Financial Report

for the year ended 30 June 2008

Qantas Superannuation Plan

Issue by Qantas Superannuation Limited (ABN 47 003 806 960 | AFSL 288330 | RSE L0002257)
as Trustee for the Qantas Superannuation Plan (ABN 41 272 198 829 | RSE R1005486)
Produced by Qantas Superannuation Limited and Russell Employee Benefits.

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Financial Report – 30 June 2008

Contents

Statement of Net Assets

As at 30 June 2008

	Notes	2008 $'000	2007 $'000
ASSETS			
Cash and cash equivalents			
Cash at bank		**7,579**	20,771
Australian short term deposits	3	**483,199**	332,399
Overseas short term deposits	3	**10,438**	36,049
Total Cash and cash equivalents		**501,216**	389,219
Trade and other receivables			
Contributions receivable		**662**	14,784
Other receivables and prepayments		**882**	274
Investment income receivable	3	**27,911**	23,524
Outstanding settlements for securities sold	3	**24,143**	48,839
Total Trade and other receivables		**53,598**	87,421
Investments			
Australian equity and managed funds investments	3	**3,375,643**	4,094,551
Overseas equity and managed funds investments	3	**949,650**	833,617
Investment linked insurance policies	3	**192,765**	555,868
Australian fixed income securities	3	**593,565**	548,437
Overseas fixed income securities	3	**147,326**	229,198
Derivatives	3, 13	**1,163,801**	1,650,953
Total Investments		**6,422,750**	7,912,624
Other assets			
Income Tax Refund Due		**10,274**	-
Deferred Tax Asset	5	**38,159**	-
Property, plant and equipment	4	**21**	35
Total Other assets		**48,454**	35
Total Assets		**7,026,018**	8,389,299
LIABILITIES			
Trade and other payables			
Benefits payable		**98,705**	187,365
Accounts payable		**8,466**	7,401
Outstanding settlements for securities purchased	3	**19,765**	96,724
Total Trade and other payables		**126,936**	291,490
Financial liabilities			
Derivatives	3, 13	**1,142,249**	1,633,621
Tax liabilities			
Income tax payable		**-**	62,076
Deferred tax liability	5	**-**	89,857
Total Tax liabilities		**-**	151,933
Total Liabilities		**1,269,185**	2,077,044
Net Assets available to pay Benefits		**5,756,833**	6,312,255

The above Statement of Net Assets should be read in conjunction with the accompanying notes.

Statement of Changes in Net Assets

For the year ended 30 June 2008

	Notes	2008 $'000	2007 $'000
Net assets available to pay benefits at the beginning of the financial year		**6,312,255**	5,641,446
Add:			
Investment revenue			
Interest		**59,797**	50,967
Dividends and trust distributions		**356,144**	253,162
Other revenue		**970**	307
Changes in net market value of investments	6	**(884,765)**	712,751
Less: Direct investment expense		**(18,269)**	(21,729)
Total Investment revenue		**(486,123)**	995,458
Contribution revenue			
Employer contributions		**283,238**	264,132
Members' contributions		**68,834**	103,921
Government co-contribution		**4,004**	8,259
Transfers from other funds		**27,708**	33,145
Total Contribution revenue		**383,784**	409,457
Other revenue		**27**	19
Total revenue		**(102,312)**	1,404,934
Less:			
General and administrative Expenses			
Actuarial fees		**476**	549
Administration expenses		**8,042**	7,605
Insurance		**278**	249
Superannuation contributions surcharge	10	**(900)**	284
Total General and administrative Expenses		**7,896**	8,687
Benefits paid			
Exited members		**492,589**	590,734
Disabled members		**3,037**	2,934
Total Benefits paid		**495,626**	593,668
Total expenses		**503,522**	602,355
Total revenue less expenses and benefits paid before income tax		**(605,834)**	802,579
Income tax (benefit)/expense	5	**(50,412)**	131,770
Total revenue less expenses and benefits paid after income tax		**(555,422)**	670,809
Net assets available to pay benefits at the end of the financial year		**5,756,833**	6,312,255

The above Statement of Changes in Net Assets should be read in conjunction with the accompanying notes.

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 1 Nature of the Plan and Principal Activities

The Qantas Superannuation Plan (the Plan) (ABN: 41 272 198 829) is a contributory Plan established for the benefit of eligible Australian based employees of Qantas Airways Limited and its controlled entities under a Trust Deed dated 1 June 1939 as subsequently amended.

Qantas Superannuation Limited (ABN: 47 003 806 960) is the Trustee company for the Plan. The Plan and Trustee company were incorporated and are domiciled in Australia. The registered address for the Trustee company is: Level 9, Building A, 203 Coward Street, Mascot, NSW, 2020, Australia.

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

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Plan was registered with the Australian Prudential Regulation Authority on 15 May 2006 (registration no R1005486).

Note 2 Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with applicable Australian Accounting standards including AAS25 "Financial Reporting by Superannuation Plans (AAS25) as amended by AASB 2005-13 (December 2005), other mandatory professional reporting requirements, the provisions of the Trust Deed dated 1 June 1939 and amendments thereto and relevant legislative requirements. Australian accounting standards include Australian equivalents to International Financial Reporting Standards (AIFRS). As AAS25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are applied where AAS25 is silent.

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

The financial statements were approved by the Board of Directors of the Trustee, Qantas Superannuation Limited, on 17 October 2008.

(a) Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(b) Investments

The majority of investments of the Plan are custodially held by NAB Custodian Services and the remaining investments are directly held by the trustees. Investments are recorded at net market value at year end which is determined as follows:

(i) Individual Portfolio Investments are valued at net market value at balance date, as advised by the Custodian. Shares in listed entities, government and other fixed interest securities are valued at last sale price quoted by the Stock Exchange at close of business on the balance date, less an appropriate allowance for costs expected to be incurred in realising the investments. Changes in the net market value of investments are included in the Statement of Changes in Net Assets in the period in which they occur.

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

(iii) Private Equity Investments are valued according to the most recent valuation obtainable from:
- an independent external valuer;
- a third party arms length transaction;
- the current and future earnings of companies in the portfolio; or
- cost (less any diminution in value).

Note 2 Summary of Significant Accounting Policies (continued)

(c) Derivative Financial Instruments

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

(d) Property, Plant and Equipment

Property, plant and equipment is stated at cost less depreciation which in the opinion of the Trustee represents a reasonable approximation of the recoverable amount.

(e) Depreciation of Property, Plant and Equipment

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

Plant and equipment: 3 to 5 years

(f) Receivables and Payables

Receivables are carried at nominal amounts due which approximate net market value. Receivables are normally settled within 30 days. An allowance for uncollectable amounts is only made where there is objective evidence that the debt will not be collected.

Benefits payable include benefits in respect of members who ceased employment with the employer sponsor prior to year end but had not been paid by that date, but excluding those benefits transferred to Division 8 or Division 9.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Plan, and are carried at nominal amounts which approximate net market value. Payables are normally settled on 30 day terms.

(g) Liability for Accrued Benefits

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

The present value reported in the notes is determined by reference to expected future salary levels and by application of a current, market-determined, risk adjusted discount rate and appropriate actuarial assumptions consistent with AAS25.

(h) Goods and Services Tax (GST)

Applicable GST incurred by the Plan that is not recoverable from the Australian Taxation Office has been recognised as part of the expense to which it applies. The Plan qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% in respect of the majority of the Plan's investment management expenses and in respect of certain other administrative expenses.

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

(i) Significant Accounting Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Valuation of the liability for accrued benefits

The amount of the liability for accrued benefits has been actuarially determined. The key assumptions are described in Note 17.

Note 2 Summary of Significant Accounting Policies (continued)

(j) New Accounting Standards and Interpretations

The following standards and amendments were available for early adoption but have not been applied by the Plan in these Financial Statements:

(i) AASB 8 Operating Segments (AASB 8) and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (AASB 2007-3). AASB 8 and AASB 2007-3 are effective for annual reporting periods beginning on or after 1 January 2009.

(ii) Revised AASB 101 Presentation of Financial Statements (AASB 101) and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. AASB 101 is applicable to annual reporting periods beginning on or after 1 January 2009.

(iii) Revised AASB 3 Business Combinations (AASB 3), applicable for annual reporting periods beginning on or after 1 January 2009.

(iv) Revised AASB 127 Consolidated and Separate Financial Statements (AASB 127), applicable for annual reporting periods beginning on or after 1 January 2009.

(v) AASB 2008-1 Amendments to Australian Accounting Standard – Share based Payment: Vesting Conditions and Cancellations (AASB 2008-1) applicable for annual reporting periods beginning on or after 1 January 2009.

(vi) AASB 2008-2 – Amendments to Australian Accounting Standard – Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2] (AASB 2008-2) applicable for annual reporting periods beginning on or after 1 January 2009.

(vii) AASB 2008-3 – Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 & Interpretations 9 & 107] (AASB 2008-3) applicable for annual reporting periods beginning on or after 1 January 2009.

AASB 8 and AASB 2007-3 will not have any impact on the Financial Statements as the Financial Statements comprise only one segment.

AASB 3, AASB 127 and AASB 2008-3, which must be early-adopted together, will not have any impact on the Financial Statements as there are no business combinations or non-controlling interests.

AASB 101 introduces as a financial statement the "Statement of Comprehensive Income". The revised Standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The Plan has not yet determined the potential effect of the revised Standard on the Financial Statements.

AASB 2008-1 changes the measurement of the share-based payments that contain non-vesting conditions. This standard does not apply as the Plan does not have any share based payments.

AASB 2008-2 amends the definition of a financial liability with respect to certain puttable financial instruments. This standard does not apply as the Plan does not hold any puttable financial instruments.

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Plan and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the carrying amount of the financial assets.

Note 2 Summary of Significant Accounting Policies (continued)

Dividends and trust distributions
Revenue is recognised when the right to receive payment is established.

Changes in net market values
Changes in the net market value of investments under management as listed in Note 3 are calculated as the difference between the net market value at sale, or at balancing date, and the net market value at the previous valuation point and recognised in the Statement of changes in Net Assets. Gains or losses on investments and derivatives which are due to changes in foreign exchange rates are also included in the changes in net market values as disclosed in Note 6.

Contributions and Transfers In
Contributions and transfers in are recognised when control of the asset has been attained and are recorded, gross of any tax, in the period to which they relate.

(l) Derecogniton of Financial Assets and Financial Liabilities

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Plan transfers substantially all the risks and rewards of ownership of the asset.

(m) Income Tax

The Plan is a complying superannuation fund within the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

(n) Foreign Currency

Both the functional and presentation currency of Qantas Superannuation Plan is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in the operating result in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Note 2 Summary of Significant Accounting Policies (continued)

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(o) Superannuation Contribution Surcharge

Superannuation contribution surcharge is levied on surchargable contributions on the basis of the individual member's adjusted taxable income. The liability for the superannuation contribution surcharge is recognised when the assessment is received, as the Trustee considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Plan has been charged to the relevant members' accounts.

The Superannuation Laws Amendment (abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

(p) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(q) Rounding of amounts

Amounts in the financial report have been rounded off to the nearest thousand dollars unless otherwise indicated.

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 3 Managed investment portfolios

At the reporting date all investments are managed on behalf of the Trustee by:	**2008 $'000**	2007 $'000
Held in Managed investment portfolios		
Aberdeen Fund Managers Australia Limited	**268,622**	264,319
Acorn Capital Limited	**87,292**	110,685
Adam Smith Asset Management Pty Limited	**62,860**	106,217
Alliance Bernstein Investment Management Australia Limited	**433,275**	512,950
AMP	**109,763**	140,469
BT Grosvenor	**163,473**	158,875
Challenger Managed Investments Limited	**157,737**	190,042
Constellation Capital Management Limited	**230,217**	322,538
Cooper Investors Pty Limited	**198,607**	229,568
Credit Suisse Asset Management Australia Limited	**193,110**	181,961
NAB Custodian Services - Custodian House Account (cash account)	**7,192**	170,803
Goldman Sachs Asset Management	**-**	60,587
Independent Asset Management Pty Limited	**202,844**	224,008
Investors Mutual	**-**	705
JF Capital Partners Ltd	**198,880**	224,591
Lazard Asset Management Pacific Co.	**411,200**	217,100
Legg Mason	**-**	238,530
Loomis Sayles & Company LP	**143,487**	153,882
MLC Limited (cash account)	**-**	9,084
Morgan Stanley Investment Management Limited	**222,878**	243,862
Orion Asset Management Limited	**214,073**	-
Perennial Investment Partners	**-**	209,267
Pimco Australia Pty Limited	**380,172**	343,567
Property Portfolio	**486,880**	390,604
Private Capital Portfolio	**144,431**	156,649
Queensland Investment Corporation	**413,647**	-
Schroder Investment Management Australia Limited	**276,413**	334,627
State Street Global Advisors	**237,376**	349,006
Tactical Global Management Limited	**214,082**	140,163
Transition Portfolio	**284**	105
UBS Investment Bank	**154,867**	149,234
Wellington International Management Pte Limited	**-**	179,494
Western Asset Management	**-**	53,730
	5,613,662	6,067,222
Held in Investment linked insurance policies		
AMP Life Limited	**182,160**	162,119
MLC Limited	**10,605**	393,749
	192,765	555,868
Total Managed investments portfolios*	**5,806,427**	6,623,090
***Total Managed investment portfolios includes:**		
Australian short term deposits	**483,199**	332,399
Overseas short term deposits	**10,438**	36,049
Investment income receivable	**27,911**	23,524
Outstanding settlements for securities sold	**24,143**	48,839
Australian equity and managed funds investments	**3,375,643**	4,094,551
Overseas equity and managed funds investments	**949,650**	833,617
Investment linked insurance policies	**192,765**	555,868
Australian fixed income securities	**593,565**	548,437
Overseas fixed income securities	**147,326**	229,198
Derivatives	**1,163,801**	1,650,953
Total Managed investment assets	**6,968,441**	8,353,435

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 3 Managed investment portfolios (continued)

Derivatives	**1,142,249**	1,633,621
Outstanding settlements for securities purchased	**19,765**	96,724
Total Managed investment liabilities	**1,162,014**	1,730,345
Total Managed investments	**5,806,427**	6,623,090

Derivatives - Net derivative assets comprise:

Foreign exchange contracts	**5,776**	8,855
Other	**15,776**	8,477
	21,552	17,332

Note 4 Property, Plant and Equipment

	2008 $'000	2007 $'000
Computer equipment at cost	**90**	90
Less: Accumulated depreciation	**(90)**	(90)
	-	-
Motor vehicles at cost	**66**	66
Less: Accumulated depreciation	**(45)**	(31)
	21	35
Total written down value of property, plant and equipment	**21**	35

Note 5 Income Tax

The Plan has received certification from the Australian Prudential Regulation Authority confirming the Plan's complying status and this has not since been revoked. Income tax is assessable at 15% on net investment earnings, employer contributions and capital gains, with deductions allowable for administration and certain other expenses.

	2008 $'000	2007 $'000
Major components of income tax expense for the years ended 30 June 2008 and 2007 are:		
Statement of Changes in Net Assets		
Current income tax		
Current income tax charge	**77,604**	105,788
Deferred income tax		
Relating to origination and reversal of temporary differences	**(128,016)**	25,982
Income tax (benefit)/expense reported in Statement of Changes in Net Assets	**(50,412)**	131,770

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 5 Income Tax (continued)

	2008 $'000	2007 $'000
A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:		
Total revenue less expenses and benefits paid before income tax	**(605,834)**	802,579
At the tax rate of 15%	**(90,875)**	120,387
Adjustments in respect of current income tax of previous years		
Dividend imputation and foreign tax credits	**(31,017)**	(31,868)
Gross up of franked dividends and foreign tax credits	**4,652**	4,780
Non-taxable investment income / (loss) from PSTs and Life Office Policies	**(2,558)**	(10,400)
Non-taxable capital gains – indexation and concessional tax rate	**10,763**	(16,042)
Benefits paid	**72,759**	87,397
Member contributions	**(10,325)**	(15,588)
Transfers in	**(4,156)**	(4,972)
Government co-contributions	**(601)**	(1,239)
Non-deductible expenses	**(63)**	84
Other non-assessable income	**2,302**	(769)
Over provision in prior year	**(1,293)**	-
Income tax expense reported in Statement of Changes in Net Assets	**(50,412)**	131,770

	2008 $'000	2007 $'000
Deferred tax		
Deferred tax at 30 June relates to the following:		
Deferred tax liability		
Contributions receivable	**98**	1,852
Unrealised gains on investments subject to CGT	**-**	88,075
	98	89,927
Deferred tax assets		
Unrealised loss on investments subject to CGT	**37,568**	-
Depreciation on property, plant and equipment	**1**	2
Accounts payable	**688**	68
	38,257	70
Net deferred income tax (asset) / liability	**(38,159)**	89,857

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 6 Changes in Net Market Value of Investments

	2008 $'000	2007 $'000
Investments held at year end		
Australian equity and managed funds investments	**(557,472)**	386,750
Overseas equity and managed funds investments	**(141,501)**	106,645
Investment linked insurance policies	**21,186**	43,646
Australian fixed income securities	**(9,818)**	(10,506)
Overseas fixed income securities	**(6,857)**	(635)
Derivatives	**7,989**	9,526
Foreign exchange losses	**(75,542)**	(83,405)
	(762,015)	452,021
Investments realised during the year		
Australian equity and managed funds investments	**(177,138)**	175,395
Overseas equity and managed funds investments	**(32,195)**	19,510
Investment linked insurance policies	**(4,136)**	25,689
Australian fixed income securities	**3,815**	(836)
Overseas fixed income securities	**2,776**	(705)
Derivatives	**101,404**	71,253
Foreign exchange losses	**(17,276)**	(29,576)
	(122,750)	260,730
Changes in net market value of investments	**(884,765)**	712,751

Note 7 Vested Benefits

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

	2008 $'000	2007 $'000
Vested benefits	**5,407,824**	5,689,374

Vested benefits as at 30 June 2007 has been updated for additional information received during the 30 June 2008 financial year.

Note 8 Guaranteed Benefits

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

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 9 Funding Arrangements

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

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

Note 10 Superannuation Contributions Surcharge

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

The surcharge expense included in the Statement of Changes in Net Assets comprises:

	2008	2007
	$'000	$'000
Instalments paid during the year	**175**	3,019
Amounts received from members	**(1,075)**	(2,735)
	(900)	284

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

Note 11 Auditors Remuneration

	2008	2007
	$	$
Remuneration for audit of the financial report of the Plan:		
Auditor of the Plan	**163,004**	180,351
Remuneration for other services:		
Taxation Services	**246,243**	219,332
Other Services	**35,320**	54,423
	444,567	454,106

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 12 Member Numbers

	2008		2007	
Members at 1 July		**31,276**		32,629
Plus members admitted		**4,430**		2,549
Less:				
Resignations	**(2,122)**		(1,958)	
Retirements	**(345)**		(621)	
Deaths	**(14)**		(16)	
Retrenchment	**(452)**		(920)	
Ill health	**(43)**		(54)	
Choice of fund	**(96)**		(79)	
Exits from division 8	**(339)**		(240)	
Exits from division 9	**(18)**		(3)	
Exits from division 11	**(14)**	**(3,443)**	(11)	(3,902)
Members at 30 June		**32,263**		31,276
The membership is split as follows:				
Division 1		**930**		1,008
Division 2		**8,878**		9,310
Division 3		**9,257**		9,855
Division 3a		**735**		784
Division 4		**66**		71
Division 5		**792**		748
Division 6		**6,311**		4,922
Division 7		**1,560**		1,265
Division 8		**2,394**		2,132
Division 9		**223**		104
Division 10		**1,011**		974
Division 11		**100**		97
Division 12		**6**		6
		32,263		31,276

Note 13 Derivative Financial Instruments

In the normal course of business, a number of the Plan's investment managers enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in specified interest rate, equity price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and is an essential part of the Plan's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- Hedging to protect an asset or liability of the Plan against a fluctuation in market values or to reduce volatility;
- A substitution for trading of physical securities; and
- Adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the market exceeds the underlying value of the Plan.

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 13 Derivative Financial Instruments (continued)

(i) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are settled daily with the exchange.

(ii) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the obligation to deliver securities or financial instruments under the contract. Options held by the Plan are exchange-traded.

(iii) Forward currency contracts

Forward currency contracts are primarily used by the Plan to hedge foreign currency exchange rate risks on its non Australian dollar denominated trading securities. The Plan agrees to receive or deliver a fixed quantity of foreign currency for an agreed price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the reporting date. The Plan recognises a gain or loss equal to the change in fair value at the reporting date.

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

30 June 2008	**Notional Principal Amounts $'000**	**Net Market Value Assets $'000**	**Net Market Value Liabilities $'000**
Australian fixed interest futures	**623,858**	**2,504**	**576**
International fixed interest futures	**95,761**	**447**	**225**
Australian share price index futures	**73,521**	**16,163**	**2,242**
International share price index future	**62,909**	**27**	**2,651**
Australian options	**31,734**	**2,112**	**-**
Swaps	**(2)**	**190,585**	**190,369**
Forward currency contracts	**5,776***	**951,963**	**946,186**
		1,163,801	**1,142,249**

* Forward currency contracts are disclosed at net market value rather than the notional principal amount.

30 June 2007	Notional Principal Amounts $'000	Net Market Value Assets $'000	Net Market Value Liabilities $'000
Australian fixed interest futures	780,460	235	417
International fixed interest futures	147,398	301	395
Australian share price index futures	106,495	11,813	1,918
International share price index future	22,615	65	2
Australian options	39,824	676	-
Swaps	(2)	22,965	24,846
Forward currency contracts	8,855 *	1,614,898	1,606,043
		1,650,953	1,633,621

* Forward currency contracts are disclosed at net market value rather than the notional principal amount.

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 14 Financial risk management

(a) Objectives, strategies, policies and processes

The Plan's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Plan's investment risk management program is a component of the Plan's overall Risk Management Policy (RMP). It focuses on maximising the returns derived for the level of risk to which the Plan is exposed. Financial risk management is carried out by the Investment Committee under policies approved by the Board of Directors of the Trustee (the Trustee).

The Trustee appoints individual investment managers to manage a portfolio of investments within a specific asset sector subject to an agreed mandate. The Plan also invests in pooled funds and directly in various entities. The Plan diversifies its investments to minimise the impact of any single capital loss and limits its exposure to high risk assets through both strategic asset allocation and diversification within each asset sector. Appropriate diversification limits at an individual portfolio/investment level are stipulated in Investment Management Agreements executed between the Trustee and its appointed investment managers.

The Plan uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ratings analysis for credit risk.

As part of its risk management strategy, the Plan uses derivatives and other investments, including equity and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks, and exposures arising from forecast transactions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk.

Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies. The market risk disclosures are prepared on the basis of the Plan's direct investments and not on a look through basis for investments held indirectly through unit trusts.

The sensitivity of the Plan's net assets available to pay benefits (and change in net assets for the year) to price risk, foreign exchange risk and interest rate risk is measured by the "reasonably possible movements approach". This approach is determined based on management's best estimate, having regard to a number of factors, including the standard deviation of returns, historical levels of changes in interest rates and foreign exchange rates and historical correlation of the Plan's investments with the relevant benchmarks. Overall, it is believed that the standard deviation of returns is the most appropriate measure of risk for the purposes of carrying out sensitivity analysis because there is a 67% chance that the actual outcome will be within plus or minus one standard deviation of the expected outcome. The actual measure of standard deviation used for the sensitivity analysis is the long-term assumption for the expected standard deviation of an asset class or financial variable, which forms part of the long-term risk and return assumptions used for modelling. The Plan's asset consultant has assisted in developing and updating this framework.

(i) Price risk

The Plan is exposed to price risk in equity securities, property and derivative securities.

This arises from investments held by the Plan for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. The securities are classified on the Statement of Net Assets at net market value which the Trustee believes approximates net fair value. All securities investments present a risk of loss of capital. The maximum risk is determined by the net market value of the financial instruments.

The Trustee mitigates this price risk through diversification. Diversification is achieved through investment in different asset classes, investment manager selection with a range of investment styles and different investment mandates. The majority of the Plan's equity investments are publicly traded and included in the major ASX indices or the MSCI World Index.

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 14 Financial risk management (continued)

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. Investment manager mandate compliance and performance reports against benchmark are regularly reported to the Investment Committee on the agreed schedule.

Sensitivity analysis

An increase in the relevant market benchmarks for asset classes by the factors as set out in the table below at the reporting date would have increased the Plan's net assets available to pay benefits and the net investment revenue by $855,000,000 (2007: an increase of $1,045,000,000). A decrease in the relevant asset class would have the equal but opposite effect on the basis that all other variables remain constant.

The impact mainly arises from the reasonably possible change in the net market value of the investments. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors including the average standard deviation of annual returns.

Asset Class	Percentage*
Australian equity and managed funds investments	19.5%
Overseas equity and managed funds investments	16.3%

* Standard deviation of annual returns, based on the Plan's forward looking, long-term assumption set.

(ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Plan holds both non-monetary and monetary assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

The foreign exchange risk disclosures have been prepared on the basis of the Plan's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the Plan where the Plan has significant investments in feeder trusts which also have exposure to the currency markets.

The table below summarises the Plan's exposure to foreign exchange risk:

30 June 2008	USD A$'000	EUR A$'000	GBP A$'000	JPY A$'000	Other A$'000	Total Currency Exposure A$'000	AUD A$'000	Total A$'000
Assets								
Cash and cash equivalents	13,648	(2,768)	(1,711)	(2,012)	3,281	10,438	490,778	501,216
Trade and other receivables	5,536	1,338	755	28	608	8,265	45,333	53,598
Investments	676,661	277,523	157,915	73,166	285,238	1,470,503	4,952,247	6,422,750
Other assets	-	-	-	-	-	-	21	21
Total assets	695,845	276,093	156,959	71,182	289,127	1,489,206	5,488,379	6,977,585
Liabilities								
Trade and other payables	4,251	-	21	-	-	4,272	122,664	126,936
Financial liabilities	514,278	215,363	133,929	84,343	64,124	1,012,037	130,212	1,142,249
Tax liabilities	-	-	-	-	-	-	(48,433)	(48,433)
Total liabilities	518,529	215,363	133,950	84,343	64,124	1,016,309	204,443	1,220,752
Net	177,316	60,730	23,009	(13,161)	225,003	472,897	5,283,936	5,756,833

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 14 Financial risk management (continued)

30 June 2007	USD A$'000	EUR A$'000	GBP A$'000	JPY A$'000	Other A$'000	Total Currency Exposure A$'000	AUD A$'000	Total A$'000
Assets								
Cash and cash equivalents	27,641	4,007	609	1,437	2,355	36,049	353,170	389,219
Trade and other receivables	13,245	9,927	4,668	12,769	(101)	40,508	46,913	87,421
Investments	772,504	305,852	231,630	71,304	198,128	1,579,418	6,333,206	7,912,624
Other assets	-	-	-	-	-	-	35	35
Total assets	813,390	319,786	236,907	85,510	200,382	1,655,975	6,733,324	8,389,299
Liabilities								
Trade and other payables	35,958	38,453	2,303	36,034	(22,016)	90,732	200,758	291,490
Financial liabilities	797,113	320,052	142,020	106,294	84,496	1,449,975	183,646	1,633,621
Tax liabilities	-	-	-	-	-	-	151,933	151,933
Total liabilities	833,071	358,505	144,323	142,328	62,480	1,540,707	536,337	2,077,044
Net	(19,681)	(38,719)	92,584	(56,818)	137,902	115,268	6,196,987	6,312,255

Sensitivity analysis

A strengthening of the Australian dollar against the following currencies by the factors shown in the following table at 30 June 2008 would have decreased the net assets available to pay benefits and the net investment revenue by the amounts shown in the following table. A weakening of the Australian dollar against the following currencies by the specified percentages at 30 June 2008 would have the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007. The impact mainly arises from the reasonably possible change in foreign currency rates. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors including the standard deviation of the exchange rate between the Australian dollar and a range for foreign currencies.

	USD A$'000	EUR A$'000	GBP A$'000	JPY A$'000
Foreign exchange rate risk *	11.5%	9.9%	10.9%	14.6%
30 June 2008	**20,391**	**6,012**	**2,508**	**1,922**
30 June 2007	2,263	3,833	10,092	8,295

* Standard deviation of annual returns, based on the Plan's forward looking, long-term assumption set.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Plan's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Plan has established limits on investments in interest-bearing assets, which are monitored on a daily basis. The Plan may use derivatives to hedge against unexpected increases in interest rates. The risk is measured using sensitivity analysis.

The Plan controls its interest rate exposure by using managers for these types of investments who diversify investments across assets with various interest rate sensitivities and imposing duration limits within fixed interest mandates with these investment managers. In accordance with its Charter, the Investment Committee monitors the Plan's overall interest rate sensitivity.

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 14 Financial risk management (continued)

The table below summarises the Plan's exposure to interest rate risks. It includes the Plan's assets and liabilities at net market value, categorised by the maturity dates:

		Fixed interest maturing in:				
	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	Over 5 years $'000	Non-Interest Bearing $'000	Total $'000
30 June 2008						
Assets						
Cash and cash equivalents	23,359	-	-	-	477,857	501,216
Trade and other receivables	-	-	-	-	53,598	53,598
Investments	542,674	49,109	253,836	102,083	5,475,048	6,422,750
Other assets	-	-	-	-	21	21
Total assets	566,033	49,109	253,836	102,083	6,006,524	6,977,585
Liabilities						
Trade and other payables	-	-	-	-	126,936	126,936
Financial liabilities	194,001	-	-	-	948,248	1,142,249
Tax liabilities	-	-	-	-	(48,433)	(48,433)
Total liabilities	194,001	-	-	-	1,026,751	1,220,752
Net assets available to pay benefits	372,032	49,109	253,836	102,083	4,979,773	5,756,833

		Fixed interest maturing in:				
	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	Over 5 years $'000	Non-Interest Bearing $'000	Total $'000
30 June 2007						
Assets						
Cash and cash equivalents	389,219	-	-	-	-	389,219
Trade and other receivables	-	-	-	-	87,421	87,421
Investments	-	48,795	300,958	402,423	7,160,448	7,912,624
Other assets	-	-	-	-	35	35
Total assets	389,219	48,795	300,958	402,423	7,247,904	8,389,299
Liabilities						
Trade and other payables	-	-	-	-	291,490	291,490
Financial liabilities	-	-	-	-	1,633,621	1,633,621
Tax liabilities	-	-	-	-	151,933	151,933
Total liabilities	-	-	-	-	2,077,044	2,077,044
Net assets available to pay benefits	389,219	48,795	300,958	402,423	5,170,860	6,312,255

Sensitivity analysis

At 30 June 2008, should interest rates have lowered by 1% (2007: 1%) with all other variables held constant, the increase in net assets available to pay benefits (and in change in net assets for the year) would amount to approximately $12,421,000 (2007: $11,669,000). If interest rates had risen by 1% (2007: 1%), the decrease in net assets available to pay benefits (and in change in net assets for the year) would have the equal but opposite effect on the basis that all other variables remain constant. The reasonably possible movements in interest rates have been determined based on the Trustee's best estimate, having regard to a number of factors including the average standard deviation of annual returns.

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 14 Financial risk management (continued)

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Plan, other than derivatives, the Plan's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the value of these investments as disclosed in the Statement of Net Assets. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive values.

The Plan holds no collateral as security or any other credit enhancements. There are no financial assets that are impaired nor past due but not impaired.

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

The Plan has entered into Stock Lending arrangements with its custodian, NAB under which some of the Plan's assets may be transferred to another entity. NAB maintains the collateral to guarantee all lending. The average balance of assets subject to Stock Lending arrangements at the reporting date and which are included in the Statement of Net Assets amounts to $272,000,000 (30 June 2007: $424,000,000).

Credit quality per class of instrument

The credit quality of financial assets is managed by the Plan using Standard & Poor's (S&P) rating categories, in accordance with the investment mandate. The Plan's exposure in each grade is monitored on a regular basis. This review process allows the Investment Committee to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of assets.

Australian Fixed Income Securities	**2008**	**2007**
	$'000	**$'000**
Credit Grade		
AAA	**246,311**	339,943
AA	**188,646**	106,061
A	**113,820**	44,342
BBB	**20,913**	13,913
CCC	**1,654**	1,856
Not rated by S&P	**22,221**	42,322
	593,565	548,437

Overseas Fixed Income Securities	**2008**	**2007**
	$'000	**$'000**
Credit Grade		
AAA	**91,157**	101,338
AA	**11,062**	36,700
A	**27,110**	35,056
BBB	**13,743**	23,201
BB	**-**	2,558
B	**356**	4,024
CCC	**85**	510
C	**243**	76
Not rated by S&P	**3,570**	25,735
	147,326	229,198

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 14 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Plan's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Plan maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Plan limits its allocation to illiquid assets and ensures that the allocation is consistent with the intended term of investment. The Plan's membership profile coupled with the bulk of its assets being invested in highly liquid asset classes allows the Plan to tolerate the lower liquidity of some alternative investments in an expectation of greater gain in the long term.

In accordance with the Plan's Risk Management Policy, the Investment Committee monitors the Plan's liquidity position, and regularly reviews it. Compliance with the Plan's policy is reported to the Board.

(i) Maturity analysis for financial liabilities

The table below analyses the contractual maturities of the Plan's financial liabilities, excluding gross settled derivative liabilities, based on the remaining period to the contractual maturity date at the year end.

As at 30 June 2008	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	12 to 60 months $'000	60 + months $'000
Financial liabilities					
Net settled derivatives	**291**	**8,957**	**3,312**	**167,874**	**16,691**
Benefits payable	**-**	**98,705**	**-**	**-**	**-**
Accounts payable	**8,466**	**-**	**-**	**-**	**-**
Outstanding settlements	**19,765**	**-**	**-**	**-**	**-**
Vested Benefits	**5,407,824**	**-**	**-**	**-**	**-**
Total	**5,436,346**	**107,662**	**3,312**	**167,874**	**16,691**

As at 30 June 2007	Less than 1 month $'000	1 to 3 Months $'000	3 to 12 months $'000	12 to 60 months $'000	60 + months $'000
Financial liabilities					
Net settled derivatives	26	752	3,445	22,664	2,209
Benefits payable	-	187,365	-	-	-
Accounts payable	7,401	-	-	-	-
Outstanding settlements	96,724	-	-	-	-
Vested Benefits	5,689,374	-	-	-	-
Total	5,793,525	188,117	3,445	22,664	2,209

Vested benefits have been included in the less than one month column, as this is the amount that members could call upon as at reporting date. This is the earliest date on which the Plan can be required to pay members' vested benefits, however members may not necessarily call upon amounts vested to them during this time.

The following table analyses the Plan's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 14 Financial risk management (continued)

As at 30 June 2008	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	12 to 60 months $'000	60 + months $'000
Derivatives					
– foreign currency forwards					
- Outflow	**(43,465)**	**(900,751)**	**(1,970)**	**-**	**-**
- Inflow	**43,179**	**906,777**	**2,006**	**-**	**-**
Total	**(286)**	**6,026**	**36**	**-**	**-**

As at 30 June 2007	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	12 to 60 months $'000	60 + months $'000
Derivatives					
– foreign currency forwards					
- Outflow	(59,581)	(1,544,180)	(3,772)	-	-
- Inflow	59,310	1,552,443	3,773	-	-
Total	(271)	8,263	1	-	-

(e) Net fair values of Financial Assets and Liabilities

The Plan's financial assets, liabilities and derivative instruments are included in the Statement of Net Assets at amounts that approximate the net fair value. Refer to Note 2 for the methods and assumptions adopted in determining the net market values of investments and Note 13 for Derivatives.

Note 15 Reserves

In line with sound Plan administrative and financial practice and actuarial advice, reserves are maintained to safeguard the Plan against events such as major catastrophes, abnormal mortality experience and to monitor deviations between actual returns and amounts credited to the investment options.

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

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

		2008 $'000	2007 $'000
Investment fluctuation reserve	(i)	**25,530**	33,455
Disability reserves	(ii)	**62,596**	55,399
Foregone benefits reserve	(iii)	**(1,978)**	2,457
		86,148	91,311

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 15 Reserves (continued)

(i) The Investment fluctuation reserve is used to monitor any deviations between the actual returns of the Plan and the amounts credited to the investment options. For example, any deviations of the actual investment strategy from the benchmarks used to calculate the Credited Investment Return for each investment option.

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

	2008 $'000	2007 $'000
Current permanent incapacities	**19,487**	18,339
Current initial disablement	**11,557**	6,649
New disablements	**7,596**	7,321
Possible future deterioration	**23,956**	23,090
	62,596	55,399

(iii) Benefits foregone by Division 1 members on resignation are credited to the Foregone benefits reserve. The balance of the reserve at 30 June is allocated to all members of Division 1 at 30 June. The net balance represents an under distribution, which will be allocated during the year ended 30 June 2009.

	2008 $'000	2007 $'000
Movements		
Investment Fluctuation Reserve		
Opening Balance	**33,455**	37,556
Investment income allocated to members during the year	**(7,925)**	(4,101)
Closing Balance	**25,530**	33,455
Disability Reserves		
Opening Balance	**55,399**	52,237
Transfer from assets of the Plan	**8,714**	5,400
Transfer from Forgone benefits reserve	**1,245**	408
Amounts allocated to members during the year	**(2,762)**	(2,646)
Closing Balance	**62,596**	55,399
Foregone Benefits Reserve		
Opening Balance	**2,457**	1,821
Transfer (to) / from assets of the Plan	**(3,720)**	3,431
Transfer to Disability reserves	**(1,245)**	(408)
Amounts allocated from / (to) members during the year	**530**	(2,387)
Closing Balance	**(1,978)**	2,457

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 16 Termination of Plan

Article 4.1 of the Plan's Trust Deed and Rules states:

4.1 (a) The Plan shall be wound up as hereinafter provided upon the happening of any of the following events:

i. if the Trustee shall consider that the Plan is insolvent or if it shall be advised by the Actuary that the Plan is insolvent and it resolves to terminate the Plan; or
ii. if the Principal Company decides that it will permanently cease contributing to the Plan; or
iii. if an order is made or an effective resolution is passed for the winding up of the Principal Company other than for the purpose of amalgamation or reconstruction.

4.2 (b) In such events the Trustee shall give notice in writing to the Company and the Members that the Plan shall terminate on a specified date, hereinafter called the "Termination Date". As from the Termination Date the following shall apply:

i. no further contributions shall be made by the Company and the Members other than arrears of contributions due up to the Termination Date, and
ii. any arrears of contributions shall be paid forthwith.

Note 17 Actuarial Report and Accrued Benefits

The value of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Plan up to the date of the actuarial review. The value of accrued benefits is calculated by the actuary at least on a triennial basis as part of a comprehensive actuarial review. The present value reported has been determined using the actuarial assumptions derived for the actuarial review, but with assumptions for future salary inflation and Plan earnings consistent with the requirements of AAS25.

	2007	2005
	$'000	$'000
Accrued benefits as at 1 July	**5,827,400**	4,810,390

Also attached to these financial statements is the report by the Plan's actuary, Mr Mark Thompson BSc FIAA summarising the results of that actuarial review of the Plan. The next actuarial review as at 1 July 2010 will be completed within twelve months of that date.

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of investment return (net of investment taxes and net of investment management fees) earned on the Plan's assets would be 8%; and
- The future rate of salary inflation would be 4%

Note 18 Related Parties

(a) **Employer Company**

Qantas Airways Limited is the employer, and the employer contributions to the Plan are disclosed in the Statement of Changes in Net Assets. Contributions are made in accordance with the Trust Deed, as disclosed in Note 9.

Contributions receivable from Qantas Airways Limited as at 30 June 2008 (and received subsequent to that date) amounted to $652,294 (2007: $12,344,150).

Qantas Airways Limited also provides office accommodation, use of office equipment and certain administrative services to the Plan. Cost recoveries paid to the employer company for these services and reimbursement of staff salaries of $1,324,652 (2007: $1,525,129) are included in administration expenses in the Statement of Changes in Net Assets.

At 30 June 2008 Qantas Superannuation Plan held shares in Qantas Airways Limited to the value of $18,177,552 (2007: $3,929,067).

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 18 Related Parties (continued)

(b) **Trustee and key management personnel**

The Trustee of the Plan is Qantas Superannuation Limited (ABN: 47 003 806 960). The names of the persons who were directors of the trustee company up to the date of this report:

Employer sponsor representatives:	Member representatives:
Brown, K	Brown, S (appointed 12 June 2008)
Byrne, T (alternate for Brown, K)	Furness, P (appointed 1 December 2007, resigned 28 March 2008)
Cosgrove, P	Gillies, K
Fouracre, S	Mijatov, M (resigned 30 June 2008)
Potger, G	Pagden, C (appointed 5 September 2008)
Ward, A (Chairman)	Sipek, J
	Thorpe, M (appointed 12 June 2008)
	Warwick-Mayo, N (resigned 30 November 2007)
	Woods, I (resigned 8 April 2008)

The directors of Qantas Superannuation Limited are key management personnel. In addition to the directors, J Torney (Chief Executive) is also key management personnel.

The Trustee was required to apply for a licence from the Australian Prudential Regulation Authority. The RSE licence was granted on 27 April 2006 (licence no L0002257).

(c) **Remuneration of key management personnel**

The remuneration of key management personnel paid by the Plan is set out below:

	2008	2007
	$'000	$'000
Short-term benefits	**503**	261
Post employment	**11**	46
Other long term benefits	**8**	8
	522	315

(d) **Trustee Related Transactions**

All the directors of the Trustee except A Ward and P Cosgrove are also members of the Plan and made contributions to the Plan on the basis specified in Note 9 on an arms length basis.

The aggregate sum of post-tax member contributions during the year by the directors of the Trustee as members of the Plan was $36,008 (2007: $931,084), this does not include taxable company contributions or salary sacrifice contributions.

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

A Ward is a senior executive of NAB, subsidiaries of which provide custodian and investment management services to the Plan. Fees for those services for the year ended 30 June 2008 totalled $1,837,909 (2007: $3,955,700). Ms Ward abstains from all decisions related to services provided by these parties.

Notes to and Forming Part of the Financial Statements

30 June 2008 (continued)

Note 19 Contingent Assets and Liabilities and Commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2008 and 30 June 2007.

Note 20 Segment Information

The Plan is organised into one main segment which operates solely for the provision of superannuation benefits to employees of Qantas Airways Limited. The Plan also operates from one reportable geographic segment being Australia, from where its activities are managed. Consequently, no segment reporting is provided in the Plan's financial statements.

Note 21 Events Occurring After the Balance Sheet Date

With the exception of the current market volatility which is reflected in the interim crediting rates, there have been no other significant events that have occurred after the reporting date that affects the interpretation of the financial information contained in these financial statements.

Trustee's Statement

In the opinion of the Trustee:

(a) the financial statements set out on schedules 1 to 3 are drawn up so as to present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the net assets of Qantas Superannuation Plan as at 30 June 2008 and the changes in its net assets for the year then ended;

(b) the financial statements are prepared in accordance with the requirements of the Trust Deed dated 1 June 1939, as amended and the Superannuation Industry (Supervision) Act 1993 and Regulations; and

(c) the plan has complied with the requirements of the Trust Deed dated 1 June 1939, as amended, and with the applicable provisions of the Superannuation Industry (Supervision) Act 1993 and Regulations and Corporations Act 2001 and Regulations during the year ended 30 June 2008.

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

Director

Director

Sydney
24 October 2008

PRICEWATERHOUSECOOPERS

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Qantas Superannuation Plan
Independent Report by Approved Auditor to the Trustee and Members

(A) Financial Statements

I have audited the financial statements of the Qantas Superannuation Plan for the year ended 30 June 2008 comprising the Statement of Net Assets and Statement of Changes in Net Assets.

Trustee's Responsibility for the Financial Statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements of the SIS Act and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee's responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of the Qantas Superannuation Plan.

My audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

PRICEWATERHOUSECOOPERS

Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) the net assets of the Qantas Superannuation Plan as at 30 June 2008 and the changes in net assets for the year ended 30 June 2008.

(B) Compliance

Trustee's Responsibility for Compliance

The superannuation entity's trustee is responsible for complying with the requirements of the SIS Act, SIS Regulations, the Reporting Standards made under section 13 of the *Financial Sector (Collection of Data) Act 2001* (FSCODA Reporting Standards), the *Corporations Act 2001* (Corporations Act) and *Corporation Regulations 2001* (Corporation Regulations).

Auditor's Responsibility

My responsibility is to express an opinion on the trustee's compliance with the requirements of the SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporation Regulations based on the audit. My audit has been conducted in accordance with applicable Standards on Assurance Engagements. These Standards require that I comply with fundamental ethical requirements and plan and perform the audit to obtain reasonable assurance whether the trustee of the Qantas Superannuation Plan has, in all material respects:

a) complied with the relevant requirements of the following provisions (to the extent applicable) of the SIS Act and SIS Regulations:

   sections 19(2), 19(3), 36, 65, 66, 67, 69-85, 86-93A, 95, 97, 98, 101, 103, 104, 105, 106, 107, 109, 35A, 35C, 117, 118, 121, 122, 124, 125, 152, 154;

   regulations 2.33(2), 3.10, 4.08(3), 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 9.29, 9.30, 13.14, 13.17, 13.17A;

b) complied with the FSCODA Reporting Standards that are subject to audit (to the extent applicable);

c) complied with the relevant requirements of the following provisions of the Corporations Act and Corporations Regulations:

   sections 1012B, 1012F, 1012H(2), 1012I, 1013B, 1013D, 1013K(1), 1013K(2), 1016A(2), 1016A(3), 1017B(1), 1017B(5), 1017C(2), 1017C(3), 1017C(5), 1017C(8), 1017D(1), 1017D(3),1017D(3A), 1017DA(3), 1017E(2), 1017E(3), 1017E(4), 1020E(8) and 1020E(9); and regulation 7.9.32(3); and

d) Complied with the requirement to prepare the respective forms comprising the APRA Annual Return.

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My procedures with respect to SIS regulation 6.17 included testing whether amounts identified by the trustee as preserved and restricted non-preserved have been cashed or transferred only in accordance with the requirements of Part 6 of the SIS regulations. These procedures did not include testing of the calculation of the preserved and restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations.

for the year ended 30 June 2008.

My procedures included examination, on a test basis, of evidence supporting compliance with those requirements of the SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations.

These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations apart from those specified. The superannuation entity's trustee is responsible for complying with the SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Opinion

In my opinion, the trustee of the Qantas Superannuation Plan has complied, in all material respects, with the requirements of the SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations for the year ended 30 June 2008.

PricewaterhouseCoopers

PricewaterhouseCoopers

David Coogan
Partner

Sydney
24 October 2008

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24 October 2008

Our Ref: 20136/130/STD

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

Dear Directors

FINANCIAL CONDITION OF THE QANTAS SUPERANNUATION PLAN

ACTUARIAL REPORT

As the appointed actuary to the Qantas Superannuation Plan (the Plan) I conducted the latest actuarial investigation of the Plan as at 1 July 2007. The results of that investigation were presented in my report dated 16 April 2008. This section of this letter presents a summary of that report.

Membership

At 1 July 2007 there were 31,286 members of the Plan with superannuation salaries totalling $1,837.5 million. This compares with 33,510 members as at 1 July 2005 (the previous investigation date).

Assets

The net market value of assets at 30 June 2007 was $6,312,255,000.

For the purpose of the actuarial investigation, the value of the liabilities was compared to the actuarial value of assets which was taken to be $6,312,255,000.

Plan Experience

The main features of the Plan's experience over the two years to 30 June 2007 were:

- The rate of staff turnover was generally in line with expectations and salary inflation was lower than our long term assumptions; and
- The investment performance of the Plan was more favourable than assumed, with the actual investment return of 15.6% p.a. net of tax exceeding the long term assumption of 7.0% p.a.

Overall, the total effect of the Plan's experience during the period of the investigation was to improve the Plan's actuarial surplus (measured in the same way as in the 2005 investigation; that is, market value of assets less the present value of accrued benefit liabilities).

Funding Method and Assumptions

ACTUARIAL FUNDING METHOD

The Projected Unit Credit (PUC) funding method adopted for the 2005 actuarial investigation of the Plan was again used for the 2007 investigation.

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

- The cost of benefits for the year of service immediately following the valuation date (the Normal Cost); and
- An adjustment to the Normal Cost to take account of any over or under funding of accrued benefits at the investigation date.

ACTUARIAL ASSUMPTIONS

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

The other assumptions required for the valuation (including demographic assumptions and the assumptions regarding promotional salary increases, expenses and the like) were reviewed and remained appropriate.

Valuation Results

The actuarial investigation of the Plan at 1 July 2007 revealed total accrued benefit liabilities of $5,856 million, which includes a minimum of the resignation (or retirement if eligible) benefit for each member. Using this measure, we concluded that the Plan was in a satisfactory financial position with a surplus of assets (at actuarial value) over the value of accrued benefits of $456 million.

At 1 July 2007 the market value of assets was 111.7% of vested benefits, indicating that the Plan was in a satisfactory financial position at that date based on current benefit liabilities.

At the same date, the actuarial value of assets represented 107.8% of the accrued benefit liabilities, an improvement over the position in the 2005 valuation, and which indicated that the Plan was in a satisfactory long term position on a going concern basis.

Post valuation investment experience

Following the valuation date, the investment performance deteriorated with a net investment return of -4.24% estimated for the period from 1 July 2007 to 31 January 2008. This post-valuation experience was taken into account in framing the Company contribution recommendations.

Recommendations

The actuarial investigation recommended that Company contributions to the Plan to provide for defined benefits be equal to the Normal Costs determined on a category by category basis, as described in the following table:

Group	Contribution Rate (% of salary)
Division 2 Category A	10.5%
Division 2 Category B	12.4%
Division 2 Category C	12.1%
Division 3	10.6%
Division 4	9.4%
Division 5	1.1%
Division 10	1.0%

In addition the Company contributes such additional amounts as specifically required by the Plan's Trust Deed and Rules or as agreed with individual members.

Under Rule 7.3(ii) of the Plan's Trust Deed the Principal Company may reduce their Normal Costs for any excess of General Plan assets over the amount required to provide the accrued benefits in respect of Members. After taking into account the adverse investment performance between 1 July 2007 and 31 January 2008 of -4.24%, the amount available to reduce Normal Costs was $290 million. After taking account of contributions tax, this is equivalent to a reduction in Normal costs around $341 million or $113 million p.a. for three years.

These recommendations are subject to the monitoring of certain trigger events which, should any occur prior to the next scheduled actuarial investigation, may require a review of the financial position of the Plan and the adequacy of the Company contribution recommendations.

The next full actuarial investigation is scheduled to be made on or before 1 July 2010.

Other Matters

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

ACTUARIAL STATEMENT FOR AAS25 PURPOSES

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

Accrued and Vested Benefits

AAS25 requires the disclosure of Accrued and Vested Benefits at the reporting date. The table below shows the amounts determined for the purposes of AAS25, together with the market value

of assets:

Reporting Date	Accrued Benefits $ million	Vested Benefits $ million	Assets at Market Value $ million
1 July 2007	5,827.4	5,649.6	6,312.3
1 July 2005	4,810.4	4,694.8	4,967.3

"Accrued Benefits" have been determined as the present value of expected future benefit payments which arise from membership of the Plan up to the reporting date, and subject to a minimum of the Vested Benefit for each member. Present values have been calculated using the same assumptions as for the funding recommendations in the actuarial valuation, except that at 1 July 2007 the investment return assumption for the actuarial valuation was 7.0% per annum while the "Accrued Benefits" for AAS25 purposes have been determined assuming a rate of 8.0% per annum.

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

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

CURRENT FINANCIAL POSITION

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

In the period since the actuarial investigation as at 1 July 2007 further deed amendments have been made to allow Ordinary Time Earnings as the salary for determining minimum benefits under Superannuation Guarantee legislation, to ensure that the legislated minimum death benefits are provided from 1 July 2008, and to allow the Plan to provide Transition to Retirement Pensions for eligible members.

Where these changes relate to accumulation benefits they have no impact on the financial position of the Plan. Where they relate to defined benefit members, appropriate adjustments to the minimum defined benefits have been made to ensure that the legislated requirements have been met.

Investment Returns

The Plan's annual return after tax and fees was -5.9% for the full financial year to 30 June 2008. At 30 June 2008 the Market Value of Assets exceeded Vested Benefits by around 6.5%. Therefore, the Vested Benefits Index was 106.5% (compared to 111.7% at 1 July 2007).

Because the Plan's investment returns were lower than the long term assumption of 7% p.a. the funding position of the plan is expected to have deteriorated since the last investigation as at 1 July 2007. However, a Vested Benefits Index of 106.5% for the entire Plan at 30 June 2008 confirms that the Plan remained in a healthy financial position at that date.

As a result of the investment return for the year to 30 June 2008 being less than zero, a trigger event has occurred. As a consequence, I am currently undertaking a review of the financial position of the Plan and the adequacy of the Company contribution recommendations and will report to the Trustee once completed.

Since 1 July 2008 the investment markets have been extremely volatile. We are continuing to monitor the funding position of the Plan and providing updates to the Trustee on a regular basis.

Yours sincerely,

Mark Thompson, FIAA
Actuary to the Qantas Superannuation Plan