



Investment Update

for December 2006 Quarter

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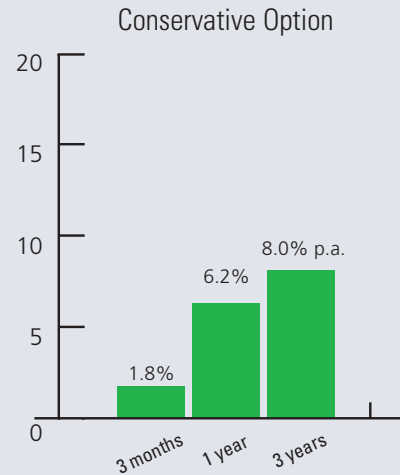
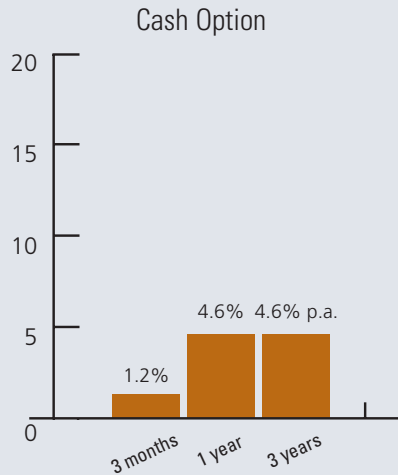
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INVESTMENT UPDATE

For the 3 months to 31 December 2006

Credited interest rates



Note: The Credited Interest Rates shown in the above graphs are the actual rates credited since Investment Choice was introduced from 1 April 2005. Prior to that, the rates are simulations only, based on index returns for the assets contained in each investment option. **Investment returns can go up or down. Past performance and simulations of this type may not be a reliable indicator of future performance.**

Market update

Recent performance by the Plan's asset sectors (before tax) were as follows:

Asset Class	Quarter	Year	3 Years (p.a.)
Australian Equities	▲ 12.1%	26.5%	26.8%
International Shares	▲ 6.2%	16.7%	16.1%
Direct Property	▲ 3.9%	16.0%	13.1%
Listed Property	▲ 12.9%	36.0%	25.2%
Private Capital	▲ 4.5%	12.5%	17.8%
Hedge Funds	▲ 0.9%	6.9%	n/a
Emerging Markets and High Yield Debt	▼ 4.2%	9.6%	n/a
Australian Fixed Interest	▼ 0.4%	3.4%	5.5%
Indexed Bonds	▼ -1.2%	2.1%	6.9%
International Fixed Interest	▼ 1.1%	2.8%	6.5%
Cash	1.4%	5.6%	5.2%

Strong investment performance, particularly in equity markets (Australian and International) and listed property, has lifted the December quarter performance. When measured over a longer period the last quarter, the annual and three year returns were strong. For the entire Plan in aggregate, the net performance to 31 December 2006 was:

- 5.4% for the quarter;
- 14.1% for the 12 months;
- 15.1% p.a. for the 3 years.

Credited Interest Rates (CIR's)

The CIR's since 1 July 2006 have been:

Quarter ending	Cash Option	Conservative Option	Balanced Option	Growth Option	Aggressive Option	Division 9 members
30 Sep 06	1.15%	2.77%	3.11%	3.43%	3.67%	3.92%
31 Dec 06	1.19%	1.78%	3.65%	5.23%	6.46%	5.87%

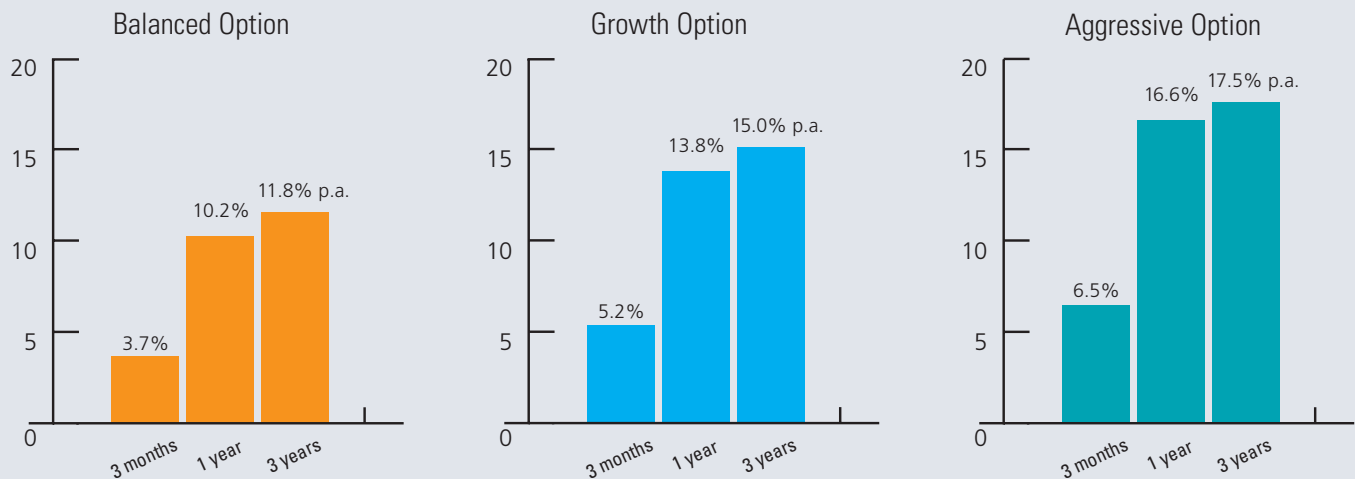
Trustee Director changes

Congratulations and welcome to Mr Michael Mijatov who was successful in the recent Trustee elections. Mr Mijatov has joined the Trustee Board as the member-elected Director for Group B (Flight Attendants).

Also, congratulations to Ms Nicola Warwick-Mayo who was re-elected in the recent election for the member-elected Director position for Group E. This group covers Airline Officers' Award (Levels 5-9), SPG's, Professional Engineers and Executives.

Important note

The items in this newsletter have been provided for information only. Any decisions you may make on any of these matters should have regard for your personal circumstances and tax position, and we would strongly recommend you seek financial planning advice to assist you making decisions about your options in the Plan.



Changes to Administration Services

The Trustee has recently engaged Russell Employee Benefits to provide administration services for the Plan.

Why did the Trustee decide to outsource?

One of the important roles of the Trustee is to undertake regular business planning to ensure that the Plan meets the retirement saving needs of members, and to make improvements as these needs evolve over time.

At present the superannuation environment is changing at a rapid pace. For example, details supporting the major changes announced in the 2006 budget last year will soon be released, regulators are increasingly looking for better risk management and compliance practices, and members are seeking better ways to interact with the Plan. Accordingly, the Trustee is aiming to ensure that the Plan continues to operate safely, to provide the flexibility sought by members, and to remain competitive in a choice environment. To do so requires a robust administration platform supporting these aims.

Currently, superannuation administration for the plan is undertaken by Qantas Airways Limited using an administration system which was developed more than 15 years ago. To assess the capacity of this system to meet current member expectations, and as a base for future service expansion, the Trustee conducted an extensive review of the market.

This market review was undertaken by a sub-committee of the Trustee, together with an independent superannuation outsourcing firm who was appointed specifically for this role. Following an initial review, the sub-committee recommended to the Trustee Board that an external administration specialist be appointed to replace Qantas as administrator. The sub-committee subsequently undertook a major assessment of various potential providers, leading to a recommendation to the Trustee Board that Russell be appointed as administrator to the plan.

Who is Russell, and why were they chosen?

Russell Employee Benefits (Russell) is a subsidiary of the Russell Investment Group operating in Australia. They are the leading provider of administration and related services for Australian corporate superannuation funds, and their current administration clients include the superannuation funds for Australia Post, BHP Billiton, ANZ, BluescopeSteel, OneSteel and Westpac.

The key reason for choosing Russell was their experience and track record with large and complex superannuation funds, and their particularly strong processes around transition and implementation. As with any large change, it is important to the Trustee that any change process should have no disruption to ongoing services for members, and deliver improvements over time.

In addition, Russell already have experience with the Plan, and for many years have hosted and maintained the qantassuper.com.au website. As part of this role they support the Trustee by providing the benefit projection technology (in the Member's Area of the website) under their Australian Financial Services Licence.



What is actually changing?

From 1 May, Russell will provide administration and member services to the Plan. These include back office functions such as record keeping, benefit processing services and some associated communications work (production of annual member statements and annual member reports). They will also provide member support via the website and call centre.

What does it mean for members?

During the transition there will be no impact on member services. After the transition, more website services will be available, and members will be able to:

- access 'live' benefit quotations at any time;
- view up-to-date personal contribution and transaction histories;
- notify the Trustee of switches to MIC Options on-line.

What will not change?

As mentioned above, this change will modernise the administration platform which supports the delivery of member services. As part of this change:

- The website address **www.qantassuper.com.au** and phone number for the plan (1300 654 384) will not change;
- No changes will be made to the Trustee, or the member representation on the Trustee board. The performance of the administration services will continue to be monitored by the Trustee, who will continue to manage all aspects of the Plan;
- Regular communications will continue to be provided, such as quarterly newsletters and annual reports.

Importantly for all members, the changes will have no impact on benefit entitlements from the plan. Rather they will simply deliver service improvements more efficiently, and create a stable platform for future service enhancements.

Impact of the APA bid for Qantas

Some members have raised questions about the APA bid and how it would affect their superannuation entitlements in the Plan. The Trustee of the Plan would like to clarify the following:

- The plan is managed by Qantas Superannuation Limited as Trustee, which is a separate entity to Qantas Airways Limited. The Trustee is made up of 5 Member-Elected Directors and 5 Employer-Appointed Directors in accordance with superannuation laws;

- The APA bid does not change the existing benefits currently held by the Plan;
- Neither the current owners of Qantas nor any possible future owners of Qantas can access the assets of the Plan;
- By law, employers are required to make contributions to superannuation within 28 days of the end of each quarter (or within 28 days of the end of each month for member contributions). At present Qantas makes superannuation contributions at the same time that members are paid their salary. All due contributions are up to date;
- Member benefits in the Plan are currently fully funded.

Size of the Fund – statistics as at 30 June 2006

Some statistics about the size of the Plan are as follows:

	30 June 2006
Members	32,629
Total Assets	\$5,641 million
Total Vested Benefits *	\$5.219 million
Plan Investments in QAL Shares	\$15 million (only 0.27% of all plan assets)

* The value of all benefits which would be payable by the plan, had all members decided to voluntarily leave the plan on that date.

Annual Report

An annual report was sent to all Plan members in December. A copy of the annual report may be obtained from the Plan's website www.qantassuper.com.au under Documents/Annual Reports.