 14.

** Compound average effective rate of net earnings to 30 June 2011.
Past performance cannot be relied upon as an indication of future returns.

For members in Divisions other than Division 9 and Division 14, the monthly CIRs (%) are shown in the following table.

Month ending	Cash Option	Conservation Option	Balanced Option	Growth Option	Aggressive Option
July	0.35%	0.89%	1.53%	2.05%	2.75%
August	0.35%	0.51%	0.11%	-0.40%	-1.01%
September	0.34%	1.09%	1.80%	2.32%	2.95%
October	0.32%	0.65%	1.09%	1.46%	2.02%
November	0.32%	-0.13%	-0.05%	0.09%	0.25%
December	0.29%	0.82%	1.44%	1.82%	2.42%
January	0.40%	0.50%	0.75%	0.91%	1.36%
February	0.32%	0.91%	1.20%	1.35%	1.59%
March	0.36%	0.48%	0.40%	0.34%	0.25%
April	0.35%	0.73%	0.72%	0.67%	0.57%
May	0.37%	0.38%	0.09%	-0.15%	-0.46%
June	0.36%	-0.15%	-0.52%	-0.69%	-1.07%
2010/2011 year*	4.21%	6.88%	8.87%	10.16%	12.14%

* Aggregate compound net return.

Past performance cannot be relied upon as an indication of future returns.

For members in Division 9 and Division 14, the monthly CIRs (%) are shown in the following table.

Month ending	Cash Option	Conservation Option	Balanced Option	Growth Option	Aggressive Option
July	0.41%	1.01%	1.73%	2.30%	3.07%
August	0.41%	0.62%	0.17%	-0.41%	-1.11%
September	0.40%	1.23%	2.02%	2.61%	3.30%
October	0.37%	0.74%	1.24%	1.65%	2.28%
November	0.38%	-0.14%	-0.06%	0.10%	0.28%
December	0.34%	0.94%	1.62%	2.05%	2.73%
January	0.47%	0.57%	0.84%	1.03%	1.56%
February	0.37%	1.06%	1.39%	1.54%	1.80%
March	0.43%	0.55%	0.47%	0.41%	0.31%
April	0.42%	0.86%	0.84%	0.78%	0.66%
May	0.43%	0.47%	0.12%	-0.14%	-0.50%
June	0.43%	-0.15%	-0.56%	-0.77%	-1.19%
2010/2011 year*	4.97%	8.03%	10.24%	11.66%	13.86%

* Aggregate compound net return.

Past performance cannot be relied on as an indication of future returns.

Long term returns

Divisions other than Division 9 and Division 14

Long term returns have been provided in the table below . These are compound average effective rates of return net of tax and fees. Member Investment Choice was introduced from 1 April 2005. The long term returns for all Member Investment Choice options are five year returns from 1 July 2006 to 30 June 2011 and for the period 1 April 2005 to 30 June 2011 (the returns from the inception of investment choice). For the Growth Option, a 10 year long term return from 1 July 2001 to 30 June 2011 is also provided.

The long term returns provided are the investment returns at fund level. They are not the investment returns of your own investment in the applicable investment options or the Plan.

From	To	Cash Option % p.a.	Conservation Option % p.a.	Balanced Option % p.a.	Growth Option % p.a.	Aggressive Option % p.a.
1 July 2006	30 June 2011	4.50%	4.39%	3.83%	2.99%	2.34%
1 April 2005	30 June 2011	4.51%	5.00%	5.31%	5.24%	5.17%
1 July 2001	30 June 2011				5.43%	

Past performance cannot be relied on as an indication of future returns.

Long term returns – Division 9

Long term returns have been provided in the table below. These are compound average effective rates of return net of tax and fees. Prior to 1 July 2007, Member Investment Choice was not available and accounts for Division 9 members were invested in the Growth Option. For the Growth Option, the long term returns are for the period 1 September 2002 to 30 June 2011 (returns from inception) and the five year returns from 1 July 2006 to 30 June 2011. The long term returns for all other investment options are from 1 July 2007 to 30 June 2011 (returns from inception).

The long term returns provided are the investment returns at fund level. They are not the investment returns of your own investment in the applicable investment options or the Plan.

From	To	Cash Option % p.a.	Conservation Option % p.a.	Balanced Option % p.a.	Growth Option % p.a.	Aggressive Option % p.a.
1 September 2002	30 June 2011				7.40%	
1 July 2006	30 June 2011				3.55%	
1 July 2007	30 June 2011	5.15%	4.43%	2.37%	0.19%	-1.49%

Past performance cannot be relied on as an indication of future returns.

Long term returns – Division 14

Long term returns have been provided in the table below. These are compound average effective rates of return net of tax and fees. Division 14 was introduced to the Plan on 1 December 2008. The long term returns provided below are the returns from 1 December 2008 to 30 June 2011 (returns from inception).

The long term returns provided are the investment returns at fund level. They are not the investment returns of your own investment in the applicable investment options or the Plan.

From	To	Cash Option % p.a.	Conservation Option % p.a.	Balanced Option % p.a.	Growth Option % p.a.	Aggressive Option % p.a.
1 December 2008	30 June 2011	4.20%	7.99%	9.33%	9.96%	10.44%

Past performance cannot be relied on as an indication of future returns.

Important information about Qantas Super

Administration fees

For members of Divisions 2, 3, 3A, 4, 5, 11 and 12 no fees are deducted from members' accounts.

For Division 1 members, fees are deducted from the Company Account based on contributions paid. For the year to 30 June 2011, the amount charged was 2.49% of Company contributions.

For Division 6, 7 and 10 members, administration fees (representing the share of the expenses attributable to each Division) are deducted from their accounts at 30 June or the date of termination. For the year to 30 June 2011 the amount deducted was 0.20% of superannuation salary for Division 6 and 7 members, and \$1 per week for Division 10 members.

For Division 8, 9 and 14 members, a fee is deducted from the average account balances each year. For the year to 30 June 2011 these fees were:

	Account Balance	Fee
First	\$250,000	1.00%
Plus next	\$250,000	0.50%
Plus next	\$250,000	0.25%
Plus amount above	\$750,000	0.15%

Insurance premiums

For members of Divisions 2, 3, 4, 5, 10 and 12, no premiums are deducted from members' accounts.

For members of Divisions 1, 3A, 6, and 7, insurance premiums are deducted from their account at 30 June or the date of leaving the Plan if earlier.

At 30 June 2011, no insurance was provided for Divisions 8, 9, 11 or 14 and therefore no premiums were deducted.

With the introduction of additional voluntary Death and Total and Permanent Disablement (TPD) insurance cover in November 2011, insurance premiums will apply in accordance with the Policy issued to the Trustee by MLC Limited (ABN 90 000 000 402). Further information is available in the Publications section of our website www.qantassuper.com.au.

Investment expenses and tax

Investment expenses and tax on investment earnings are paid from the Plan's investment income before the Crediting Interest Rates are determined.

Legislated contributions tax of 15% is deducted from all Concessional Contributions.

Management Expense Ratio (MER)

The MER for the entire Plan (which is an industry standard measure of all expenses as a percentage of average net assets) was 0.58% for the year to 30 June 2011.

Contributions

Members are eligible to vary their voluntary Concessional and Non-Concessional Contributions at any time.

The Government has set caps on the amount of contributions you can make to super without having to pay extra tax. There is a cap for concessional and non-concessional contributions. The caps and information about the penalty tax applied to contributions that exceed these caps can be found on the Plan's website at www.qantasuper.com.au.

Superannuation surcharge tax

Although superannuation surcharge ceased from 1 July 2005, some members may still have a Surcharge Offset Account balance. The Surcharge Offset Account balance will be paid by the member.

Unpaid benefits

When you leave employment, we will advise you of your benefits in the Plan and your options.

You can remain a member of the Plan in Division 8, our Retained Benefits division, Division 9, our Flexible Income Stream or Division 14, our Transition to Retirement division, subject to the eligibility requirements.

Process for members ceasing employment prior to 1 November 2011

If you ceased employment prior to 1 November 2011, and did not advise the Trustee of where and how your benefit should be paid within 90 days, the Plan will have:

- ▶ transferred your benefit to Division 8 if it met the eligibility requirements, including a minimum account balance of \$5,000, or
- ▶ transferred your benefits to the Plan's nominated Eligible Rollover Fund.

Prior to 1 November 2011, Division 8 of the Plan did not offer insurance benefits in the event of death or disablement.

Process for members ceasing employment after 1 November 2011

Where you cease to be employed by the Company on or after 1 November 2011, and after final contributions have been received and processed by the Plan, your superannuation benefit will be automatically transferred to Division 8, unless benefit instructions have been provided to the Plan.

If you cease to be employed by the Company on or after 1 November 2011, Extended Cover (as defined in the **Insurance Guide** issued on 1 November 2011 and which is available online in the Publications section at www.qantassuper.com.au or by contacting us) provisions will apply. For a period of 90 days from when you cease to be employed by the Company and transfer to Division 8 of the Plan, you will have Extended Cover. Extended Cover will only apply where the dollar value of your Death or Death and Total and Permanent Disablement (TPD) benefit on the date you ceased to be employed by the Company is greater than zero.

This means you will automatically be given Retained Cover (as defined in the **Insurance Guide** and outlined below) during the Extended Cover period at no cost to you. If you continue to be a member of the Plan after the Extended Cover period has ended, your Retained Cover will automatically continue and premiums will start to be deducted from your superannuation account in Division 8 for the Retained Cover.

Retained Cover (as defined in the **Insurance Guide**) will be calculated at the date you ceased to be employed by the Company. Retained Cover will equal the Death and TPD¹ benefit as defined in the Plan's Trust Deed if you die or were TPD on the date of ceasing to be employed, less the actual benefit payable to you on ceasing to be employed, rounded up to the next whole unit of cover. Each unit is equivalent to \$10,000 of cover. This amount will differ for each member of the Plan. Please contact us if you would like us to assist you in calculating your individual amount of Retained Cover.

If you are not entitled to a Death or TPD benefit on the date of ceasing to be employed by the Company, your Retained Cover will be nil Death and/or nil TPD cover.

Any Death or Death and TPD insurance cover provided in Division 8 can be cancelled or reduced at any time and premium deductions will then stop or be reduced. You will need to complete an **Application to reduce or cancel additional voluntary insurance cover** form to cancel or reduce cover. This form is available on the Plan's website at www.qantassuper.com.au or by contacting the Plan.

Division 8 has an eligibility requirement to have a minimum balance of \$5,000. The Plan will review your account balance 90 days from the date you ceased employment. If your account balance is below \$5,000 at that time, your benefit will be transferred out of Division 8 and into the Plan's nominated Eligible Rollover Fund.

¹Division 2 members are entitled to a Disability benefit paid as a monthly pension but this form of TPD benefit is not offered in Division 8. On transfer of a member of the Plan to Division 8, both the Death and TPD benefit will be calculated as a lump sum benefit equivalent to the Death Benefit (with dependants) less the actual benefit entitlement on ceasing employment, rounded up to the next whole unit of cover.

In some Divisions, the Death Benefit and TPD Benefit are different. For administrative ease, the Plan will use the Death Benefit as the basis for determining the Retained Cover (as defined in the **Insurance Guide**).

Eligible Rollover Fund

An Eligible Rollover Fund (ERF) is a superannuation fund specifically designed to hold unpaid superannuation benefits.

The ERF currently used by the Plan is AUSfund.

Legislation requires ERFs to guarantee that administration fees deducted from your benefit will not exceed the amount of investment returns credited. This usually ensures that the amount of your benefits cannot reduce while they are in an ERF due to fees being deducted.

If your benefit is transferred to the AUSfund you will no longer be a member of the Plan and you will need to contact AUSfund about your benefit. Please note that the conditions, fees and investment strategy of AUSfund may be different from those of the Plan.

AUSfund does not offer insured benefits in the event of death or disablement.

Contact details for AUSfund are:

The AUSfund Administrator

PO Box 2468

Kent Town SA 5071

Ph: 1300 361 798

Fax: 1300 366 233

Web: unclaimedsuper.com.au

Member Dissatisfaction Policy (Complaints)

The Trustee of the Qantas Superannuation Plan has established a Member Dissatisfaction Policy to ensure member inquiries and complaints are resolved promptly and regulatory obligations are met.

In addition, the Trustee is obliged to provide you with any information you reasonably require to understand your benefits.

How do I lodge a complaint?

1. Call Qantas Super on **1300 654 384** weekdays 8.30 am – 5.30 pm (EST) to discuss your complaint.
2. If you'd prefer not to discuss the complaint with your Service Representative, or your concern is not satisfactorily resolved, please direct your written complaint to:

**Superannuation Inquiries Officer
Qantas Superannuation Plan
Locked Bag A4075
SYDNEY SOUTH NSW 1235**

The Superannuation Inquiries Officer will ensure that your complaint is investigated appropriately and will provide you with a response.

3. If you do not receive a response to your complaint within 90 days or are not satisfied with the response provided after going through Qantas Super's internal complaints process, you may be eligible to take your complaint to the Superannuation Complaints Tribunal (SCT).

The SCT is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of complaints. This is a free service to you.

More information is available at the SCT website www.sct.gov.au or on **1300 884 114**.

The SCT mailing address is:

**Superannuation Complaints Tribunal
Locked Mail Bag 3060
MELBOURNE VIC 3001**

If your complaint is outside the jurisdiction of the SCT, you may also have the right to take your complaint to the Financial Ombudsman Service (FOS). More information is available at the FOS website: www.fos.gov.au or by calling the FOS on **1300 780 808**.

The FOS mailing address is:

**Financial Ombudsman Service
GPO Box 3
MELBOURNE VIC 3001**

Trustee, privacy and other information

Trustee

Qantas Superannuation Limited (ABN 47 003 806 960) as Trustee holds the following licences:

- ▶ Registrable Superannuation Entity (RSE L0002257) licence which allows the Trustee to be the trustee of the Qantas Superannuation Plan (ABN 41 272 198 829), and
- ▶ Australian Financial Services Licence (AFSL 288330), which allows the Trustee to provide general superannuation product advice.

The Trustee will administer the Plan and provide a variety of information to members through publications like the annual report, annual benefit statement, newsletters and the website. The Trustee will also respond to queries from individuals relating to the superannuation products provided by the Trustee.

Privacy

The Trustee is committed to respecting the privacy of members' and other individuals' personal information, and is committed to complying with the Privacy Act 1988 and any other applicable laws designed to protect individuals' privacy.

Subject to certain conditions, members can gain access to personal information that the Trustee has collected. The information is collected to assist the provision of services to members of the Plan, consistent with Federal legislation covering superannuation and taxation.

Member's information may be disclosed by the Trustee to a number of other parties, including the Plan's administrator, advisers, insurers, regulators and courts. Limited information may be provided to the Company. In some situations, the law may require the provision of information to a member's spouse or former spouse.

Our service providers

The Trustee appoints a number of service providers to assist in the management of the Plan. In 2010/2011, the key service providers were:

Administrator

Russell Investments

Master custodian

J.P.Morgan Chase Bank, N.A.
(from 5 July 2010)

Investment managers

See page 16

Actuary

Mr Fintan Thornton, BSc, FIAA,
Russell Investments

External auditor

PricewaterhouseCoopers

Internal auditor

KPMG

Investment advisers

Towers Watson
Arcadia Funds Management

Principal legal advisers

Freehills

Superannuation advisers

Russell Investments

Tax advisers

PricewaterhouseCoopers
KPMG

Operational due diligence

Mercer Sentinel

Trustee liability insurance

The Trustee maintains trustee liability insurance through Aon Professional Services to indemnify the Trustee Directors against insurable losses for which they are personally liable, to indemnify the Plan, and in some circumstances the Company where the Trustee is indemnified by the Company for such loss.

Financial statements

The details below are a summary of the 2011 Qantas Superannuation Limited's unaudited abridged financial statements.

Abridged statement of changes in net assets	2010/2011 \$000	2009/2010 \$000
Plan at the start of the year	5,429.4	5,058.7
PLUS		
Company contributions	296.6	304.4
Member contributions	41.9	45.0
Government co-contributions	1.9	3.6
Transfers from other plans	24.2	24.8
Investment and other income	571.4	443.5
LESS		
Benefits	369.8	354.2
Administration expenses	9.9	10.2
Superannuation surcharge	-0.1	-0.2
Investment expenses	25.8	15.5
Income tax	87.8	71.1
Plan at the end of the year	5,872.2	5,429.4
Abridged statement of net assets	As at 30 June 2011 \$ million	as at 30 June 2010 \$ million
Investments (at Net Market Value)	5,876.7	5,335.3
PLUS		
Other assets	58.6	128.3
LESS		
Liabilities	63.1	34.2
Net assets available to pay benefits	5,872.2	5,429.4

The Plan's full audited financial statements and the auditors report for the year ended 30 June 2011 will be available on the Plan's website no later than 31 December 2011.

Copies of the full audited financial statements and auditors report will then be available on request.

Reserves

A number of reserves are held by the Plan to cover events such as abnormal mortality experience, foregone benefits and to account for any difference between actual Plan returns and amounts credited to the investment options.

The Trustee's investment strategy for these reserves is as per the investment objectives and strategy as described on page 12.

Full details about these reserves are disclosed in the notes to the Financial Statements. A copy of the 2010/2011 Financial Statements will be available on the Plan's website no later than 31 December 2011.

	Investment Fluctuation Reserve (\$'000)	Disability Reserve (\$'000)	Forgone Benefits Reserve (\$'000)
Reserve 30 June 2008	25,530	62,596	(1,978)
Amounts allocated during year	(18,623)	(2,724)	767
Transfers during year	–	1,365	959
Reserve 30 June 2009	6,907	61,237	(252)
Reserve 30 June 2009	6,907	61,237	(252)
Amounts allocated during year	(11,271)	2,536	532
Transfers during year	–	2,559	276
Reserve 30 June 2010	(4,364)	66,332	556
Reserve 30 June 2010	(4,364)	66,332	556
Amounts allocated during year	(16,163)	(7,192)	12
Transfers during year	0	2,885	258
Reserve 30 June 2011	(20,527)	62,025	826

Other information

The contents of this annual report is of a general nature, is not intended to constitute financial product advice and has not been prepared taking account of your objectives, financial situation or needs. This annual report is not intended to take the place of a licensed financial adviser who understands your objectives, financial situation and needs. The Trustee recommends that before acting on any information contained in this document, you seek financial advice from a licensed independent financial adviser and read the Plan's Product Disclosure Statement for the particular Division you are a member of before making an investment decision.

The Trustee makes every attempt to ensure that the information in this document is accurate. Legislative and other changes after the time of publication may affect the accuracy of some of the information contained in this document.

To contact the Plan:

- ▶ call 1300 654 384
- ▶ fax (02) 9372 6288
- ▶ email info@qantassuper.com.au
- ▶ Postal Address

Qantas Superannuation Limited
Locked Bag A4075
Sydney South NSW 1235

