Financial Report

for the year ended 30 June 2011

Qantas Superannuation Plan

Issued 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

Contents

Statement of Net Assets
As at 30 June 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Cash and cash equivalents			
Cash at bank	3	**384,924**	141,719
Australian short-term deposits	3	**469,104**	380,247
International short-term deposits	3	**-**	9,989
Total Cash and cash equivalents		**854,028**	531,955
Receivables			
Contributions receivable		**3,573**	14,076
Other receivables and prepayments		**1,267**	634
Investment income receivable	3	**30,330**	12,961
Outstanding settlements for securities sold	3	**25,833**	43,154
Total Receivables		**61,003**	70,825
Investments			
Australian equity and managed funds	3	**1,806,187**	1,756,287
International equity and managed funds	3	**1,663,156**	1,477,461
Money market securities	3	**233,666**	-
Australian fixed income securities	3	**814,971**	1,036,487
International fixed income securities	3	**638,235**	573,149
Derivatives	3, 9	**51,161**	10,100
Total Investments		**5,207,376**	4,853,484
Other assets			
Income tax refund due		**-**	3,424
Deferred tax assets	4	**80,914**	84,048
Other		**67**	70
Total Other assets		**80,981**	87,542
Total Assets		**6,203,388**	5,543,806
LIABILITIES			
Payables			
Benefits payable		**54,075**	27,996
Accounts payable		**9,051**	6,181
Income tax payable		**44,451**	-
Outstanding settlements for securities purchased	3	**30,748**	40,422
Total Payables		**138,325**	74,599
Financial liabilities			
Derivatives	3, 9	**21,432**	39,841
Repurchase agreements	3	**171,398**	-
Total Financial liabilities		**192,830**	39,841
Total Liabilities		**331,155**	114,440
Net Assets available to pay benefits		**5,872,233**	5,429,366

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 2011

	Notes	**2011 $'000**	2010 $'000
Net assets available to pay benefits at the beginning of the financial year		**5,429,366**	5,058,735
Add:			
Investment revenue			
Interest		**99,441**	65,273
Dividends and trust distributions		**177,821**	116,328
Other revenue		**1,311**	3,997
Changes in net market value of investments	5	**292,875**	257,930
Less: Direct investment expense		**(25,823)**	(15,456)
Total Investment revenue		**545,625**	428,072
Contribution revenue			
Employer contributions		**296,613**	304,401
Members' contributions		**41,875**	44,962
Government co-contribution		**1,870**	3,609
Transfers from other funds		**24,247**	24,837
Total Contribution revenue		**364,605**	377,809
Other revenue		**42**	16
Total revenue		**910,272**	805,897
Less:			
General and administrative expenses			
Actuarial fees		**527**	388
Administration expenses		**9,117**	9,557
Insurance		**227**	218
Superannuation contributions surcharge	6	**(52)**	(196)
Total General and administrative expenses		**9,819**	9,967
Benefits paid			
Exited members		**366,286**	351,100
Disabled members		**3,464**	3,104
Total Benefits paid		**369,750**	354,204
Total expenses		**379,569**	364,171
Total revenue less expenses and benefits paid before income tax		**530,703**	441,726
Income tax expense	4	**87,836**	71,095
Total revenue less expenses and benefits paid after income tax		**442,867**	370,631
Net Assets available to pay benefits at the end of the financial year		**5,872,233**	5,429,366

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 2011 (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 has both defined benefit and accumulation divisions for the provision of superannuation benefits and arrangements to its members.

The Plan is registered with the Australian Prudential Regulation Authority (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.

The Financial Statements are presented in Australian dollars.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability. A restatement of the Derivative Investments and Derivative Financial Liabilities for the year ended 30 June 2010 has been done to reflect the net settled valuation methodology which is consistent with the treatment for the year ended 30 June 2011.

The Financial Statements were approved by the Board of Directors of the Trustee, Qantas Superannuation Limited, on 19 October 2011.

(a) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. It includes Cash held directly by the Plan and Cash held on behalf of the Plan by investment managers. 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

As at 30 June 2011 the majority of the investments of the Plan were held in custody by JP Morgan Chase Bank, N.A. and the remaining investments are directly held by the Trustees. On 5 July 2010 the Plan transitioned custody of the vast majority of investments to J.P. Morgan Chase Bank, N.A from National Australia Bank Asset Servicing. A small proportion of investments remain directly held by the Trustee.

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.
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) 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).

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 2 Summary of Significant Accounting Policies (continued)

The Plan has chosen not to consolidate sole purpose unit trusts that it controls as the value of the investments has been deemed to be immaterial. These investments have been equity accounted.

The detail of investments held at balance date is shown in Note 3.

(c) Derivative Financial Instruments

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

The detail of derivatives held at balance date is shown in Note 9.

(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 or associated employer prior to year end but had not been paid by that date.

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 (Note 18). 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 Note 18 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)

The Plan is entitled to claim an input tax credit for the amount of GST it pays on investment and non-investment expenses to the extent the expense relates to making GST-free or taxable supplies. GST-free supplies include the sale (and acquisition) of securities to (and from) non-residents.

The Plan is not entitled to claim an input tax credit for amounts of GST it pays on investment and non-investment expenses to the extent the expense relates to making input taxed supplies. Input taxed supplies include the sale (and acquisition) of securities to (and from) Australian residents.

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 2 Summary of Significant Accounting Policies (continued)

(h) Goods and Services Tax (GST) (continued)

Recoverability of GST is based on a methodology which appropriately allocates direct expenses and apportions overhead costs to the various types of supplies. To determine recoverable GST, the Trustee has put an appropriate expense allocation method in place to allocate direct expenses and apportion overheads.

The Plan may be entitled to reduced input tax credits (RITCs) for certain expenses incurred in making input taxed supplies. Such expenses include, for example, management fees, custodian fees, brokerage fees and administration expenses.

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 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 only key estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period is:

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 19.

(j) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. An assessment of the impact of each of these new standards (to the extent relevant to the Plan) and interpretations is set out below:

(i) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosure on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)*

In November 2010, the AASB issued AASB 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First-time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Plan's disclosures. The Plan intends to apply the amendment from 1 July 2011.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Plan will apply the amended standard from 1 July 2011. The amendments require disclosure of transactions between subsidiaries and associates. However, as the Plan does not have any subsidiaries or associates, the amendment will not have any effect on the Plan's Financial Statements.

(iii) AASB 9 Financial Instruments and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB2010-7 *Amendment to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 2 Summary of Significant Accounting Policies (continued)

(j) New Accounting Standards and Interpretation (continued)

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. The Plan has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Plan's Financial Statements as the Plan does not hold any available-for-sale investments.

(iv) *Amendments to* AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Plan does not expect that any adjustments will be necessary.

(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

Interest is recognised on an accrual basis and if not received at reporting date, is reflected in the Statement of Net Assets as a receivable.

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 balance 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 5.

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 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 tax liabilities are recognised for all taxable temporary differences except where the deferred 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 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.

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 2 Summary of Significant Accounting Policies (continued)

(m) Income Tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance date and reduced (capped) to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The level of capping of the deferred tax asset is determined after taking into consideration the portfolio of investment assets.

Deferred 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. Where the deferred tax asset is capped, the effective tax applied will vary to actual tax rates.

The detail of income tax is shown in Note 4.

(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 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 Statement of Changes in Net Assets (and disclosed in Note 5) 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.

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.

Further detail on superannuation contribution surcharge is contained in Note 6.

(p) 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 2011 (continued)

Note 3 Managed investment portfolios

*Total managed investment portfolios comprises:	2011 $'000	2010 $'000
Cash held by investment managers **	**366,883**	115,712
Australian short-term deposits	**469,104**	380,247
International short-term deposits	**-**	9,989
Investment income receivable	**30,330**	12,961
Outstanding settlements for securities sold	**25,833**	43,154
Australian equity and managed funds	**1,806,187**	1,756,287
International equity and managed funds	**1,663,156**	1,477,461
Australian fixed income securities	**814,971**	1,036,487
International fixed income securities	**638,235**	573,149
Money market securities	**233,666**	-
Derivatives	**51,161**	10,100
Other (Receivables)	**755**	-
Total managed investment assets	**6,100,281**	5,415,547
Outstanding settlements for securities purchased	**30,748**	40,422
Derivatives	**21,432**	39,841
Repurchase agreements	**171,398**	-
Total managed investment liabilities	**223,578**	80,263
Total managed investments	**5,876,703**	5,335,284

**Cash at bank is represented by:		
Cash held by investment managers (see Note 2 (a))	**366,883**	115,712
Cash at bank	**18,041**	26,007
Total Cash at bank	**384,924**	141,719

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 3 Managed investment portfolio (continued)

At the reporting date all investments are managed on behalf of the Trustee by:	2011 $'000	2010 $'000
Held in managed investment portfolios		
Ardea Investment Management Pty Ltd	**252,759**	-
Altrinsic Global Advisors LLC	**202,585**	196,896
BlackRock Asset Management Australia Limited	**807,255**	567,513
BT Investment Management Limited	**13,900**	28,819
Cooper Investors Pty Limited	**199,073**	204,776
Credit Suisse Asset Mgmt (formerly Aberdeen Investment Mgmt Australia Ltd)	**-**	234,944
Independent Asset Management Pty Limited	**191,472**	158,040
Independent Franchise Partners, LLP	**146,862**	185,713
IronBridge Capital Management, LP	**199,066**	191,234
JP Morgan Chase Bank N.A. (custodian cash account)	**41,300**	-
K2 / D&S Management Company LLC	**242,523**	165,173
Lazard Asset Management Pacific Co.	**233,802**	234,627
Macquarie Investment Management Limited	**721,320**	622,456
Merlon Capital Partners Pty Limited (formerly Challenger Managed Investments)	**183,669**	199,057
National Australia Bank Asset Servicing (custodian cash account)	**-**	115,712
Orbis Investment Management (Australia) Pty Limited	**140,327**	112,836
Palisade Investment Partners Limited	**88,963**	-
PIMCO Australia Pty Limited	**261,720**	236,725
Property Portfolio (advised by Arcadia Funds Management Ltd)	**350,586**	339,499
Queensland Investment Corporation	**289,629**	449,281
Realindex Investments Pty Limited	**191,491**	184,581
Russell Investment Management Limited	**167,053**	-
Sankaty Advisors LLC	**194,321**	-
Standish Mellon Asset Management Company LLC	**168,669**	158,292
State Street Global Advisors Australia Limited	**712**	2,630
Tactical Global Management Limited	**98**	54,753
Transition Portfolio	**685**	2,836
Vanguard Investments Australia Limited	**350,568**	509,653
Vianova Asset Management Pty Limited	**189,137**	179,238
Westbourne Credit Management Limited	**47,158**	-
Total managed investments portfolios	**5,876,703**	**5,335,284**

Note 4 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.

	2011 $'000	2010 $'000
Major components of income tax expense for the years ended 30 June 2011 and 2010 are:		
Statement of Changes in Net Assets		
Current income tax		
Current income tax charge	**85,073**	60,641
Over provision in prior year	**(373)**	(2,301)
Deferred income tax		
Relating to origination and reversal of temporary differences	**3,136**	12,755
Income tax expense reported in the Statement of Changes in Net Assets	**87,836**	71,095

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 4 Income Tax (Continued)

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	**530,703**	441,726
At the tax rate of 15%	**79,605**	66,259
Adjustments:		
Benefits paid	**53,914**	51,814
Dividend imputation and foreign tax credits	**(37,763)**	(22,119)
Government co-contributions	**(280)**	(541)
Gross up of franked dividends and foreign tax credits	**5,665**	3,318
Member contributions	**(6,281)**	(6,744)
Non-deductible expenses	**157**	136
Non-taxable investment income from PSTs and Life Office Policies	**-**	128
Other non-assessable income	**(8,898)**	(7,512)
Accounting gain to Tax gain	**11,327**	1,292
Reversal of unrecognised tax losses	**-**	(6,328)
Transfers in	**(3,597)**	(3,726)
Over provision in prior year	**(373)**	(2,301)
Utilisation of carry forward capital losses	**(5,640)**	(2,581)
Income tax expense reported in Statement of Changes in Net Assets	**87,836**	71,095

Deferred tax

Deferred tax at 30 June relates to the following:

Deferred tax liability		
Contributions receivable	**(532)**	(2,081)
Deferred tax assets		
Unrealised loss on investments subject to CGT	**81,015**	85,723
Depreciation on property, plant and equipment	**3**	1
Accounts payable	**428**	(5,923)
Reversal of unrecognised tax losses	**-**	6,328
	81,446	86,129
Net deferred tax assets	**80,914**	84,048

Note 5 Changes in Net Market Value of Investments

	2011 $'000	2010 $'000
Investments held at year end		
Australian equity and managed funds	**18,489**	13,079
International equity and managed funds	**(59,075)**	43,943
Australian fixed income securities	**6,957**	19,126
International fixed income securities	**(54,680)**	17,632
Derivatives	**16,476**	(30,156)
Foreign exchange gains / (losses)	**43,012**	(39,141)
	(28,821)	24,483
Investments realised during the year		
Australian equity and managed funds	**47,932**	78,530
International equity and managed funds	**14,544**	34,530
Investment linked insurance policies	**-**	854
Australian fixed income securities	**1,461**	18,316
International fixed income securities	**(26,621)**	7,801
Derivatives	**16,439**	136,765
Foreign exchange gains / (losses)	**267,941**	(43,349)
	321,696	233,447
Changes in net market value of investments	**292,875**	257,930

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 6 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 until 1 July 2005 (when surcharge was abolished, refer to Note 2(o) for additional detail). 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 net benefit included in the Statement of Changes in Net Assets comprises:

	2011 $'000	2010 $'000
Superannuation surcharge instalments paid during the year	**11**	22
Amounts received from members	**(63)**	(218)
	(52)	(196)

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 7 Member Numbers

	2011		2010	
Members at 1 July		**32,732**		32,833
Plus members admitted		**2,745**		2,542
Less:				
Choice of fund	**(163)**		(237)	
Deaths	**(17)**		(13)	
Exits from division 8	**(454)**		(525)	
Exits from division 9 & 14	**(33)**		(26)	
Exits from division 11	**(50)**		(13)	
Ill health/TPD	**(28)**		(18)	
Resignations	**(1,045)**		(1,037)	
Retirements	**(193)**		(219)	
Retrenchment	**(371)**	**(2,354)**	(555)	(2,643)
Members at 30 June		**33,123**		32,732

	2011	2010
The membership is split as follows:		
Division 1	**731**	762
Division 2	**7,239**	7,548
Division 3	**7,901**	8,195
Division 3a	**694**	655
Division 4	**34**	43
Division 5	**633**	669
Division 6	**7,335**	7,079
Division 7	**2,300**	1,909
Division 8	**4,452**	4,271
Division 9	**337**	303
Division 10	**1,134**	1,036
Division 11	**129**	118
Division 12	**5**	5
Division 14	**199**	139
Members at 30 June	**33,123**	32,732

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 8 Auditor's Remuneration

	2011 $	2010 $
Remuneration for audit of the financial report of the Plan:		
Auditor of the Plan	**145,000**	142,000
Remuneration for other services:		
Taxation services	**189,162**	180,525
Other services	**54,200**	31,635
	388,362	354,160

Note 9 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 are 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 investments of the Plan.

(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.

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 9 Derivative Financial Instruments (continued)

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

30 June 2011	**Notional Principal Amounts $'000**	**Net Market Value Assets $'000**	**Net Market Value Liabilities $'000**
Australian fixed interest futures	**(40,741)**	**225**	**211**
International fixed interest futures	**(18,063)**	**232**	**6**
Money market futures	**(369)**	**520**	**294**
Australian share price index futures	**275,945**	**3,232**	**-**
International share price index futures	**206,262**	**6,226**	**81**
Swaps	**-**	**4,070**	**4,652**
Forward currency contracts *	**21,240**	**36,299**	**15,059**
Warrants and options	**(19,045)**	**357**	**1,129**
		51,161	**21,432**

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

30 June 2010	Notional Principal Amounts $'000	Net Market Value Assets $'000	Net Market Value Liabilities $'000
Australian fixed interest futures	(112,298)	279	899
International fixed interest futures	14,591	676	84
Australian share price index futures	67,577	2,440	5,858
International share price index futures	73,431	-	3,416
Swaps	-	2,743	2,558
Forward currency contracts*	(23,064)	3,962	27,026
		10,100	39,841

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

Note 10 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 Strategy (RMS). 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 and the Audit & Risk 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 subject to an agreed mandate. The Plan also invests in pooled funds and directly in a small number of 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.

Notes to and Forming Part of the Financial Statements
30 June 2011 (continued)

Note 10 Financial risk management (continued)

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 their Risk Management Strategies, the Plan's investment managers use 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 investment 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.

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 following table at the reporting date would have increased the Plan's Net Assets available to pay benefits and the net investment revenue by $845,625,000 (2010: an increase of $862,461,000). A decrease in the relevant asset class benchmark would have the equal but opposite effect on the basis that all other variables remain constant.

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 10 Financial risk management (continued)

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	2011*	2010*
Australian equity and managed funds	26.1%	28.6%
International equity and managed funds	22.5%	24.5%

* 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 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 2011	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	21,846	11,598	3,426	1,557	3,032	41,460	812,568	854,028
Receivables	11,714	4,446	1,273	770	1,520	19,723	41,280	61,003
Investments	1,223,462	390,520	216,904	196,310	256,199	2,283,394	2,923,982	5,207,376
Other assets	-	-	-	-	-	-	80,981	80,981
Total assets	1,257,022	406,564	221,603	198,637	260,751	2,344,577	3,858,811	6,203,388
Liabilities								
Payables	6,524	7,534	163	78	387	14,686	123,639	138,325
Financial liabilities	488	1,223	12	49	785	2,557	190,273	192,830
Total liabilities	7,012	8,757	175	127	1,172	17,243	313,912	331,155
Net Assets	1,250,010	397,807	221,428	198,510	259,579	2,327,334	3,544,899	5,872,233

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 10 Financial risk management (continued)

30 June 2010	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	2,396	2,147	807	2,022	2,616	9,988	521,967	531,955
Trade and other receivables	19,530	5,074	7,642	1,866	953	35,065	35,760	70,825
Investments	1,063,923	315,592	219,606	200,425	286,885	2,086,431	2,767,053	4,853,484
Other assets	-	-	-	-	-	-	87,542	87,542
Total assets	1,085,849	323,813	228,056	204,313	290,454	2,131,484	3,412,322	5,543,806
Liabilities								
Trade and other payables	25,552	6,474	-	1,352	26	33,404	41,195	74,599
Financial liabilities	20,523	2,098	2,519	4,803	103	30,046	9,796	39,841
Total liabilities	46,075	8,572	2,519	6,155	129	63,450	50,991	114,440
Net Assets	1,039,774	314,241	225,537	198,158	290,325	2,068,035	3,361,331	5,429,366

Sensitivity analysis

A strengthening of the Australian dollar against the following currencies by the factors shown in the following table at 30 June 2011 would have decreased the Net Assets available to pay benefits and the net investment revenue by the amounts shown. A weakening of the Australian dollar against the following currencies by the specified percentages at 30 June 2011 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 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
30 June 2011	**799**	**823**	**18**	**18**
Foreign exchange rate risk *	**11.4%**	**9.4%**	**10.5%**	**14.5%**
30 June 2010	5,253	823	270	874
Foreign exchange rate risk *	11.4%	9.6%	10.7%	14.2%

* 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 2011 (continued)

Note 10 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 2011						
Assets						
Cash and cash equivalents	**854,028**	-	-	-	-	**854,028**
Receivables	**10,599**	-	-	-	**50,404**	**61,003**
Investments	**366,806**	**135,495**	**274,925**	**914,694**	**3,515,456**	**5,207,376**
Other assets	-	-	-	-	**80,981**	**80,981**
Total assets	**1,231,433**	**135,495**	**274,925**	**914,694**	**3,646,841**	**6,203,388**
Liabilities						
Payables	**1,146**	-	-	-	**137,179**	**138,325**
Financial liabilities	**828**	**171,616**	**2,190**	**1,929**	**16,267**	**192,830**
Total liabilities	**1,974**	**171,616**	**2,190**	**1,929**	**153,446**	**331,155**
Net assets available to pay benefits	**1,229,459**	**(36,121)**	**272,735**	**912,765**	**3,493,395**	**5,872,233**

		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 2010						
Assets						
Cash and cash equivalents	531,955		-	-	-	531,955
Receivables	-	-	-	-	70,825	70,825
Investments	225,388	314,404	388,482	582,950	3,342,260	4,853,484
Other assets	-	-	-	-	87,542	87,542
Total assets	757,343	314,404	388,482	582,950	3,500,627	5,543,806
Liabilities						
Payables	-	-	-	-	74,599	74,599
Financial liabilities	50	1,274	102	769	37,646	39,841
Total liabilities	50	1,274	102	769	112,245	114,440
Net assets available to pay benefits	757,293	313,130	388,380	582,181	3,388,382	5,429,366

Sensitivity analysis

At 30 June 2011, should interest rates have lowered by 1% (2010: 1%) with all other variables held constant, the increase in Net Assets available to pay benefits (and the change in Net Assets for the year) would amount to approximately $23,788,000 (2010: $21,416,000). If interest rates had risen by 1% (2010: 1%), the decrease in Net Assets available to pay benefits (and the change in Net Assets for the year) would broadly have an 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 2011 (continued)

Note 10 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 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.

Credit quality per class of instrument

The credit quality of financial assets is managed by the Plan using primarily Standard & Poor's (S&P) rating categories and other agencies where no S&P rating is given, in accordance with the various investment mandates. 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	**2011**	2010
	$'000	$'000
Credit Grade		
AAA	**463,043**	431,373
AA	**320,769**	150,669
A	**29,694**	448,302
BBB	**1,465**	6,143
	814,971	1,036,487

International Fixed Income Securities	**2011**	2010
	$'000	$'000
Credit Grade		
AAA	**311,205**	323,741
AA	**192,948**	90,329
A	**50,870**	63,995
BBB	**30,026**	24,744
BB	**15,887**	16,649
B	**33,458**	9,460
CCC	**1,069**	-
Not rated by S&P	**2,772**	44,231
	638,235	573,149

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 10 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 Framework, the Investment Committee monitors the Plan's liquidity position, and regularly reviews it. Compliance with the Plan's policy is reported to the Board and the Audit & Risk Committee.

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.

30 June 2011	**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	503	-	-	1,717	-
Benefits payable	54,075	-	-	-	-
Accounts payable	9,051	-	-	-	-
Income tax payable	-	24,114	20,337	-	-
Outstanding settlements	30,748	-	-	-	-
Vested benefits	5,897,246	-	-	-	-
Total	5,991,623	24,114	20,337	1,717	-

30 June 2010	**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	-	8,827	-	-	145
Benefits payable	27,996	-	-	-	-
Accounts payable	6,181	-	-	-	-
Outstanding settlements	40,422	-	-	-	-
Vested benefits	5,477,554	-	-	-	-
Total	5,552,153	8,827	-	-	145

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 requested 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 2011 (continued)

Note 10 Financial risk management (continued)

30 June 2011	**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	**(2,103,454)**	**(1,193,090)**	**(411,376)**	**(7,165)**	**-**
- Inflow	**2,110,567**	**1,201,278**	**417,302**	**7,179**	**-**
Total	**7,113**	**8,188**	**5,926**	**14**	**-**

30 June 2010	**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	(446,602)	(1,222,140)	(4,234)		-
- Inflow	447,002	1,198,423	4,488		-
Total	400	(23,717)	254		-

(e) Net fair values of financial assets and liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices are used to determine fair value where an active market exists. If the market for a financial asset or liability is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The Plan's financial assets and liabilities included in the Statement of Net Assets are carried at net market value which the Trustee believes approximates net fair value. Refer to Note 2 for the methods and assumptions adopted in determining the net market values of investments and Note 9 for Derivatives.

(i) Fair value hierarchy

Financial assets and liabilities measured at net market value are categorised in accordance with the levels of the fair value hierarchy as outlined below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table discloses the investments of the Plan according to the fair value hierarchy.

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 10 Financial risk management (continued)

Fair value hierarchy

30 June 2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment assets				
Australian short-term deposits	**469,104**	**-**	**-**	**469,104**
Derivative assets	**14,506**	**36,655**	**-**	**51,161**
Australian and international equity and managed funds	**2,415,102**	**1,050,273**	**3,968**	**3,469,343**
Australian and international fixed income securities	**105,500**	**1,347,706**	**-**	**1,453,206**
Australian and international money market securities	**49,798**	**183,868**	**-**	**233,666**
Investment income receivable & outstanding settlements for securities sold	**45,564**	**-**	**-**	**45,564**
Deposits held with brokers margin accounts	**10,599**	**-**	**-**	**10,599**
Total Investment assets	**3,110,173**	**2,618,502**	**3,968**	**5,732,643**
Investment liabilities				
Derivatives liabilities	**5,246**	**16,186**	**-**	**21,432**
Outstanding settlements for securities purchased and Deposits held with broker margin accounts	**30,748**	**-**	**-**	**30,748**
Repurchase agreements	**-**	**171,398**	**-**	**171,398**
Total Investment liabilities	**35,994**	**187,584**	**-**	**223,578**
Total Investments	**3,074,179**	**2,430,918**	**3,968**	**5,509,065**

Fair value hierarchy

30 June 2010	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment assets				
Cash and cash equivalents	500,908	5,040	-	505,948
Derivative assets	20	10,080	-	10,100
Australian and international equity and managed funds	2,533,955	668,682	31,111	3,233,748
Australian and international fixed income securities	-	1,609,636	-	1,609,636
Investment income receivable & Outstanding settlements for securities sold	56,115	-	-	56,115
Total investment assets	3,090,998	2,293,438	31,111	5,415,547
Investment liabilities				
Derivatives liabilities	200	39,641	-	39,841
Outstanding settlements for securities purchased	40,422	-	-	40,422
Total investment liabilities	40,622	39,641	-	80,263
Total investments	3,050,376	2,253,797	31,111	5,335,284

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

(ii) Reconciliation of balances in the level 3 fair value hierarchy

The following table reconciles the balances in level 3 of the fair value hierarchy for the year ended 30 June 2011:

Level 3 - Australian and international equity and managed funds	**2011** **$'000**
Balance of level 3 investments at the beginning of the financial year	**31,111**
Purchases	**971**
Sales	**(440)**
Reclassification into level 3 hierarchy during the year	**1,158**
Reclassification from level 3 hierarchy during the year	**(28,809)**
Changes in net market value	**(23)**
Balance of level 3 investments at the end of the financial year	**3,968**

The following table reconciles the balances in level 3 of the fair value hierarchy for the year ended 30 June 2010:

Level 3 - Australian and international equity and managed funds	2010 $'000
Balance of level 3 investments at the beginning of the financial year	41,786
Purchases	223
Sales	(35,423)
Reclassification from level 3 to level 1 hierarchy during the year	(2,850)
Reclassification from level 2 to level 3 hierarchy during the year	27,230
Changes in net market value	145
Balance of level 3 investments at the end of the financial year	31,111

(iii) Sensitivity analysis of balances in level 3

For the Australian equity and managed funds investments classified under level 3, an increase in the market benchmark for this asset class of 26.1% would increase the Plan's Net Assets available to pay benefits and the net investment revenue by $1,035,000. A decrease in the benchmark would have the equal but opposite effect on the basis that all other variables remain constant. The benchmark for Australian equity and managed funds investments has been determined to be 26.1% 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 2011 (continued)

Note 11 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:

		2011 $'000	2010 $'000
Investment fluctuation reserve	(i)	**(20,527)**	(4,364)
Disability reserves	(ii)	**62,025**	66,332
Foregone benefits reserve	(iii)	**826**	556
		42,324	62,524

(i) The investment fluctuation reserve accounts for 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 Interest Rate 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:

	2011 $'000	2010 $'000
Current permanent incapacities	**19,291**	26,382
Current initial disablement	**7,048**	6,331
New disablements	**8,591**	8,093
Possible future deterioration	**27,095**	25,526
	62,025	66,332

(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 2012.

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 11 Reserves (continued)

	2011 $'000	2010 $'000
Movements in reserves		
Investment Fluctuation Reserve		
Opening Balance	**(4,364)**	6,907
Investment income allocated to members during the year	**(16,163)**	(11,271)
Closing Balance	**(20,527)**	(4,364)
Disability Reserves		
Opening Balance	**66,332**	61,237
Transfer from assets of the Plan	**3,143**	2,835
Transfer (to) / from Forgone benefits reserve	**(258)**	(276)
Amounts allocated (to) / from members during the year	**(7,192)**	2,536
Closing Balance	**62,025**	66,332
Foregone Benefits Reserve		
Opening Balance	**556**	(252)
Transfer from / (to) Disability reserves	**258**	276
Amounts allocated from members during the year	**12**	532
Closing Balance	**826**	556

Note 12 Related Parties

(a) **Employer company**

Qantas Airways Limited is the employer sponsor, and together with the other associated employers in the Qantas Group makes the employer contributions to the Plan which are disclosed in the Statement of Changes in Net Assets. Contributions are made in accordance with the Trust Deed, as disclosed in Note 18.

Contributions receivable from the employer sponsor and associated employers as at 30 June 2011 (and received subsequent to that date) amounted to $3,572,551 (2010: $13,872,169).

The Plan contracts with Qantas Airways Limited for office accommodation, use of office equipment and certain administrative services. Cost recoveries paid to the employer sponsor for these services and reimbursement of staff salaries of $3,266,580 (2010: $2,913,826) are included in administration expenses in the Statement of Changes in Net Assets.

At 30 June 2011 Qantas Superannuation Plan held shares in Qantas Airways Limited to the value of $17,840,169 (2010: $8,042,282). These investments have been made by the Plan's underlying investment managers.

In July 2010 the Plan sold an investment which was 100% of the equity in the Qantas Super SAC Trust. The Trustee of the trust is Trafalgar Nominees (SAC) No 3 Pty Limited and is a wholly owned subsidiary of Trafalgar Managed Investments Limited. The sole asset of the SAC Trust is a 50% interest in the Sydney Airport Centre Joint Venture, managed by Trafalgar Managed Investments Limited, which owns the property described as Sydney Airport Centre, 203 Coward Street and 14 -16 Bourke Road, Mascot, Sydney. This Property, comprising four buildings, is the Global Headquarters for Qantas Airways Limited under a long-term lease on commercial terms.

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 12 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 appointed:	**Member elected:**
Cosgrove, P	Gillies, K
Fouracre, S	Manning, G
Grantham, N (appointed 6 August 2010)	Pagden, C
Scriven, J	Sipek, J
Ward, A (Chairman)	Thorpe, M

The directors of Qantas Superannuation Limited are key management personnel for the purposes of AASB 124. In addition to the directors, J Torney (Chief Executive) and A Spence (Chief Investment Officer) are also key management personnel. J Torney ceased employment with the Plan on 26 August 2011.

The Trustee has a licence from the Australian Prudential Regulation Authority. Its 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:

	2011 $'000	2010 $'000
Short-term benefits	**1,055**	1,013
Post employment	**37**	37
Other long term benefits	**47**	13
	1,139	1,063

(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 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 nil (2010: nil). This does not include taxable salary sacrifice or company 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 was a senior executive of National Australia Bank Limited, a division of which provided custodial services to the Plan until 5 July 2010 when a new custodian was appointed. Fees for those services were calculated on commercial arms length terms. Ms Ward abstained from all decisions related to the services performed by National Australia Bank Limited and the appointment of the new custodian. On 5 July 2010, the Plan transitioned custody of its assets to J.P. Morgan Chase Bank, N.A.

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 13 Contingent Assets and Liabilities and Commitments

There were no contingent assets and liabilities or commitments as at 30 June 2011 and 30 June 2010.

Note 14 Guaranteed Benefits

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

Note 15 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 16 Vested Benefits and Net Assets

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.

	2011	2010
	\$'000	\$'000
Vested Benefits	**5,897,246**	5,477,554
Net Assets	**5,872,233**	5,429,366

Note 17 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 the market value of Plan assets.

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

Notes to and Forming Part of the Financial Statements

30 June 2011 (continued)

Note 17 Funding Arrangements (continued)

As at 30 June 2011 there was a shortfall of Net Assets compared to vested benefits of the Plan (details of the vested benefits are referred to in Note 16). On 3 April 2009 the Trustee and the employer sponsor announced that they had agreed to an additional funding plan for the defined benefit divisions to return the Plan to a satisfactory financial position. The funding plan involves the employer sponsor, in addition to normal contributions, making contributions of up to $66 million over the three years from April 2009. Subsequently in April 2010, the actuary conducted a review of the additional funding plan resulting in a revised additional funding plan. The Plan's financial position is monitored by the Trustee each quarter and the actuary determines the amounts of additional contributions to be made each quarter, as required under the funding plan. At the date of this report all such additional contributions have been received under the revised additional funding plan and are recorded as Employer Contribution Revenue in Schedule 2 of this report. Confirmation of the revised additional funding plan was provided to the Australian Prudential Regulation Authority.

Note 18 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.

	2010 **$'000**	2007 $'000
Accrued benefits as at 1 July	**5,348,427**	5,827,400

Also attached to these financial statements is the report by the Plan's actuary, Mr Fintan Thornton FIAA summarising the results of that actuarial review of the Plan. The next actuarial review as at 1 July 2013 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 7% p.a.; and
- The future rate of salary inflation would be 4% p.a.

Note 19 Events Occurring After the Balance Sheet Date

The Plan invests directly or indirectly in various investments and is consequently exposed to the market risk associated with these investments.

Since the end of the reporting period share markets have experienced a period of significant volatility, impacting on the valuation of the Plan's investment portfolio.

As the investments are measured at their 30 June 2011 net market values in the financial report, this volatility in value is not reflected in the statement of changes in net assets or the statement of net assets.

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 2011 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 in all material aspects, 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 2011.

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

2011

pwc

Qantas Superannuation Plan (ABN: 41 272 198 829)

Report by the Independent Auditor to the Trustee and Members

Financial Statements

I have audited the financial statements of Qantas Superannuation Plan for the year ended 30 June 2011 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 and the requirements of the SIS Act and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Qantas Superannuation Plan.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to 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.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

pwc

Report by the Independent Auditor to the Trustee and Members (continued)

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 financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the net assets of the Qantas Superannuation Plan as at 30 June 2011 and the changes in net assets for the year ended 30 June 2011.

PricewaterhouseCoopers

PricewaterhouseCoopers

Claire Keating
Partner

Sydney
19 October 2011

Russell Investments
Level 29
135 King Street
Sydney NSW 2000
GPO Box 3279
Sydney NSW 2001
Australia
tel +61 2 9229 5111
fax +61 2 9221 4505
www.russell.com.au

ACTUARIAL STATEMENT FOR THE PURPOSES OF AUSTRALIAN ACCOUNTING STANDARD AAS 25

QANTAS SUPERANNUATION PLAN (the Plan)

REPORTING PERIOD ENDED 30 JUNE 2010

This statement has been prepared at the request of the Trustee of the Plan, Qantas Superannuation Limited and sets out the value of Accrued Benefits and other actuarial information required under AAS 25, for disclosure in the financial statements of the Plan. The method and assumptions used are specifically for determining AAS 25 disclosure information and the results should not be used for any other purpose without the prior consent of the Plan's Actuary.

ACTUARIAL STATEMENT FOR AAS 25 PURPOSES

Assumptions

The assumptions used to calculate Accrued Benefits were the same as for the actuarial investigation of the Plan as at 1 July 2010.

The financial assumptions used are summarised as follows:-

Discount Rate - 7.0% p.a.

Future Salary Increases - 4.0% p.a.

The discount rate of 7.0% pa is considered to be a market determined, risk adjusted rate based on a reasonable expectation of actual future Plan returns over the average expected term of the benefit liabilities, calculated to be 11 years, in the light of the Plan's present investment strategy and taxation position.

All other assumptions used for the purpose of this investigation are best estimate assumptions, with no allowance for conservatism.

Accrued and Vested Benefits

AAS 25 requires the disclosure of Accrued and Vested Benefits at the reporting date. The table below shows the amounts determined for the purposes of AAS 25, together with the market value of assets:

Reporting Date	Accrued Benefits $ million	Vested Benefits $ million	Market Value of Assets $ million
1 July 2010	5,348.4	5,477.6	5,429.4

"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.

"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 and Professional Standard 402 issued by the Institute of Actuaries of Australia.

SUMMARY OF ACTUARIAL REPORT

As the Actuary to the Qantas Superannuation Plan (the Plan), I conducted the latest actuarial investigation of the Plan as at 1 July 2010. The results of that investigation were presented in my report dated 2 June 2011. The following is a summary of that report.

The next actuarial investigation is scheduled for no later than 1 July 2013.

Membership

At 1 July 2010 there were 32,730 members of the Plan with superannuation salaries totaling $2,046.9 million. This compares with 31,286 members as at the previous actuarial investigation date of 1 July 2007.

Assets

The net market value of assets at 30 June 2010 was $5,429.4 million.

For the purpose of the actuarial investigation, the present value of accrued liabilities was compared to the net market value of assets.

Plan Experience

The main features of the Plan's experience over the three years to 30 June 2010 were:

- The investment performance of the Plan was significantly lower than assumed for the three years to 30 June 2010. Considered in isolation, this resulted in a significant deterioration in the financial position of the Plan;
- Inflationary salary increases averaged around 3% per annum for Plan members which was lower than the rate of 4% assumed in the 2007 actuarial investigation and resulted in an improvement in the financial position of the Plan;
- The overall rate of staff turnover was generally in line with expectations and did not have a material impact on the Plan's financial position;
- There were a number of redundancy payments and pre-1 December 2009 transfers to Division 6 which were not anticipated in the 2007 actuarial investigation. This has resulted in a small deterioration in the financial position of the Plan.

Overall, the total effect of the Plan's experience during the period of the investigation was to significantly reduce the Plan's actuarial surplus (measured in the same way as in the 2007 investigation; that is, actuarial value of assets less the present value of accrued benefit liabilities).

Actuarial Funding Method

The Projected Unit Credit (PUC) funding method adopted for the 2007 actuarial investigation of the Plan was again used for the 2010 actuarial 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 – Defined Benefit (DB) divisions

The key financial assumptions used for the 2010 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 those used in the previous actuarial 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.

For DB divisions where the Company pays for non-investment expenses, these were adjusted from 0.25% of total future salaries of Division 2, 3 and 4 members at the previous actuarial investigation to 0.45% of total future salaries.

The expected cost of annuities purchased on retirement for Division 4 has been increased to reflect the increased longevity expectation and profit loadings.

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 2010 revealed total accrued benefit liabilities of $5,348 million. Using this measure, there is an actuarial surplus of $81 million. The actuarial value of assets represented 101.5% of the accrued benefit liabilities, which indicated that the Plan was in a sound long term financial position on a going concern basis.

At 1 July 2010 the market value of assets was 99.1% of vested benefits, indicating that the Plan was in an "unsatisfactory financial position", as defined in the superannuation legislation. This Trustee and the Company has an agreed Additional Funding Plan to help rectify any shortfall under this measure. This is discussed in the "Additional Funding Plan" section below.

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)	11.1%
Division 2 (Category B)	12.7%
Division 2 (Category C)	11.9%
Division 3	11.1%
Division 4	6.3%
Division 12	0.0%

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

In addition to the position reported above, the actuary projected the Plan's ongoing ability to meet both Accrued and Vested Benefits over the three years following the date of the investigation. This was undertaken on the basis that:

- the actuarial assumptions as to investment, salary inflation and membership turnover would apply over the next three years;
- the employer(s) will contribute to the Fund at the recommended rate over the next three years.

In the light of the projections, it is anticipated that Vested Benefits and Accrued Benefits will be covered by Plan assets at the end of the three years following the date of the investigation.

Additional Funding Plan

In light of the significant deterioration in the Vested Benefit Index (VBI) position of the Plan in 2008 and early 2009, the Trustee and the Company agreed to an Additional Funding Plan (2009 AFP) in April 2009. This agreement was for three years and additional contributions of $66 million were anticipated to be paid by the Company. The 2009 AFP has three contribution components, and can be summarised as follows:

(a) Fixed additional contributions of either $5.5 million or nil per quarter, depending on the VBI position as measured at the end of each quarter; and

(b) Variable additional contributions payable quarterly, dependent on the VBI position and the size of benefit payments from the Plan over the previous quarter; and

(c) Retrenchment additional contributions of $1.3 million (initially $1.1 million, recalibrated to $1.3 million in 2010) per 100 retrenchments measured at the end of the quarter.

Additional contribution amounts may vary depending on the progress of the VBI. The mechanics of the 2009 AFP are such that, based on the assumptions adopted:

- component (a) alone was expected to return the Plan to above 100% VBI in three years;
- component (b) helped to minimise any short-term strains from large amounts of benefit payments; and
- component (c) required the Company to make additional contributions towards retrenchment benefit payments over and above vested benefit payments.

An important element of the 2009 AFP is the quarterly monitoring program, conducted by the Actuary. The Trustee and the Company are aware that any significant changes to the VBI may require adjustments to the contributions required under the 2009 AFP. This monitoring program was incorporated into the existing quarterly “trigger events” monitoring program which had been in place for some time.

The actuarial investigation recommended that the 2009 AFP continue.

The next full actuarial investigation is scheduled to be made on or before 1 July 2013.

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.

Yours sincerely,

Fintan Thornton

Fintan Thornton, FIAA
Director, Russell Actuarial
Actuary to the Qantas Superannuation Plan

6 October 2011