

Qantas Superannuation Plan

Annual Report 2010



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Message from the Chairman






Welcome to the 2010 Qantas Superannuation Plan Annual Report.

The Plan has successfully navigated another challenging year. The fallout from the Global Financial Crisis resulted in continued investment market volatility and the reviews of superannuation by the Federal Government have raised the potential for more changes to the superannuation system over the next few years.

Despite these uncertainties, the Trustee has maintained its high standards of governance and focussed on the delivery of its promises to Plan members and Qantas Airways Limited.

The focus for the Trustee over 2009/10 was to:

-  maintain ongoing prudent management of the Plan investments, with particular focus on net returns to members and minimising the cost of operations;
-  establish the foundation for an enhanced member experience; and
-  continue to manage the business of the Plan efficiently and effectively.

Solid progress has been made in all of these areas. Importantly, the work undertaken in the member services area sets the platform for a number of enhancements - a strong focus for the year ahead.

The Trustee also reviewed its purpose and approach to business, formalising a values and behaviours statement which sits at the core of our interaction with all stakeholders, our decision making processes and service delivery.

Our values and behaviours are:

- ▶ To be good value and efficient;
- ▶ To act with integrity;
- ▶ To be professional;
- ▶ To have alignment and clarity around our goals, strategies and accountabilities; and
- ▶ To be open and engaged in our dealings with all stakeholders.

The Investment Story

Investment market returns over the 2009/10 financial year returned to positive territory after hitting their lows in March 2009. The Credited Interest Rate for the Growth Option was 8.78% for the full year.

However the investment environment has remained uncertain which led to outcomes being variable, as illustrated by the Credited Interest Rates for the Growth Option measured quarterly.

Sept 09	8.07%
Dec 09	2.60%
Mar 10	1.90%
Jun 10	-3.73%

Throughout the year the Trustee:

- ▶ maintained focus on the long term objectives (adjusted for risk) for each investment option;
- ▶ continued to carefully manage investment expenses, ensuring value for money for all underlying investments; and

- ▶ introduced a robust framework for investing in alternative asset classes, ranging from credit investments, to hedge fund and diversity assets, private equity, property and infrastructure and introducing innovative investment structures with high quality investment managers.

During the year the Trustee also appointed a new custodian, J.P. Morgan, to assist us with keeping the assets of the Plan secure. The custody of the Plan's assets was successfully transitioned to J.P. Morgan from National Asset Servicing on 5 July 2010.

Maintaining a healthy financial position

In 2009, to ensure the financial position of the Plan remained healthy, the Trustee and the Company agreed to 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.

Since being introduced, the Trustee has continued to undertake detailed monitoring of the additional funding plan. Notably:

- ▶ Following improved investment returns, which led to the Plan's financial position recovering more quickly than expected, the rate of additional quarterly contributions by the Company was slowed in May 2010; and

- ▶ Due to the weaker investment returns in the June quarter 2010, the rate of additional contributions originally set in the additional funding plan was resumed.

The Trustee will continue to closely monitor the financial position of the plan and adjust the additional contributions as appropriate. Both the Trustee and the Company remain committed to the long term financial strength of the Plan.

The Member Experience: Focus for the year ahead

One of the main priorities for the Trustee is to focus on ways to improve the Plan and to ensure members' interests are best served. Key initiatives planned for 2010/11 include:

- ▶ delivery of member communications which are easier to understand and help members make the most of their super;
- ▶ greater use of e-communication services so we can communicate to members more regularly and in a way that reduces our impact on the environment;
- ▶ enhancement of our member website; and
- ▶ a review of the insurance benefits offered to members.

We will continue to keep you informed as these are developed.

The Trustee will also be closely monitoring the Government's superannuation policies to ensure we are prepared and ready for any future changes, and that we best apply them to the benefit of our members.

The Qantas Super Team

I would like to thank Qantas Superannuation Limited's Chief Executive, Janet Torney, and her team in the Executive Office for their consistent dedication and hard work for the Plan and its members.

During the year, Stacey Brown, Kevin Fletcher and Suzanne Young stepped down as Directors. We thank them for their contribution to the Plan, especially Stacey who served as Chairman of the Audit and Risk Committee.

We welcome as new Directors Nicole Grantham (Company-appointed) and Greg Manning (Member-elected, Group E).

Kash Gillies was re-elected as the Member-elected Director for Group D.

I personally wish to thank my fellow Directors for their commitment to the Plan during this challenging year, and for their active participation and engagement in our Board and committee activities and meetings.

Anne Ward

Chair of Trustee

The 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

Ms Anne Ward Chairman, Qantas Superannuation Limited

Mr Peter Cosgrove AC, MC Director of Qantas Airways Limited

Mr Steven Fouracre Group Treasurer

Ms Nicole Grantham Head of Audit (appointed 6 August 2010)

Mr Jon Scriven Group Executive, People

Member-elected Directors

Mr Mark Thorpe Technical Aircrew (Group A)

Mr Craig Pagden Flight Attendants (Group B)

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

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

Mr Greg Manning All other Qantas Group employees (Group E). (Appointed 3 June 2010)

Directors during part of the year were:

Ms Stacey Brown, Member-elected Director (Group E) resigned as a Director of the Trustee effective 5 March 2010.

Mr Kevin Fletcher, Company-appointed Director, resigned as a Director of the Trustee effective 16 November 2009.

Ms Suzanne Young, Company-appointed Director, was appointed 1 February 2010 and resigned as a Director of the Trustee effective 17 June 2010.

Company-appointed Directors



Ms Anne Ward
Chairman,
Qantas
Superannuation
Limited



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



Mr Steven Fouracre
Group Treasurer



Ms Nicole Grantham
Head of Audit



Mr Jon Scriven
Group Executive,
People

Member-elected Directors



Mr Mark Thorpe
(Group A)



Mr Craig Pagden
(Group B)



Mr John Sipek
(Group C)



Mr Kash Gillies
(Group D)



Mr Greg Manning
(Group E)

	Seven Board meetings						
	Aug	Sep	Oct	Dec	Feb	Apr	Jun
Anne Ward							
Stacey Brown						*	*
Peter Cosgrove							
Kevin Fletcher				*	*	*	*
Steven Fouracre							
Kash Gillies							
Greg Manning	*	*	*	*	*	*	
Craig Pagden							
Jon Scriven							
John Sipek							
Mark Thorpe							
Suzanne Young	*	*	*	*			

■ meeting attended



■ meeting not attended

* Not a Director at the time of this board meeting

Committee		Meetings per year
Audit & Risk Committee	Steven Fouracre (Chairman)	5
	Stacey Brown (Chairman to 5 March 2010)	
	Nicole Grantham	
	Greg Manning	
	John Sipek	
Claims Committee	Delegated to Executive Office and chaired by Janet Torney, Chief Executive	12
Investment Committee	Steven Fouracre (Chairman)	6
	Kash Gillies	
	Mark Thorpe	
	Janet Torney	
	Anne Ward	
Member Services Committee	Peter Cosgrove (Chairman)	4
	Kash Gillies	
	Craig Pagden	
	Jon Scriven	
Remuneration Committee	Anne Ward (Chairman)	1
	Greg Manning	
	Jon Scriven	

Trust Deed Changes

During the year to 30 June 2010 two amendments were made to the Trust Deed.

-  The definition of 'dependant' was changed to be aligned with the definition of 'dependant' in the relevant superannuation legislation.
-  An amendment to clarify the position of a member of the Plan who is employed by Qantas Airways Limited or an associated employer and working in a country other than Australia.

Visit the Plan's website at www.qantassuper.com.au to view a consolidated copy of the Plan's Trust Deed.

Key Plan Facts

Credited Interest Rate 8.78% for Growth Option

For members in the Growth Option (over the entire year) your accounts were credited with 8.78% for the year ended 30 June 2010.

Credited Interest Rates for members who elected other Member Investment Choice options are shown on pages 19 to 22.

For members in Division 9 - Flexible Income Stream and Division 14 -Transition to Retirement the Credited Interest Rate for the Growth Option was 10.17% for the full year to 30 June 2010.

Size of the Plan \$5.42 billion

The Plan's net assets available to pay benefits was \$5.42 billion at 30 June 2010, up from \$5.06 billion at 30 June 2009.

Membership 32,732 members at 30 June 2010

The Plan's membership at 30 June 2010 was 32,732.

During the year 2,542 members joined and 2,643 members departed.

Company Contributions \$304.4 million

Qantas Airways Limited (the Company) and associated employers contributed \$304.4 million towards members' super during the year. This included salary sacrifice contributions made by members.

The Plan's 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 makes recommendations as to changes to the rates of contribution 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 additional funding plan and the associated monitoring program. In addition to current contributions, further payments of up to \$66 million were scheduled to be made by the Company over a three year period.

The Trustee has continued to undertake detailed monitoring of this additional funding plan.

Following the improvements in investment returns, the rate of additional quarterly contributions by the Company was slowed in May 2010. However with the weaker investment returns in the quarter to June 2010, it was agreed that the rate of additional contributions would increase for the June 2010 and September 2010 quarters.

The Trustee continues to monitor the 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.

The Plan's 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 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 (MIC) Option and the assets backing the defined benefit liabilities to reflect their different characteristics.

A summary of the investment objectives and strategy for each MIC Option is contained on pages 19 to 22.

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

- ▶ Limit the likelihood of a negative return to four years in twenty (20%); and
- ▶ Achieve a net return that exceeds CPI by at least 4% pa over a five year period after taxes and investment expenses.

As at 30 June 2010 the strategic asset allocation for the assets backing the defined benefit liabilities was the same as the Growth Option, as detailed on pages 21 and 22.

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

Plan Asset Allocation

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

	30 June 2009 \$ million	30 June 2010 \$ million	Change \$ million
Return Seeking Assets			
Australian Equities	1327.34	1,382.32	54.98
International Equities	1134.89	1,395.92	261.03
Return Seeking Alternatives			
Credit	466.67	332.92	-133.75
Diversity	185.09	165.17	-19.92
Infrastructure	43.17	0.00	-43.17
Private Equity	67.16	67.13	-0.03
Property	453.43	209.98	-243.45
Total Return Seeking Alternatives	1,215.52	775.21	-440.31
Risk Controlling Assets			
Risk Diversifying Alternatives			
Credit	50.09	82.20	32.11
Diversity	90.14	28.82	-61.32
Property	132.63	130.93	-1.70
Total Risk Diversifying Alternatives	272.86	241.95	-30.91
Fixed Interest	708.25	926.19	217.94
Cash	348.07	624.53	276.46
Total Plan Assets	5,006.93	5,346.12	339.19

Please note: the basis for valuation for actual asset allocation is Gross Market Value. The basis for valuation for Total Managed Investment Portfolios (page 15) and the unaudited abridged financial statements (page 31) is Net Market Value.

Annual Investment Review

Over the year, the Trustee reviewed the Plan's investment matters to ensure that they remain appropriate for the ongoing circumstances of the Plan.

It included reviewing the Plan's:

- ▶ Investment philosophy;
- ▶ Investment governance and delegations;
- ▶ Investment objectives and strategies;
- ▶ Portfolio construction of the Plan's investments;
- ▶ Investment managers and mandates; and
- ▶ Investment operations.

Review of Investment Policies

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

- ▶ Investment Policy Statement
- ▶ Valuation of Illiquid Assets Policy
- ▶ 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.

The Plan's 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 2009/10, the Trustee conducted a complete review of Fixed Interest and Cash investment managers, as well as continuing to enhance the Plan's Return Seeking and Risk Diversifying Alternatives investments based on a new, robust framework for investing in these assets. (In 2008/09 there was a complete review of all Equities Managers).

Investment Limits

The Plan's Investment Policy Statement includes a number of limits on what the Plan can invest in. Specifically in 2009/10:

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

▶ The largest holding in any one asset or security was less than 5% during the year. Additionally, five Investment managers individually manage more than 5% of the Plan's assets as at 30 June 2010. These are included in the list of Investment Managers at 30 June 2010 on page 15; and

▶ As at 30 June 2010, the Plan had approximately \$8.1 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.

Details of the investment managers used to manage the investments at 30 June 2010 are contained in the following table:

Investment managers as at 30 June 2010	Net market value	
	\$ million	%
Aberdeen Investment Management Australia Limited	234.9	4.4%
Altrinsic Global Advisors LLC	196.9	3.7%
BlackRock Asset Management Australia Limited	567.5	10.6%
BT Investment Management Limited	28.8	0.5%
Cooper Investors Pty Limited	204.8	3.8%
Independent Asset Management Pty Limited	158.0	3.0%
Independent Franchise Partners, LLP	185.7	3.5%
IronBridge Capital Management, LP	191.2	3.6%
K2 / D&S Management Company LLC	165.2	3.1%
Lazard Asset Management Pacific Co.	234.6	4.4%
Macquarie Investment Management Limited	622.5	11.7%
Merlon Capital Partners Pty Limited	199.1	3.7%
National Australia Bank Asset Servicing (custodian cash account)	115.7	2.2%
Orbis Investment Management (Australia) Pty Limited	112.8	2.1%
PIMCO Australia Pty Limited	236.7	4.4%
Property Portfolio	339.5	6.4%
Queensland Investment Corporation	449.3	8.4%
Realindex Investments Pty Limited	184.6	3.5%
Standish Mellon Asset Management Company LLC	158.3	3.0%
State Street Global Advisors Australia Limited	2.6	0.0%
Tactical Global Management Limited	54.8	1.0%
Vanguard Investments Australia Limited	509.7	9.6%
Vianova Asset Management Pty Limited	179.2	3.4%
Other (terminated mandates in transition as at 30 June 2010)	2.8	0.1%
Total Managed investments portfolios	5,335.3	

Market Investment Performance

The Year in Review

In Australia, the 2009/2010 financial year saw:

- ▶ The Australian economy record an annual growth rate of 3.3% (year to 30 June 2010);
- ▶ The Reserve Bank of Australia (RBA) raise interest rates six times, from 3.0% to 4.5%;
- ▶ The Australian share market performed strongly for the first three quarters of the financial year before retracting somewhat, although ended the year with a strong return; and
- ▶ The Australian dollar experienced significant price movements, starting at US77.5 cents increasing to a high of US93.7 cents, before ending the year at US87.0 cents.

The Australian economy continued to recover from the global financial crisis and outperformed many developed economies. It grew at an inflation adjusted annual rate of 3.3% in the year to 30 June 2010, and the unemployment rate fell from 5.8%

to 5.1% over the year to 30 June 2010. Meanwhile, the combination of an early recovery and inflation at the higher end of the RBA's inflation target led the RBA to increase interest rates six times, from 3.0% to 4.5%.

Globally, the major developed economies started to recover from recession during the course of the year. While the Asian economies rebounded quickly over the financial year, the US and European countries struggled with high budget deficits and debt levels. China contributed strongly to global growth, growing at an inflation adjusted rate of 10.7%, before authorities started tightening financial conditions to slow growth and potential asset bubbles in its property and share markets.

The recent European sovereign debt issues and signs of slowing momentum in the US economy have raised concerns about a potential double-dip global recession. US unemployment fell in June, but is still high at 9.5%, with the US Federal Reserve committed to continuing its accommodative financial policies, reflecting that conditions in the US and globally are not favourable. Unemployment rates

within the other developed nations also remain high, at 10% in the Euro-area and 7.9% in the UK and Canada.

The Australian share market performed strongly from the start of the financial year, but lost ground over the June quarter due to the proposed Resources Super Profits Tax and as European sovereign debt concerns increased. Overall, the S&P/ASX 300 Accumulation Index* returned 13.1% over the year to 30 June 2010.

Like the Australian share market, global share markets also rallied during the first half of the financial year before concerns about sovereign debt and mixed US economic data led to a decline in the market. Overall, the MSCI World ex Australia Index* (unhedged into Australian dollars) returned 5.2% for the year to 30 June 2010, whilst the Australian dollar hedged MSCI World ex Australia Index* returned 14.1% over the same period.

The Australian fixed interest market delivered a solid performance over the 2009/10 financial year. The Australian 90 Day Bank Bill index* posted a positive return of 3.9% for the financial year while the UBSA Composite Bond Index

(All Maturities)* returned 7.9% for the financial year. Global fixed interest markets outperformed the Australian fixed interest market, with the Barclays Global Aggregate Index* (hedged into Australian dollars) returning 10.6% for the year. Credit markets continued to improve over the year, leading to credit spreads narrowing substantially through the year from their historic highs.

*Index returns, gross of tax and fees.

Looking forward

Recent mixed economic data from the US, and European sovereign debt issues coupled with reduced spending continues to result in global uncertainty and concerns of another recession. China is seen as a source of global growth. A focus for governments around the world is improving financial regulation to avoid another global financial crisis.

Against this backdrop, the Australian economy should continue to grow at a moderate pace. There remains a risk of heightened inflationary pressures.

Member Investment Choice (MIC)

In 2009/10, most members of the Plan were eligible for 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 2009/10 were Divisions 1*, 4, 12 and members in Division 2 with defined benefit guarantees resulting from prior membership of Australian Airlines plans. These Division 2 members 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.

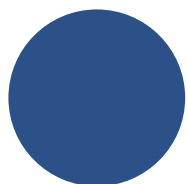
*** New rules for Member Investment Choice – Division 1**

At the Board meeting of 26 August 2010, the Trustee approved a change to the MIC rules of the Plan.

The new rules provide that members of Division 1 are allowed to exercise MIC from the date Division 1 members reach their Retirement Date for superannuation purposes.

About the MIC Options

Cash Option



100% Risk controlling assets
 ■ 100% Fixed Interest and Cash

Objectives

- ▶ To achieve a return that exceeds CPI by at least 1.5% p.a. over a 12 month period, after tax and investment fees.
- ▶ To outperform the notional return on the benchmark portfolio.
- ▶ To never achieve a negative annual return.

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%

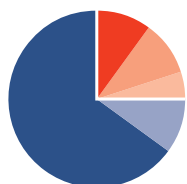
Investment Fees

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% of assets.

Returns¹

The investment return for the Cash Option was 3.24% for the 12 months to 30 June 2010. The average rate of net earnings over the past 5 years to 30 June 2010 was 4.56% p.a.

Conservative Option



25% Return seeking assets
 ■ 10% Australian Equities
 ■ 10% International Equities
 ■ 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 likelihood of a negative annual return to 1 year in 20 (or 5%).

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%

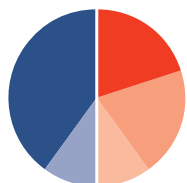
Investment Fees

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% of assets.

Returns¹

The investment return for the Conservative Option was 7.47% for the 12 months to 30 June 2010. The average rate of net earnings over the past 5 years to 30 June 2010 was 4.29% p.a.

Balanced Option



50% Return seeking assets
 ■ 20% Australian Equities
 ■ 20% International Equities
 ■ 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 likelihood of a negative annual return to 3 years in 20 (or 15%).

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% of assets.

Returns¹

The investment return for the Balanced Option was 8.56% for the 12 months to 30 June 2010. The average rate of net earnings over the past 5 years to 30 June 2010 was 4.22% p.a.

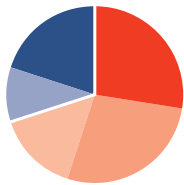
* Gross of Tax for Division 9 and Division 14 members.

¹ Different CIRs apply to Division 9 and Division 14 members. These are shown on page 25.

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

- 27.5% Australian Equities
- 27.5% International Equities
- 15% 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 likelihood of a negative annual return to 4 years in 20 (or 20%).

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% of assets.

Returns¹

The investment return for the Growth Option was 8.78% for the 12 months to 30 June 2010. The average rate of net earnings over the past 5 years to 30 June 2010 was 3.84% p.a.

Aggressive Option



100% Return seeking assets

- 37.5% Australian Equities
- 37.5% International Equities
- 25% 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 likelihood of a negative annual return to 5 years in 20 (or 25%).

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% of assets.

Returns¹

The investment return for the Aggressive Option was 8.11% for the 12 months to 30 June 2010. The average rate of net earnings over the past 5 years to 30 June 2010 was 3.32% 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 25.

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.

Interest Credited to Member Accounts

Credited Interest Rates (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 determined by the Trustee monthly. The Interim CIRs are also used to determine the final payment amount should you cease to be a member, or transfer to another division 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.

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

	Credited Interest Rate % p.a.
2009/2010	8.78
2008/2009	-11.29
2007/2008	-5.79
2006/2007	15.94
2005/2006	14.74
3 year average**	-3.19
5 year average**	3.84

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

** Compound to 30 June 2010.

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

Month ending	Cash Option	Conservation Option	Balanced Option	Growth Option	Aggressive Option
July	0.21	1.73	2.78	3.53	4.07
August	0.21	1.44	2.00	2.39	2.66
September	0.19	1.11	1.60	1.95	2.20
October	0.23	-0.07	-0.45	-0.81	-1.22
November	0.26	1.13	1.41	1.48	1.51
December	0.27	0.58	1.28	1.93	2.78
January	0.31	-0.18	-1.01	-1.76	-2.71
February	0.25	0.39	0.58	0.77	0.98
March	0.29	1.29	2.24	2.93	3.92
April	0.29	0.35	0.13	-0.11	-0.46
May	0.34	-0.49	-1.51	-2.34	-3.39
June	0.34	-0.03	-0.70	-1.31	-2.15
2009/2010 year*	3.24	7.47	8.56	8.78	8.11

* Compound annual return.

Long-term returns have been provided in the table below as compound average rate of net earnings for the five year period from 1 July 2005 to 30 June 2010.

From	To	Cash Option % p.a.	Conservation Option % p.a.	Balanced Option % p.a.	Growth Option % p.a.	Aggressive Option % p.a.
1 July 2005	30 June 2010	4.56	4.29	4.22	3.84	3.32

Fees, Charges and Contributions

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

Month ending	Cash Option	Conservation Option	Balanced Option	Growth Option	Aggressive Option
July	0.25	1.96	3.12	3.95	4.54
August	0.25	1.67	2.28	2.70	3.00
September	0.22	1.27	1.82	2.21	2.48
October	0.27	-0.05	-0.49	-0.88	-1.33
November	0.31	1.32	1.63	1.69	1.70
December	0.31	0.64	1.41	2.16	3.11
January	0.36	-0.15	-1.08	-1.93	-2.98
February	0.30	0.45	0.66	0.88	1.11
March	0.34	1.46	2.52	3.29	4.39
April	0.35	0.43	0.18	-0.09	-0.49
May	0.39	-0.52	-1.64	-2.57	-3.74
June	0.40	0.00	-0.76	-1.43	-2.37
2009/2010 year*	3.81	8.78	9.94	10.17	9.34

* Compound annual return.

Long-term returns have been provided in the table below as compound average rate of net earnings for the five year period from 1 July 2005 to 30 June 2010.

From	To	Cash Option % p.a.	Conservation Option % p.a.	Balanced Option % p.a.	Growth Option % p.a.	Aggressive Option % p.a.
1 July 2005	30 June 2010				4.49	
1 July 2007	30 June 2010	5.21	3.26	-0.13	-3.37	-6.13

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 2010, the amount charged was 2.72% 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 2010 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 2010 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, 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 termination if earlier.

No insurance is provided for Divisions 8, 9, 11 or 14 and therefore no premiums are deducted.

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 0.65% for the year to 30 June 2010.

Contributions

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

The caps applicable to Concessional and Non-Concessional Contributions are available on the Plan's website, www.qantassuper.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 from the Plan

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

You may elect to transfer your benefit to Division 8 - Retained Benefits, Division 9 - Flexible Income Stream or Division 14 - Transition to Retirement. You must do so within 90 days.

If you do not advise the Trustee of where and how your benefit should be paid within 90 days, the Plan will:

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

Division 8 of the Plan does not offer insured benefits in the event of death or disablement.

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 of the Plan's current ERF are:

The AUSfund Administrator
PO Box 2468 Kent Town SA 5071
Ph: 1300 361 798
Fax: 1300 366 233
Web: unclaimedsuper.com.au

Service Providers

The Trustee appoints a number of service providers to assist in the management of the Plan. The key service providers are:

Administrator

Russell Investments

Master Custodian

National Asset Servicing
(prior to 5 July 2010)

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

Investment Managers

See page 14

Actuary

Mr Mark Thompson, BSc, FIAA,
Russell Investments

External Auditor

PricewaterhouseCoopers

Internal Auditor

KPMG

Legal Advisers

Freehills

Investment Advisers

Towers Watson
Arcadia Funds Management

Tax Advisers

PricewaterhouseCoopers
KPMG

Superannuation Advisers

Russell Investments

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 2010 Qantas Superannuation Limited's unaudited abridged financial statements.

Abridged statement of changes in net assets	2009/2010 \$ million	2008/2009 \$ million
Plan at the start of the year	5,058.7	5,756.8
PLUS		
Company contributions	304.4	332.6
Member contributions	45.0	52.9
Government co-contributions	3.6	3.0
Transfers from other plans	24.8	24.4
Investment and other income	443.5	-729.9
LESS		
Benefits	354.2	384.6
Administration expenses	10.2	8.9
Superannuation surcharge	-0.2	-0.2
Investment expenses	15.5	14.5
Income tax	71.1	-26.7
Plan at the end of the year	5,429.4	5,058.7
Abridged statement of net assets	as at 30 June 2010 \$ million	as at 30 June 2009 \$ million
Investments (at Net Market Value)	5,335.3	4,993.7
PLUS		
Other assets	128.3	150.4
LESS		
Liabilities	34.2	85.4
Net assets available to pay benefits	5,429.4	5,058.7

The Plan's full audited financial statements and the auditors report for the year ended 30 June 2010 will be available on the Plan's website no later than 30 November 2010.

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 11.

Full details about these reserves are disclosed in the notes to the Financial Statements. A copy of the 2009/10 Financial Statements will be available on the Plan's website no later than 30 November 2010.

	Investment Fluctuation Reserve (\$'000)	Disability Reserve (\$'000)	Forgone Benefits Reserve (\$'000)
Reserve 30 June 2007	33,455	55,399	2,457
Amounts allocated during year	(33,455)	(2,762)	530
Transfers during year	25,530	9,959	(4,965)
Reserve 30 June 2008	25,530	62,596	(1,978)
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	0	2,559	276
Reserve 30 June 2010	(4,364)	66,332	556

Complaints Procedure

If you have an inquiry or complaint, you can contact the Plan on 1300 654 384 or by email at info@qantassuper.com.au

The Plan has a formal Dispute Resolution Procedure to deal with inquiries or complaints. This is how it works.

1. Initial inquiries and complaints can be made to the Plan by calling 1300 654 384 or emailing at info@qantassuper.com.au.
2. If more information is required, the inquiry or complaint is forwarded to the Plan's Superannuation Inquiry Officer (SIO).
3. In exceptional circumstances, the SIO will take the inquiry or complaint to the Trustee for a decision or further advice. The Trustee aims to resolve all inquiries and complaints within 45 days.
4. If you are not satisfied with the outcome of your inquiry or complaint or if the Plan has not responded within 90 days to your inquiry or complaint, you can contact the Superannuation Complaints Tribunal (SCT).

The SCT is an independent body and can be contacted on:

Ph: 1300 884 114

**Mail: Locked Bag 3060
Melbourne VIC 3001**

Web: www.sct.gov.au

Members also have access to the Financial Ombudsman Service (FOS). The FOS is an external dispute resolution scheme established to assist resolving complaints relating to members, and can be contacted on:

Ph: 1300 780 808

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, advisors, insurers, regulators and courts. Limited information may be provided to the Company. In some situations, the law may require the provision of information to member's spouse or former spouse.

Other Information

The contents of this annual report are of a general nature, are not intended to constitute financial product advice and have 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.

The Plan's full financial statements

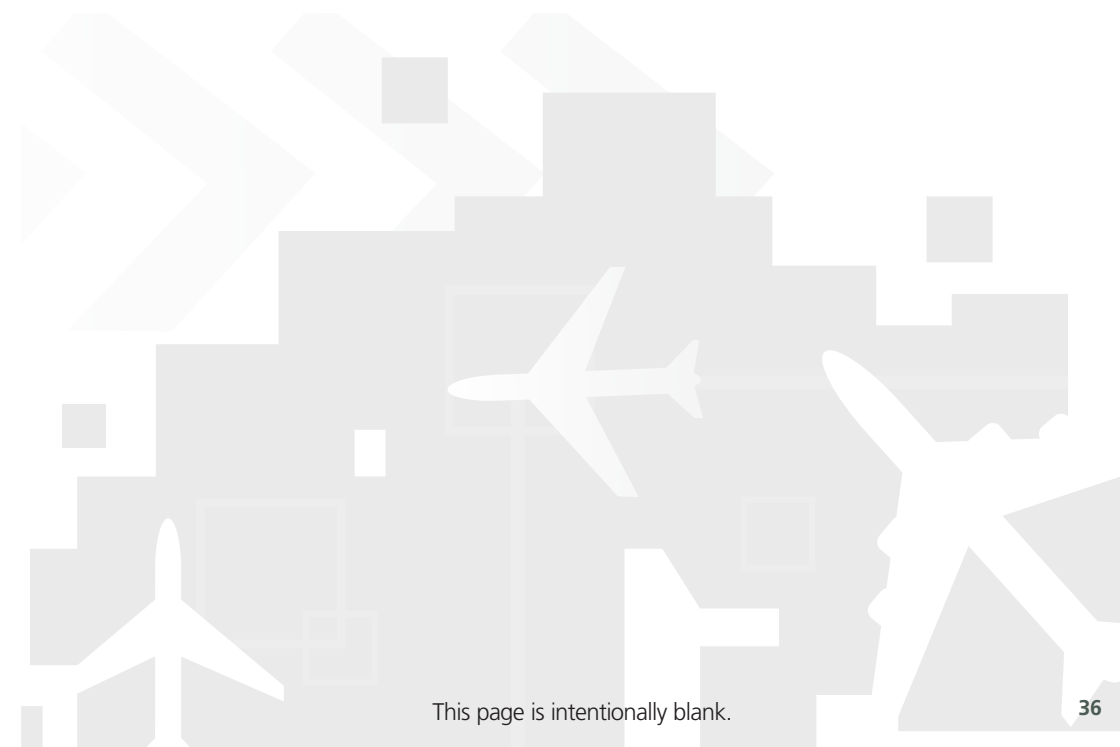
To request a copy of the Plan's audited financial statements and the auditors report for the year ended 30 June 2010, please email us at info@qantassuper.com.au or write to us at the below address:

Qantas Superannuation Limited
Locked Bag A4075
Sydney South NSW 1235

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



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