Qantas Superannuation Plan
Financial Report
for the year ended 30 June 2012

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

Qantas Superannuation Plan

Financial Report – 30 June 2012

Contents

Statement of Net Assets
As at 30 June 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
Cash and cash equivalents			
Cash at bank		**15,523**	18,041
Cash held by investment managers	3	**363,182**	366,883
Australian short-term deposits	3	**684,277**	469,104
Global short-term deposits	3	**90,399**	-
Total cash and cash equivalents		**1,153,381**	854,028
Receivables			
Contributions receivable		**27,810**	3,573
Other receivables and prepayments		**1,770**	512
Deposits held with broker margin accounts	3	**17,621**	10,599
Investment income receivable	3	**16,625**	30,330
Other investment related receivables	3	**2,096**	755
Outstanding settlements for securities sold	3	**51,604**	15,234
Total receivables		**117,526**	61,003
Investments			
Australian equity and managed funds	3	**1,638,021**	1,806,187
Global equity and managed funds	3	**1,839,898**	1,663,156
Money market securities	3	**558,826**	233,666
Australian fixed income securities	3	**459,677**	814,971
Global fixed income securities	3	**125,418**	638,235
Derivatives	3, 9	**78,021**	51,161
Total investments		**4,699,861**	5,207,376
Other assets			
Deferred tax assets	4	**95,547**	80,914
Other		**-**	67
Total other assets		**95,547**	80,981
Total assets		**6,066,315**	6,203,388
LIABILITIES			
Payables			
Benefits payable		**69,015**	54,075
Accounts payable		**8,773**	9,051
Income tax payable		**2,327**	44,451
Outstanding settlements for securities purchased	3	**19,282**	30,748
Deposits held with broker margin accounts	3	**1,337**	-
Total payables		**100,734**	138,325
Financial liabilities			
Derivatives	3, 9	**50,089**	21,432
Repurchase agreements	3	**163,103**	171,398
Total financial liabilities		**213,192**	192,830
Total liabilities		**313,926**	331,155
Net assets available to pay benefits		**5,752,389**	5,872,233

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 2012

	Notes	**2012** **$'000**	2011 $'000
Net assets available to pay benefits at the beginning of the financial year		**5,872,233**	5,429,366
Add:			
Investment income			
Interest		**133,855**	99,441
Dividends and trust distributions		**116,150**	177,821
Other revenue		**1,851**	1,311
Changes in net market value of investments	5	**(149,045)**	292,875
Less: Direct investment expense		**(72,568)**	(25,823)
Total investment revenue		**30,243**	545,625
Contribution revenue			
Employer contributions	17	**339,267**	296,613
Members' contributions		**41,780**	41,875
Government co-contribution		**1,348**	1,870
Transfers from other funds		**22,488**	24,247
Total contribution revenue		**404,883**	364,605
Other revenue		**9**	42
Total revenue		**435,135**	910,272
Less:			
General and administrative expenses			
Actuarial fees		**461**	527
Administration expenses		**7,422**	9,010
Insurance		**634**	227
Superannuation contributions surcharge	6	**(87)**	(52)
Excess contributions taxes		**383**	107
Total general and administrative expenses		**8,813**	9,819
Benefits paid			
Exited members		**497,835**	366,286
Disabled members		**4,700**	3,464
Total benefits paid		**502,535**	369,750
Total expenses and benefits paid		**511,348**	379,569
Total revenue less expenses and benefits paid before income tax		**(76,213)**	530,703
Income tax expense	4	**43,631**	87,836
Total revenue less total expenses after income tax		**(119,844)**	442,867
Net assets available to pay benefits at the end of the financial year		**5,752,389**	5,872,233

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 (continued)

For the year ended 30 June 2012

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.

The consolidated financial statements of the Plan as at and for the year ended 30 June 2012 comprise the Plan and its controlled entities. 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).

Qantas Superannuation Limited (ABN: 47 003 806 960) (the Trustee) is a not for profit Trustee company for the Plan. The Plan and Trustee are incorporated and domiciled in Australia. The registered address for the Trustee is Level 8, 241 O'Riordan Street, Mascot, NSW, 2020, Australia.

Note 2 Summary of Significant Accounting Policies

These general purpose financial statements have 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.

(a) Functional Presentation Currency and Rounding

The financial statements are presented in Australian dollars, which is the functional currency of the Plan. Amounts have been rounded to the nearest thousand dollars except where otherwise noted.

(b) 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.

(c) Investments

Investments are recorded at net market value at year end which is determined as follows:

(i) Market quoted investments: The net market value of an investment for which there is a readily available market quotation is determined as the last quoted sale price as at the close of business on reporting date, less the appropriate allowance for costs expected to be incurred in realising investments.

(ii) Non-market quoted investments: Investments for which market quotations are not readily available are valued at the net fair value determined by the Trustee as follows:
- Unlisted securities – recorded with reference to recent arm's length transactions, most recent arm's length valuation, current market value of another instrument substantially the same or discounted cash flows, less estimated realisation costs.
- Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance date applicable for an instrument with similar terms and conditions.
- Where other pricing models are used, inputs are based on market data at the balance date.
- Private equity investments are valued according to the most recent valuation obtained from the underlying manager at net market value adjusted for subsequent new investments, redemptions and significant changes in underlying conditions through to balance date.

(iii) The Plan invests in assets managed by third parties through wholly owned sole purpose unit trusts, which are recorded at net market value. Refer to Note 12(e) for details.

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

For the year ended 30 June 2012

Note 2 Summary of Significant Accounting Policies (continued)

(d) 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 derivatives are classified as held for trading within financial assets or financial liabilities and are measured at fair value through the profit or loss.

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

(e) Receivables and Payables

Receivables are settled within 30 days of receipt and are recognised at the nominal amount, inclusive of GST where applicable. An allowance for uncollectable amounts is only made where there is objective evidence that the debt will not be collected.

Benefits payable includes benefits in respect of members who ceased employment with the employer sponsor or associated employer but had not been paid by balance date.

Payables are recognised as goods and services received by the Plan during the year where the invoice has not yet been received or paid by the Plan. Payables are settled within 30 days of receipt of an invoice.

(f) Liability for Accrued Benefits

Liability for accrued benefits is not included in the Statement of Net Assets, however the latest measurement date is reported in Note 18. 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.

(g) Goods and Services Tax (GST)

Assets and liabilities are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC) and to the extent that GST is not recoverable, the GST is recognised as part of the cost of acquisition of the asset.

Revenues and expenses are recognised gross of GST recoverable from the ATO as a RITC. To the extent that GST is unrecoverable, this is recognised as an unrecoverable GST expense. Receivables and payables are stated with the amount of GST included.

(h) 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of these assets and liabilities are disclosed in Note 10.

(i) Revenue Recognition

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

Interest income
Interest income is recognised in the Statement of Change in Net Assets on an accruals basis, using the effective interest rate of the instrument.

Dividends and trust distributions
Revenue from dividends and trust distributions is recognised on the date the shares or units are quoted ex-dividend and if not received at reporting date, is reflected in the Statement of Net Assets as a receivable at net market value.

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

For the year ended 30 June 2012

Note 2 Summary of Significant Accounting Policies (continued)

Movement in net market value of investments

Changes in the net market value of investments are recognised as income as the difference between the net market value at year end or consideration received (if sold during the year) and the net market value as at the prior year end or cost (if the investment was acquired during the period). Gains or losses on investments and derivatives which are due to changes in foreign exchange rates are included in Statement of Changes in Net Assets.

Contributions and transfers in

Contributions and transfers in are recognised on an accruals basis, when control and the benefit from the revenue has been transferred to the Plan. Employer contributions are recognised gross of tax and are assessable income for tax purposes.

(j) Derecognition 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.

A financial asset is not derecognised when a repurchase agreement has been entered into. The repurchase agreement is recognised as a deposit in investment assets and a liability is recognised in respect of the obligation to repurchase.

(k) 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 Assets (DTA) or Deferred Tax Liabilities (DTL) are measured using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised 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.

Capital assets held for less than 12 months are taxed at the Plan's tax rate of 15%. Where capital assets are held for greater than 12 months, the Plan is entitled to a further discount on the tax rate, leading to an effective tax rate of 10% on gains or losses arising.

DTA / DTL is recognised at an appropriate rate based on the expected aging profile of gains and losses assessed at an annual review. Based on the aging profile of net assets held at reporting date, the Plan has valued the balance of unrealised capital gains / losses at 11.5% (2011: 15%) for the reporting year.

The detail of income tax is shown in Note 4.

(l) Foreign Currency

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at 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 as changes in net market value 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 rate at the date when the fair value was determined.

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

For the year ended 30 June 2012

Note 2 Summary of Significant Accounting Policies (continued)

(m) Superannuation Contributions Surcharge

Superannuation contributions surcharge is levied on surchargeable 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 contributions surcharge is contained in Note 6.

(n) Comparatives

Various comparative balances have been reclassified to align with current year presentation. These amendments have no material impact on the Financial Statements.

(o) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. They are available for early adoption as at 30 June 2012, but have not been applied in preparing these financial statements. 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 9 *Financial Instruments and* AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9 (December 2010), addresses the classification, measurement and derecognition of financial assets and liabilities and permits the recognition of fair value gains and losses in other comprehensive income if it relates to equity investments. The new standard is effective from 1 January 2015 and is available for early adoption. It is not expected to have a material impact.

(ii) AASB 13 *Fair Value Measurement and* AASB 2011-8 *Amendments to Australian Accounting Standards arising from* AASB 13 clarifies how to measure fair value and enhance fair value disclosure. The new standard is effective from 1 January 2013 and is available for early adoption. It is not expected to have a material impact.

(iii) AASB 10 *Consolidated Financial Statements* introduces a new approach in determining which investees should be consolidated. AASB 127 *Separate Financial Statements* carries forward the existing accounting and disclosure requirement for separate financial statements with some minor clarifications. The new standards are effective from 1 January 2013 and is available for early adoption. It is not expected to have a material impact.

(iv) IFRS 7 *Disclosure Offsetting Financial Assets and Financial Liabilities* and consequential amendments in AASB 2012-2 *Amendments* to Australian Accounting Standards, introduces increased disclosures about offset positions. This amendment will be effective from 30 June 2014 financial statements. It is not expected to have a material impact.

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

For the year ended 30 June 2012

Note 3 Managed investment portfolios

Total managed investment portfolios comprises:	2012 $'000	2011 $'000
Cash held by investment managers	**363,182**	366,883
Australian short-term deposits	**684,277**	469,104
Global short-term deposits	**90,399**	-
Deposits held with broker margin accounts	**17,621**	10,599
Investment income receivable	**16,625**	30,330
Outstanding settlements for securities sold	**51,604**	15,234
Australian equity and managed funds	**1,638,021**	1,806,187
Global equity and managed funds	**1,839,898**	1,663,156
Money market securities	**558,826**	233,666
Australian fixed income securities	**459,677**	814,971
Global fixed income securities	**125,418**	638,235
Derivatives	**78,021**	51,161
Other investment related receivables	**2,096**	755
Total managed investment assets	**5,925,665**	6,100,281
Outstanding settlements for securities purchased	**19,282**	30,748
Deposits held with broker margin accounts	**1,337**	-
Derivatives	**50,089**	21,432
Repurchase agreements	**163,103**	171,398
Total managed investment liabilities	**233,811**	223,578
Total managed investments	**5,691,854**	5,876,703

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

For the year ended 30 June 2012

Note 3 Managed investment portfolios (continued)

At the reporting date all investments are managed on behalf of the Trustee by:	**2012 $'000**	2011 $'000
Held in managed investment portfolios		
Ardea Investment Management Pty Ltd	**205,288**	252,759
Altrinsic Global Advisors LLC	**198,103**	202,585
BlackRock Asset Management Australia Limited	**665,963**	807,255
BT Investment Management Limited	**166,488**	13,900
Charter Hall Funds Management Limited	**-**	18,632
Colonial First State Property Limited	**44,501**	44,439
Cooper Investors Pty Limited	**194,266**	199,073
Goodman Funds Management Australia Limited	**24,082**	39,540
GPT Funds Management Limited	**118,620**	117,399
H2O	**305,174**	-
Independent Asset Management Pty Limited	**138,608**	191,472
Independent Franchise Partners, LLP	**148,680**	146,862
Investa Wholesale Funds Management Ltd	**9,322**	15,667
Investec	**100,400**	-
IronBridge Capital Management, LP	**132,429**	199,066
JP Morgan Chase Bank N.A. (custodian cash account)	**40,042**	46,186
K2 / D&S Management Company LLC	**447,374**	242,523
Lazard Asset Management Pacific Co.	**231,785**	233,802
Lend Lease Real Estate Investment Limited	**120,820**	109,981
Macquarie Investment Management Limited (including QPET)	**616,377**	721,320
Merlon Capital Partners Pty Limited	**169,544**	183,669
Orbis Investment Management (Australia) Pty Limited	**134,112**	140,327
Palisade Investment Partners Limited (Q Infrastructure Trust)	**157,732**	88,963
PIMCO Australia Pty Limited	**-**	261,720
Pramerica Real Estate Investors (Asia) Pte Ltd	**44**	42
QS Investors, LLC	**190,621**	-
Queensland Investment Corporation	**205,667**	289,629
Realindex Investments Pty Limited	**178,906**	191,491
Russell Investment Management Limited	**170,983**	167,053
Sankaty Advisors LLC	**210,292**	194,321
Southeastern Asset Management	**141,395**	-
Standish Mellon Asset Management Company LLC	**-**	168,669
State Street Global Advisors Australia Limited	**-**	712
Tactical Global Management Limited	**-**	98
Transition Portfolio	**5,235**	685
Vanguard Investments Australia Limited	**-**	350,568
Vianova Asset Management Pty Limited	**137,352**	189,137
Westbourne Credit Management Limited (Q Infrastructure Yield Trust)	**81,649**	47,158
Total managed investments portfolios	**5,691,854**	5,876,703

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

For the year ended 30 June 2012

Note 4 Income Tax

The Plan has received certification from the Australian Prudential Regulation Authority confirming the Plan's complying status. Income tax is assessable at 15% on net investment earnings, employer contributions and capital gains, with deductions allowable for administrative and operational expenses.

	2012 $'000	2011 $'000
Major components of income tax expense for the years ended 30 June 2012 and 2011 are:		
Current income tax		
Current income tax charge	**54,972**	85,073
Over/(under) provision in prior year	**3,293**	(373)
Deferred income tax		
Relating to origination and reversal of temporary differences	**(14,634)**	3,136
Income tax expense reported in the Statement of Changes in Net Assets	**43,631**	87,836

A reconciliation between income tax expense and the accounting profit/(loss) before income tax multiplied by the applicable tax rate is as follows:

	2012 $'000	2011 $'000
Total revenue less expenses and benefits paid before income tax	**(76,213)**	530,703
At the tax rate of 15%	**(11,432)**	79,605
Adjustments:		
Benefits paid	**73,830**	53,914
Dividend imputation and foreign tax credits	**(16,858)**	(37,763)
Government co-contributions	**(202)**	(280)
Gross up of franked dividends and foreign tax credits	**3,042**	5,665
Member contributions	**(6,268)**	(6,281)
Non-deductible expenses	**282**	157
Other non-assessable income	**(2,747)**	(8,898)
Accounting gain to tax gain	**(4,675)**	11,327
Transfers in	**(3,265)**	(3,597)
Over/(under) provision in prior year	**3,293**	(373)
Tax rate differential on capital gains / losses (Note 2(k))	**8,631**	-
Utilisation of carry forward capital losses	**-**	(5,640)
Income tax expense reported in Statement of Changes in Net Assets	**43,631**	87,836

	2012	2011
Deferred tax		
Deferred tax at 30 June relates to the following:		
Deferred tax liability		
Contributions receivable	**(3,971)**	(532)
Deferred tax assets		
Realised & unrealised loss on investments	**99,371**	81,015
Depreciation on property, plant and equipment	**-**	3
Accounts payable	**147**	428
	99,518	81,446
Net deferred tax assets	**95,547**	80,914

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

For the year ended 30 June 2012

Note 5 Changes in Net Market Value of Investments

	2012 $'000	2011 $'000
Investments held at year end		
Australian equity and managed funds	**(91,999)**	18,489
Global equity and managed funds	**(15,459)**	(59,075)
Australian fixed income securities	**22,537**	6,957
Global fixed income securities	**163**	(54,680)
Derivatives	**7,139**	16,476
Foreign exchange (losses)/gains	**(2,389)**	43,012
	(80,008)	(28,821)
Investments realised during the year		
Australian equity and managed funds	**(50,441)**	47,932
Global equity and managed funds	**(23,596)**	14,544
Australian fixed income securities	**36,533**	1,461
Global fixed income securities	**(5,077)**	(26,621)
Derivatives	**(21,030)**	16,439
Foreign exchange (losses)/gains	**(5,426)**	267,941
	(69,037)	321,696
Changes in net market value of investments	**(149,045)**	292,875

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 the surcharge was abolished. 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:

	2012 $'000	2011 $'000
Superannuation surcharge instalments paid during the year	**8**	11
Amounts received from members	**(95)**	(63)
Net superannuation contribution surcharge	**(87)**	(52)

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.

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

For the year ended 30 June 2012

Note 7 Member Numbers

	2012 Number	2012 Number	2011 Number	2011 Number
Members at the beginning of the year		**33,123**		32,732
Plus members admitted		**4,211**		2,745
Less:				
Choice of fund	**(193)**		(163)	
Deaths	**(28)**		(17)	
Exits from Division 8	**(840)**		(454)	
Exits from Division 9 & 14	**(71)**		(33)	
Exits from Division 11	**(53)**		(50)	
Ill health/Total and Permanent Disability	**(29)**		(28)	
Resignations	**(1,741)**		(1,045)	
Retirements	**(251)**		(193)	
Retrenchment	**(1,090)**	**(4,296)**	(371)	(2,354)
Members at 30 June		**33,038**		33,123

	2012 Number	2011 Number
The membership is split as follows:		
Division 1	**608**	731
Division 2	**6,687**	7,239
Division 3	**7,296**	7,901
Division 3a	**680**	694
Division 4	**23**	34
Division 5	**715**	633
Division 6	**7,257**	7,335
Division 7	**2,644**	2,300
Division 8	**5,236**	4,452
Division 9	**357**	337
Division 10	**1,179**	1,134
Division 11	**128**	129
Division 12	**4**	5
Division 14	**224**	199
Members at the end of the year	**33,038**	33,123

Note 8 Auditor's Remuneration

	2012 $	2011 $
Audit services – PricewaterhouseCoopers Australia:		
Audit of financial statements and regulatory compliance	**155,600**	145,000
Other audit related services	**64,725**	-
Other services – PricewaterhouseCoopers Australia:		
Taxation services	**186,482**	189,162
Other services	**83,145**	54,200
	489,952	388,362

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 where 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.

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

For the year ended 30 June 2012

Note 9 Derivative Financial Instruments (continued)

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 and risk management. The use of derivatives includes:

- Hedging to protect an asset or liability of the Plan against a fluctuation in market value or to reduce volatility;
- A substitution for exposure to 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 efficient implementation and risk management, 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.

The types of derivatives include:

(i) Exchange Traded 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. Required margins are settled with the clearing house on a daily basis.

(ii) Exchange Traded Options

Options are contractual arrangements 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 typically exchange-traded and settled with the clearing house on a daily basis.

(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.

(iv) Over the Counter Securities

Over-the-counter derivatives including options and swaps are contracts that are traded directly between two parties, without going through an exchange or other intermediary. The contracts may be collateralised if arrangements are in place. Parties will be exposed to counter-party credit risk, however this can be minimised if collateral arrangements are in place.

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

For the year ended 30 June 2012

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 2012	**Notional Principal Amounts $'000**	**Net Market Value Assets $'000**	**Net Market Value Liabilities $'000**
Australian fixed interest futures	**50,529**	**132**	**299**
Global fixed interest futures	**114,820**	**1,390**	**203**
Money market futures	**80,906**	**1,799**	**613**
Australian share price index futures	**115,625**	**-**	**557**
Global share price index futures	**(50,130)**	**571**	**1,900**
Swaps	**-**	**31,219**	**38,890**
Currency and equity options	**(111,399)**	**464**	**943**
Forward currency contracts	**35,762 ***	**42,446**	**6,684**
		78,021	**50,089**

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
Global fixed interest futures	(18,063)	232	6
Money market futures	(369)	520	294
Australian share price index futures	275,945	3,232	-
Global share price index futures	206,262	6,226	81
Swaps	-	4,070	4,652
Currency and equity options	(19,045)	357	1,129
Forward currency contracts	21,240 *	36,299	15,059
		51,161	21,432

* 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 assets and liabilities principally consist of financial instruments, including shares in listed companies, debt securities, units in collective investment vehicles, derivative instruments and other unlisted investments. The Trustee has determined that these types of investments are appropriate for the Plan and are in accordance with the Plan's published investment strategy.

The Plan's investing activities expose it to the following risks from its use of financial instruments:

- Market risk (including price, currency and interest rate risks);
- Credit risk; and
- Liquidity risk.

This note presents information about the Plan's exposure to each of the above risks together with its objectives and processes for measuring and managing these risks. The Board has overall responsibility for the establishment and oversight of the Plan's risk management framework and risk management controls. The Plan's risk management policies are established to identify and analyse the risks faced by the Plan, including those risks managed by the Chief Investment Officer (CIO), to set appropriate risk limits and controls, and to monitor risks and adhere to limits. Risk management policies and systems are reviewed regularly with support from investment advisers to reflect changes in market conditions and the Plan's activities.

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

For the year ended 30 June 2012

Note 10 Financial Risk Management (continued)

The Plan acknowledges that an integral part of its good governance practice is a sound and prudent risk management framework. The risk management framework is documented in the Plan's Risk Management Plan and Risk Management Strategy, which is subject to regular review both by management and the Board and an annual audit of compliance.

The Board has established an Investment Committee, consisting of selected Board Members with appropriate investment experience. The Investment Committee is responsible for developing and monitoring the Plan's risk management policies related to investment activities. This includes oversight of investment manager allocations, evaluating their performance and providing reports to the Board. The Board has delegated responsibility to the CIO for the appointment of investment managers within agreed risk and dollar limits, with all decisions reported to the Investment Committee.

The Investment Committee receives performance and risk management reports from the CIO and, in turn, reports to the Board on its activities. Divergence from target asset allocations and the composition of the portfolio are monitored by the CIO on a regular basis. Reports from the CIO include the following:

- Investment performance against benchmarks; and
- Compliance reporting.

Furthermore, the Plan undertakes extensive due diligence to ensure investment managers have appropriate skills and expertise to manage the Plan's investments. The CIO tracks the Plan's investment value through appropriate monitoring of the market conditions and benchmark analysis.

The Plan's Audit & Risk Committee oversees how management monitors compliance with the Risk Management Plan, Risk Management Strategy and its risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Plan. The Audit & Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committee.

(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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

To mitigate market risk, the Plan diversifies investment exposures. Diversification is achieved through investment in different asset classes, and the selection of investment managers with a range of different investment processes and different investment mandates. In addition, the Plan undertakes extensive due diligence prior to the appointment of investment managers to ensure they have the appropriate expertise and skill to monitor market conditions and conduct benchmark analysis. Market risk is managed and monitored using sensitivity analysis, and minimised by ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The sensitivity of the Plan's Net Assets available to pay benefits (and Change in Net Assets for the year) to price risk, currency risk and interest rate risk is measured by the "reasonably possible movements approach". This approach is determined based on management's best estimate of volatility, 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. 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.

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

For the year ended 30 June 2012

Note 10 Financial Risk Management (continued)

(i) Price risk

The Plan is exposed to price risk in assets including equity securities, debt securities, property and derivative securities. This arises from investments held by the Plan for which prices in the future are uncertain. The securities are classified on the Statement of Net Assets at net market value which the Trustee believes approximates net fair value. Practically all securities investments present a risk of loss of capital. The maximum risk is determined by the net market value of the financial instruments. Price risk sensitivity analysis is prepared on the basis of the Plan's direct investments and not on a look-through basis for investments held indirectly through managed funds. The underlying investments within managed funds range across a number of asset classes with varying standard deviations of annual returns, which may differ from the simple equity based deviation assumption provided in the sensitivity analysis. Consequently the disclosure of price risk, while being a reasonable guide to the sensitivity of investments within the Plan, is limited in that a detailed look-through to managed funds has not been undertaken.

The Trustee mitigates this price risk through diversification. Diversification is achieved through investment in different asset classes, geographies, and the selection of investment managers with a range of investment processes 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 All Countries World Index.

Risk management controls include valuation policies within the Investment Policy Statement and utilising the Custodian to value investments and issue stale pricing reports.

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.

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 $831,269,000 (2011: an increase of $845,625,000). A decrease in the relevant asset class benchmark would have the equal but opposite effect assuming that all other variables remain constant.

The impact mainly arises from the reasonably possible change in the net market value of the investments which has 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	**2012***	2011*
Australian equity and managed funds	25.7%	26.1%
Global equity and managed funds	22.3%	22.5%

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

(ii) Currency risk

Currency 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. The Plan is exposed to foreign exchange risk, as the value of the securities denominated in non-Australian dollar currencies will fluctuate due to several factors outside the control of the Plan. The risk is measured using sensitivity analysis.

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

For the year ended 30 June 2012

Note 10 Financial Risk Management (continued)

Currency risk disclosures have been prepared on the basis of the Plan's direct investments and not on a look-through basis for investments held indirectly through managed funds. Managed funds are classified according to the domicile of the managed fund, for example, an Australian managed fund would be shown under 'AUD' where a US domiciled managed fund would be classified under 'USD'. 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 managed funds, that also have exposure to currency. Risk management controls include engagement of currency hedging managers, hedging procedures and monthly liquidity stress testing.

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

30 June 2012	**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	94,795	124,219	3,828	1,140	3,868	227,850	925,531	1,153,381
Receivables	9,299	6,159	765	530	1,604	18,357	99,169	117,526
Investments	1,273,944	281,741	111,815	99,416	261,317	2,028,233	2,671,628	4,699,861
Other assets	-	-	-	-	-	-	95,547	95,547
Total assets	1,378,038	412,119	116,408	101,086	266,789	2,274,440	3,791,875	6,066,315
Liabilities								
Payables	305	10,089	1,012	683	879	12,968	87,766	100,734
Financial liabilities	4,728	1,619	728	1,128	536	8,739	204,453	213,192
Total liabilities	5,033	11,708	1,740	1,811	1,415	21,707	292,219	313,926
Net assets	1,373,005	400,411	114,668	99,275	265,374	2,252,733	3,499,656	5,752,389

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	3,033	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	256,198	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

Sensitivity analysis

A strengthening of the Australian dollar against the following currencies by the factors shown in the following table as at 30 June 2012 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 as at 30 June 2012 would have the equal but opposite effect by the amounts shown above, assuming that all other variables remain constant.

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

For the year ended 30 June 2012

Note 10 Financial Risk Management (continued)

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, which has 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 2012	**156,523**	**37,639**	**12,040**	**14,395**
Currency rate risk *	**11.4%**	**9.4%**	**10.5%**	**14.5%**
30 June 2011	142,501	37,394	23,250	28,784
Currency rate risk *	11.4%	9.4%	10.5%	14.5%

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

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. Interest rate risk disclosures have been prepared on the basis of the Plan's direct investments and not on a look-through basis for investments held indirectly through managed funds. Managed funds are classified under 'non-interest bearing' in relation to the fixed interest maturing analysis. Consequently, the disclosure of interest rate risk in the note may not represent the true interest rate risk profile of the Plan where the Plan has investments in managed funds, some of which also have exposure to interest rates.

		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 2012						
Assets						
Cash and cash equivalents	1,137,858	-	-	-	15,523	1,153,381
Receivables	17,621	-	-	-	99,905	117,526
Investments	560,625	14,178	211,171	392,487	3,521,400	4,699,861
Other assets	-	-	-	-	95,547	95,547
Total assets	1,716,104	14,178	211,171	392,487	3,732,375	6,066,315
Liabilities						
Payables	-	-	-	-	100,734	100,734
Financial liabilities	613	165,769	11,436	25,290	10,084	213,192
Total liabilities	613	165,769	11,436	25,290	110,818	313,926
Net assets / (liabilities) available to pay benefits	1,715,491	(151,591)	199,735	367,197	3,621,557	5,752,389

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

For the year ended 30 June 2012

Note 10 Financial Risk Management (continued)

	Floating Interest Rate $'000	Fixed interest maturing in: 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 / (liabilities) available to pay benefits	1,229,459	(36,121)	272,735	912,765	3,493,395	5,872,233

Sensitivity analysis

To illustrate the sensitivity relating to movements in interest rates an increase/decrease of 100 basis points in interest rates at the reporting date would have increased/(decreased) the changes for the year in Net Assets available to pay benefits by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

30 June 2012	**Carrying Amount**	**Change in Net Assets Available to Pay Benefits / Net Assets Available to Pay Benefits -100 bps**	**+100 bps**
	$'000	**$'000**	**$'000**
Cash and cash equivalents	**1,153,381**	**(11,379)**	**11,379**
Receivables	**117,526**	**(176)**	**176**
Investments	**4,699,861**	**19,368**	**(19,368)**
Other assets	**95,547**	**-**	**-**
Total Assets	**6,066,315**	**7,813**	**(7,813)**

30 June 2011	Carrying Amount	Change in Net Assets Available to Pay Benefits -100 bps	+100 bps
	$'000	$'000	$'000
Cash and cash equivalents	854,028	(8,540)	8,540
Receivables	61,003	(106)	106
Investments	5,207,376	49,617	(49,617)
Other assets	80,981	-	-
Total Assets	6,203,388	40,972	(40,972)

(c) Credit risk

Credit risk is the risk that a counter-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 derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

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

For the year ended 30 June 2012

Note 10 Financial Risk Management (continued)

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.

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 and where investment managers are permitted to invest in securities below investment grade, the level of exposure is managed through the investment managers' mandate, which is monitored weekly. 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. Credit quality disclosures have been prepared on the basis of the Plan's direct investments and not on a look-through basis for investments held indirectly through managed funds. Managed funds are excluded from the credit quality analysis provided. Consequently, the disclosure of credit quality in the note may not represent the true credit grade profile of the Plan where the Plan has investments in managed funds, some of which also have exposure to credit securities.

Australian Fixed Income Securities	**2012**	2011
	$'000	$'000
Credit Grade		
AAA	**360,697**	463,043
AA	**88,929**	320,769
A	**8,511**	29,694
BBB	**1,540**	1,465
	459,677	814,971

Global Fixed Income Securities	**2012**	2011
	$'000	$'000
Credit Grade		
AAA	**668**	311,205
AA	**-**	192,948
A	**15,718**	50,870
BBB	**27,705**	30,026
BB	**39,745**	15,887
B	**36,699**	33,458
CCC	**2,033**	1,069
Not rated	**2,850**	2,772
	125,418	638,235

Risk management controls for counter-party risk include diversification, custodian compliance reporting, investment manager due diligence, custodian monitoring of counterparty exposures with currency hedging overlays and managers utilising collateral support assurances.

(d) Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due. The Plan's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Plan's reputation. 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 higher long term gains.

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

For the year ended 30 June 2012

Note 10 Financial Risk Management (continued)

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 and repurchasing agreements, based on the remaining period to the contractual maturity date at the year end.

30 June 2012	**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	-	-	801	9,566	-
Benefits payable	69,015	-	-	-	-
Accounts payable	8,773	-	-	-	-
Income tax payable	-	19,627	(17,300)	-	-
Outstanding settlements	19,282	-	-	-	-
Deposits held with broker margin accounts	1,337	-	-	-	-
Vested benefits	5,825,403	-	-	-	-
Total	**5,923,810**	**19,627**	**(16,499)**	**9,566**	-

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	-	-	-	-
Deposits held with broker margin accounts	-	-	-	-	-
Vested benefits	5,897,246	-	-	-	-
Total	5,991,623	24,114	20,337	1,717	-

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 are unlikely to 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 (continued)

For the year ended 30 June 2012

Note 10 Financial Risk Management (continued)

30 June 2012	**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	(1,254,677)	(1,053,994)	(5,472)	(4,136)	-
- Inflow	1,265,062	1,078,917	5,565	4,497	-
Total	**10,385**	**24,923**	**93**	**361**	-

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	417,301	7,179	-
Total	7,113	8,188	5,925	14	-

(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 to 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 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: measurements that include inputs other than quoted prices included within level 1 that are observable for 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 (continued)

For the year ended 30 June 2012

Note 10 Financial Risk Management (continued)

Fair value hierarchy

30 June 2012	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment assets				
Australian short-term deposits	**684,277**	**-**	**-**	**684,277**
Global short-term deposits	**90,399**	**-**	**-**	**90,399**
Derivative assets	**3,892**	**74,129**	**-**	**78,021**
Australian and global equity and managed funds	**2,114,912**	**1,358,854**	**4,152**	**3,477,918**
Australian and global fixed income securities	**-**	**585,095**	**-**	**585,095**
Australian and global money market securities	**252,785**	**306,041**	**-**	**558,826**
Investment income receivable & outstanding settlements for securities sold	**68,229**	**-**	**-**	**68,229**
Deposits held with brokers margin accounts	**17,621**	**-**	**-**	**17,621**
Total investment assets	**3,232,115**	**2,324,119**	**4,152**	**5,560,386**
Investment liabilities				
Derivatives liabilities	**3,570**	**46,519**	**-**	**50,089**
Outstanding settlements for securities purchased	**19,282**	**-**	**-**	**19,282**
Deposits held with broker margin accounts	**1,337**	**-**	**-**	**1,337**
Repurchase agreements	**-**	**163,103**	**-**	**163,103**
Total investment liabilities	**24,189**	**209,622**	**-**	**233,811**
Total investments	**3,207,926**	**2,114,497**	**4,152**	**5,326,575**

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 global equity and managed funds	2,415,102	1,050,273	3,968	3,469,343
Australian and global fixed income securities	105,500	1,347,706	-	1,453,206
Australian and global 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	30,748	-	-	30,748
Deposits held with broker margin accounts	-	-	-	-
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

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

For the year ended 30 June 2012

Note 10 Financial Risk Management (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 2012:

Level 3 - Australian and global equity and managed funds	**2012 $'000**
Balance of level 3 investments at the beginning of the financial year	**3,968**
Purchases	**3,567**
Sales	**(2,414)**
Reclassification from level 2 to level 3 hierarchy during the year	**138**
Reclassification from level 3 to level 2 hierarchy during the year	**(450)**
Changes in net market value	**(657)**
Balance of level 3 investments at the end of the financial year	**4,152**

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 global 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 from level 1 to level 3 hierarchy during the year	1,158
Reclassification from level 3 to level 2 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

(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 25.7% (2011: 26.1%) would increase the Plan's Net Assets available to pay benefits and the net investment revenue by $1,067,000 (2011: $1,035,000). A decrease in the benchmark would have the equal but opposite effect, assuming that all other variables remain constant. A reasonably possible change in the benchmark for Australian equity and managed funds investments has been determined to be 25.7% (2011: 26.1%) based on the Trustee's best estimate and input from investment consultants having regard to a number of factors, including the average standard deviation of annual returns.

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:

		2012 $'000	2011 $'000
Investment fluctuation reserve	(i)	**(7,244)**	(20,527)
Disability reserve	(ii)	**65,722**	62,025
Foregone benefits reserve	(iii)	**546**	826
		59,024	42,324

(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.

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

For the year ended 30 June 2012

Note 11 Reserves (continued)

(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:

	2012 $'000	2011 $'000
Current permanent incapacities	**19,185**	19,291
Current initial disablement	**10,952**	7,048
New disablements	**8,567**	8,591
Possible future deterioration	**27,018**	27,095
	65,722	62,025

(iii) Benefits foregone by Division 1 members on resignation are credited to the foregone benefits reserve. The balance of the reserve as at 30 June is allocated to all members of Division 1 as at 30 June. The net balance as at 30 June 2012 represents an under distribution, which will be allocated during the year ended 30 June 2013 (2011: net balance as at 30 June 2011 was allocated during the year ended 30 June 2012).

	2012 $'000	2011 $'000
Movements in reserves		
Investment fluctuation reserve		
Opening balance	**(20,527)**	(4,364)
Investment fluctuation reserve allocated to members	**20,527**	4,364
Current year movement	**(7,244)**	(20,527)
Closing balance	**(7,244)**	(20,527)
Disability reserves		
Opening balance	**62,025**	66,332
Transfer from assets of the plan	**4,554**	3,143
Transfer (to)/from forgone benefits reserve	**(59)**	(258)
Amounts allocated (to)/from members during the year	**(798)**	(7,192)
Closing balance	**65,722**	62,025
Foregone benefits reserve		
Opening balance	**826**	556
Transfer from/(to) disability reserves	**59**	258
Amounts allocated from members during the year	**(339)**	12
Closing balance	**546**	826

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 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 and Rules, as disclosed in Note 17.

Contributions receivable from the employer sponsor and associated employers as at 30 June 2012 (and received subsequent to that date) amounted to $27,810,141 (2011: $3,572,551).

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

For the year ended 30 June 2012

Note 12 Related Parties (continued)

The Plan contracts with Qantas Airways Limited for office accommodation, use of office equipment and certain administrative services, which are provided on an arms-length basis. Cost recoveries paid to the employer sponsor for these services and reimbursement of staff salaries of $2,999,321 (2011: $3,266,580) are included in administration expenses in the Statement of Changes in Net Assets.

At 30 June 2012 the Plan held investments in Qantas Airways Limited to the value of $8,603,325 (2011: $17,840,169). These investments have been made by the Plan's underlying investment managers.

(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 are:

Employer sponsor appointed:	**Member elected:**
Cosgrove, P	Gillies, K
Fouracre, S (resigned 21 March 2012)	Manning, G
Grantham, N	Pagden, C
Macfarlane, R (appointed 7 June 2012)	Sipek, J
Scriven, J	Thorpe, M
Ward, A (Chairman)	

The Directors of Qantas Superannuation Limited are key management personnel (KMP) for the purposes of AASB 124. In addition to the Directors, J Perry (Chief Executive Officer, appointed 1 February 2012) and A Spence (CIO) are also KMPs. J Torney (former Chief Executive) 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 KMP paid is set out below:

	2012 **$'000**	2011 $'000
Short-term benefits	**1,299**	1,299
Post-employment	**47**	37
Other long term benefits	**12**	47
	1,358	1,383

(d) **Trustee related transactions**

The Trustee Directors, with the exception of A Ward and P Cosgrove, receive no remuneration from the Plan or its related parties in connection with the management of the Plan. 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 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 and Rules on the same basis available to other members of the Plan.

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

For the year ended 30 June 2012

Note 12 Related Parties (continued)

(e) **Other related parties – direct holdings and associates**

The Plan invests in the following sole purpose unit trusts, which are recorded at net market value:

30 June 2012	% Interest	2012 $'000	% Interest	2011 $'000
Q Infrastructure Trust	**100**	**157,732**	100	88,963
QPET	**100**	**144,937**	100	45,049
Q Infrastructure Yield Trust	**100**	**81,649**	100	47,158
Total Direct Holdings and Associates		**384,318**		181,170

Note 13 Contingent Assets and Liabilities and Commitments

There were no contingent assets and liabilities as at 30 June 2012 (30 June 2011: nil). The Plan had the following investment commitments:

Undrawn Commitments	2012 $'000	2011 $'000
Infrastructure Debt	**21,192**	41,481
Infrastructure Equity	**125,794**	102,769
Private Equity	**139,092**	214,841
Credit	**73,594**	-
	359,672	359,091

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.

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

For the year ended 30 June 2012

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.

	2012	2011
	$'000	$'000
Vested Benefits	**5,825,403**	5,897,246
Net Assets	**5,752,389**	5,872,233

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.

Total employer contributions for the year ending 30 June 2012 were $339,266,965 (2011: $296,613,473). As at 30 June 2012 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. In May 2012 the additional funding plan was extended for six months, with a view to finalising an Additional Funding Plan to apply into the future. For the year ending 30 June 2012 Qantas Airways Limited has contributed $40,650,000 of additional funding which was recognised as employer contribution revenue in Statement of Changes in Net Assets (for the year ending 30 June 2011: $9,400,000).

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. Confirmation of the 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	2007
	$'000	$'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 then 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.;
- The future rate of salary inflation would be 4% p.a.; and
- The long term rate of consumer price index would be 3% p.a..

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

For the year ended 30 June 2012

Note 19 Events Occurring After the Balance Sheet Date

There have been no significant subsequent events arising in the interval between the end of the financial year and the date of this report. All transactions or events of a material and usual nature likely to affect significantly the operations of the Plan are included in this report.

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 (the Plan) as at 30 June 2012 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 2012.

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

31 Oct 2012