Qantas Superannuation Plan

Financial Report

for the year ended 30 June 2013

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

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Contents

Statement of Net Assets
As at 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Cash and cash equivalents			
Cash at bank		**21,451**	15,523
Cash held by investment managers	3	**708,085**	361,288
Australian short-term deposits	3	**297,690**	834,627
Global short-term deposits	3	**75,367**	90,399
Total cash and cash equivalents		**1,102,593**	1,301,837
Receivables			
Contributions receivable		**17,565**	27,810
Other receivables and prepayments		**281**	1,770
Deposits held with broker margin accounts	3	**49,317**	26,435
Investment income receivable	3	**20,950**	16,625
Outstanding settlements for securities sold	3	**19,193**	51,604
Other investment related receivables	3	**2,374**	2,096
Total receivables		**109,680**	126,340
Investments			
Australian equities and managed funds	3	**1,977,457**	1,638,021
Global equities and managed funds	3	**1,903,090**	1,680,215
Money market securities	3	**605,982**	408,476
Australian fixed income securities	3	**559,138**	459,677
Global fixed income securities	3	**349,524**	278,181
Derivatives	3, 9	**53,046**	78,021
Total investments		**5,448,237**	4,542,591
Other assets			
Deferred tax assets	4	**50,474**	95,547
Total other assets		**50,474**	95,547
Total assets		**6,710,984**	6,066,315
LIABILITIES			
Payables			
Benefits payable		**24,336**	69,015
Accounts payable		**21,771**	8,773
Income tax payable		**14,075**	2,327
Outstanding settlements for securities purchased	3	**42,020**	19,282
Deposits held with broker margin accounts	3	**12,907**	1,337
Total payables		**115,109**	100,734
Financial liabilities			
Derivatives	3, 9	**202,332**	50,089
Repurchase agreements	3	**115,914**	163,103
Total financial liabilities		**318,246**	213,192
Total liabilities		**433,355**	313,926
Net assets available to pay benefits		**6,277,629**	5,752,389

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 2013

	Notes	2013 $'000	2012 $'000
Net assets available to pay benefits at the beginning of the financial year		**5,752,389**	5,872,233
Add:			
Investment revenue			
Interest		**89,886**	85,000
Dividends and trust distributions		**139,641**	116,150
Other revenue		**950**	1,851
Changes in net market value of investments	5	**577,796**	(149,045)
Less: Direct investment expense		**(38,270)**	(23,713)
Total investment revenue		**770,003**	30,243
Contribution revenue			
Employer contributions	17	**295,791**	339,267
Members' contributions		**43,651**	41,780
Government co-contribution		**1,175**	1,348
Transfers from other funds		**28,477**	22,488
Total contribution revenue		**369,094**	404,883
Other revenue		**458**	9
Total revenue		**1,139,555**	435,135
Less:			
General and administrative expenses			
Actuarial fees		**538**	461
Administration expenses		**7,894**	7,029
Regulatory fees		**1,933**	5
Project expenses		**1,505**	388
Insurance		**1,504**	634
Superannuation contributions surcharge	6	**(54)**	(87)
Excess contributions taxes		**145**	383
Total general and administrative expenses		**13,465**	8,813
Benefits paid			
Exited members		**490,944**	497,835
Disabled members		**4,610**	4,700
Total benefits paid		**495,554**	502,535
Total expenses and benefits paid		**509,019**	511,348
Total revenue less total expenses and benefits paid before income tax		**630,536**	(76,213)
Income tax expense	4	**105,296**	43,631
Total revenue less total expenses and benefits paid after income tax		**525,240**	(119,844)
Net assets available to pay benefits at the end of the financial year		**6,277,629**	5,752,389

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

For the year ended 30 June 2013

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 financial statements of the Plan as at and for the year ended 30 June 2013 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 2, 241 O'Riordan Street, Mascot, NSW, 2020, Australia. The financial statements were approved by the Board of the Trustee on 28 October 2013.

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 the 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 arms-length transactions, most recent arms-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 investment vehicles, 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 2013

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 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

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. It is not included in the Statement of Net Assets. However, the latest measurement date is reported in Note 18.

(g) Goods and Services Tax (GST)

Revenue, expenses and assets (excluding receivables) are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). To the extent that GST is not recoverable from the ATO, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Net Assets.

(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. Specific recognition criteria are detailed in the following paragraphs:

Interest income
Interest income is recognised in the Statement of Changes 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 2013

Note 2 Summary of Significant Accounting Policies (continued)

Changes 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 is acquired during the year). 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 from other funds
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 recognised in respect of 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 are 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% for the year ended 30 June 2013 (2012: 11.5%).

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, 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 2013

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 the 30 June 2013 reporting period. They are available for early adoption as at 30 June 2013, 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 10 *Consolidated Financial Statements* introduces a new approach in determining which investees should be consolidated. AASB 127 *Consolidated and Separate Financial Statements* is renamed *Separate Financial Statements* and 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 are available for early adoption. They are not expected to have a material impact.

(iii) AASB 12 *Disclosure of Interest in Other Entities* sets out the disclosure requirements for entities under AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*. These enhanced disclosure requirements supersede the disclosure requirements under AASB 127 *Consolidated and Separate Financial Statements* and AASB 128 *Investment in Associates*. The new standards are effective from 1 January 2013 and are available for early adoption. They are not expected to have a material impact.

(iv) 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.

(v) AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* define an investment entity and require that an investment entity not to consolidate its subsidiaries or apply AASB 3 *Business Combinations* when it obtains control of another entity. The amendments also introduce new disclosure requirements for investment entities to AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements*. The new standard is effective from 1 January 2014 and is available for early adoption. It is not expected to have a material impact.

(vi) 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 2013

Note 3 Managed Investment Portfolios

Managed investment portfolios comprise:	2013 $'000	2012 $'000
Cash held by investment managers	**708,085**	361,288
Australian short-term deposits	**297,690**	834,627
Global short-term deposits	**75,367**	90,399
Deposits held with broker margin accounts	**49,317**	26,435
Investment income receivable	**20,950**	16,625
Outstanding settlements for securities sold	**19,193**	51,604
Australian equities and managed funds	**1,977,457**	1,638,021
Global equities and managed funds	**1,903,090**	1,680,215
Money market securities	**605,982**	408,476
Australian fixed income securities	**559,138**	459,677
Global fixed income securities	**349,524**	278,181
Derivatives	**53,046**	78,021
Other investment related receivables	**2,374**	2,096
Total managed investment assets	**6,621,213**	5,925,665
Outstanding settlements for securities purchased	**42,020**	19,282
Deposits held with broker margin accounts	**12,907**	1,337
Derivatives	**202,332**	50,089
Repurchase agreements	**115,914**	163,103
Accounts payable (investment related)	**11,479**	-
Total managed investment liabilities	**384,652**	233,811
Total managed investment portfolios	**6,236,561**	5,691,854

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

For the year ended 30 June 2013

Note 3 Managed Investment Portfolios (continued)

At the reporting date all investments are managed on behalf of the Trustee by:	**2013 $'000**	2012 $'000
Allan Gray Australia Pty Limited (formerly 'Orbis Investment Management')	**148,009**	134,112
Altrinsic Global Advisors LLC*	**-**	198,103
Ardea Investment Management Pty Limited	**200,215**	205,288
BlackRock Asset Management Australia Limited	**196,315**	665,963
BT Investment Management (RE) Limited	**305,927**	166,488
Colonial First State Property Limited	**38,201**	44,501
Cooper Investors Pty Limited	**-**	194,266
Ellerston Capital Limited*	**(1,083)**	-
Equis Fund Group Pte Limited (QAIF Limited)	**19,522**	-
Goodman Funds Management Australia Limited	**23,911**	24,082
GPT Funds Management Limited	**122,586**	118,620
H2O Asset Management LLP	**291,722**	305,174
Independent Asset Management Pty Limited*	**-**	138,608
Independent Franchise Partners Pty Limited*	**-**	148,680
Investa Wholesale Funds Management Limited	**478**	9,322
Investec Professional Investment Funds PCC Limited	**136,775**	100,400
IronBridge Capital Management LP	**-**	132,429
JP Morgan Chase Bank N.A. (custodian cash account)	**16,391**	40,042
K2 / D&S Management Company LLC	**456,165**	447,374
Lazard Asset Management Pacific Co*	**-**	231,785
Lend Lease Real Estate Investment Limited	**129,345**	120,820
Macquarie Investment Management Limited (including QPET)	**429,269**	616,377
Merlon Capital Partners Pty Limited*	**1,349**	169,544
Oak Hill Advisors LP	**91,556**	-
Palisade Investment Partners Limited (Q Infrastructure Trust)	**203,299**	157,732
Parametric Portfolio Associates LLC[1]	**2,378,960**	-
Pramerica Real Estate Investors (Asia) Pte Limited	**-**	44
QS Investors LLC*	**-**	190,621
Queensland Investment Corporation Limited	**215,819**	205,667
Realindex Investments Pty Limited*	**-**	178,906
Russell Investment Management Limited	**329,962**	170,983
Sankaty Advisors LLC	**265,799**	210,292
Southeastern Asset Management, Inc*	**-**	141,395
SouthPeak Investment Management Pty Limited	**125,087**	-
National Australia Bank (Term Deposits)	**11,156**	-
Transition Portfolio	**320**	5,235
Vianova Asset Management Pty Limited	**-**	137,352
Westbourne Credit Management Limited (Q Infrastructure Yield Trust)	**99,506**	81,649
Total managed investment portfolios	**6,236,561**	5,691,854

1. During the financial year, the Trustee appointed Parametric Portfolio Associates LLC ("Parametric") as the Plan's Centralised Portfolio Manager for Australian Equities and Global Equities. Parametric has centralised the management of the Plan's Australian equities based on model portfolios (marked with an asterisk above) provided by the Plan's Australian Equities managers including Ellerston Capital Limited, Independent Asset Management Pty Limited and Merlon Capital Partners Pty Limited. In addition, Parametric has centralised the management of the Plan's Global Equities based on model portfolios (marked with an asterisk above) provided by the Plan's Global Equities managers including Altrinsic Global Advisors LLC, Black Creek Investment Management Inc, Lazard Asset Management Pacific Co, QS Investors LLC, Realindex Investments Pty Limited, and Southeastern Asset Management, Inc.

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

For the year ended 30 June 2013

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.

	2013 $'000	2012 $'000
Major components of income tax expense for the years ended 30 June 2013 and 2012 are:		
Current income tax		
Current income tax charge	**61,379**	54,972
Over/(under) provision in prior year	**(1,157)**	3,293
Deferred income tax		
Relating to origination and reversal of temporary differences	**45,074**	(14,634)
Income tax expense reported in the Statement of Changes in Net Assets	**105,296**	43,631

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

	2013 $'000	2012 $'000
Total revenue less expenses and benefits paid before income tax	**630,536**	(76,213)
At the tax rate of 15%	**94,580**	(11,432)
Adjustments:		
Benefits paid	**74,333**	73,830
Dividend imputation and foreign tax credits	**(21,208)**	(16,858)
Government co-contributions	**(176)**	(202)
Gross up of franked dividends and foreign tax credits	**3,181**	3,042
Member contributions	**(6,545)**	(6,268)
Non-deductible expenses	**234**	282
Other non-assessable income	**(1,985)**	(2,747)
Accounting gain to tax gain	**(12,485)**	(4,675)
Transfers in	**(4,221)**	(3,265)
Over/(under) provision in prior year	**(1,157)**	3,293
Tax rate differential on capital gains / losses (Note 2(k))	**(19,255)**	8,631
Income tax expense reported in Statement of Changes in Net Assets	**105,296**	43,631

Deferred tax		
Deferred tax at 30 June relates to the following:		
Deferred tax liability		
Contributions receivable	**(2,471)**	**(3,971)**
Deferred tax assets		
Realised and unrealised loss on investments	**52,683**	**99,371**
Depreciation on property, plant and equipment	**-**	**-**
Accounts payable	**262**	**147**
	52,945	**99,518**
Net deferred tax assets	**50,474**	**95,547**

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

For the year ended 30 June 2013

Note 5 Changes in Net Market Value of Investments

	2013 $'000	2012 $'000
Investments held at year end		
Australian equities and managed funds	**111,723**	(91,999)
Global equities and managed funds	**405,755**	(21,790)
Australian fixed income securities	**(9,752)**	22,537
Global fixed income securities	**47,080**	6,494
Derivatives	**(172,531)**	7,139
Foreign exchange gains/(losses)	**6,314**	(2,389)
	388,589	(80,008)
Investments realised during the year		
Australian equities and managed funds	**46,397**	(50,441)
Global equities and managed funds	**45,282**	(23,239)
Australian fixed income securities	**308**	36,533
Global fixed income securities	**9,737**	(5,434)
Derivatives	**77,840**	(21,030)
Foreign exchange gains/(losses)	**9,643**	(5,426)
	189,207	(69,037)
Changes in net market value of investments	**577,796**	(149,045)

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 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:

	2013 $'000	2012 $'000
Superannuation surcharge instalments paid during the year	**6**	8
Amounts received from members	**(60)**	(95)
Net superannuation contributions surcharge	**(54)**	(87)

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 2013

Note 7 Member Numbers

	2013 Number	2013 Number	2012 Number	2012 Number
Members at the beginning of the year		**33,045**		33,123
Plus members admitted		**5,037**		4,288
Less:				
Choice of fund	**(237)**		(191)	
Deaths	**(20)**		(28)	
Exits from Division 8	**(1,503)**		(841)	
Exits from Division 9 and 14	**(73)**		(71)	
Exits from Division 11	**(58)**		(53)	
Ill health/Total and Permanent Disability	**(31)**		(30)	
Resignations	**(1,192)**		(1,807)	
Retirements	**(206)**		(255)	
Retrenchment	**(1,337)**	**(4,657)**	(1,090)	(4,366)
Members at the end of the year		**33,425**		33,045

	2013 Number	2012 Number
The membership is split as follows:		
Division 1	**540**	608
Division 2	**6,049**	6,687
Division 3	**6,791**	7,296
Division 3a	**577**	680
Division 4	**29**	30
Division 5	**820**	715
Division 6	**7,208**	7,257
Division 7	**3,279**	2,644
Division 8	**6,112**	5,236
Division 9	**396**	357
Division 10	**1,281**	1,179
Division 11	**128**	128
Division 12	**4**	4
Division 14	**211**	224
Members at the end of the year	**33,425**	33,045

Note 8 Auditor's Remuneration

	2013 $	2012 $
Audit services – PricewaterhouseCoopers Australia:		
Audit of financial statements and regulatory compliance	**160,400**	155,600
Other audit related services	**64,337**	64,725
Other services – PricewaterhouseCoopers Australia:		
Taxation services	**280,630**	186,482
Other services	**73,672**	83,145
	579,039	489,952

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 2013

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 securities 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 2013

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 2013	**Notional Principal Amounts $'000**	**Net Market Value Assets $'000**	**Net Market Value Liabilities $'000**
Australian fixed interest futures	**194,672**	**1,895**	**490**
Global fixed interest futures	**299,986**	**2,647**	**2,735**
Money market futures	**1,599,460**	**360**	**193**
Australian share price index futures	**69,151**	**129**	**1**
Global share price index futures	**64,120**	**867**	**490**
Swaps	**-**	**28,079**	**32,995**
Currency and equity options	**647,904**	**2,203**	**787**
Forward currency contracts	**(147,775)***	**16,866**	**164,641**
		53,046	**202,332**

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

* 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 2013

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 and the CEO with appropriate investment experience. The Investment Committee is responsible for developing and monitoring the Plan's Risk Management Plan 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.

Effective from 1 July 2013 the Risk Management Strategy and the Risk management Plan have been replaced by a new Risk Management Framework that addresses the requirements of the new APRA Prudential Standards.

(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 Changes 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 2013

Note 10 Financial Risk Management (continued)

(i) Price risk

The Plan is exposed to price risk in practically all securities, as 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. 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 investments across all asset classes subject to price risk. The disclosure of price risk is considered by the Trustee as a reasonable guide to the sensitivity of investments within the Plan.

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. Risk management controls include valuation policies within the Investment Governance Framework and utilising the custodian to value investments and issue stale pricing reports.

Sensitivity analysis

Analysis incorporates sensitivity factors reasonably considered by the Trustee across price risk variables associated to securities to which the Plan is exposed. An increase of the weighted-average sensitivity factor of 15.2% in 2013 (2012: 15.9%) at the reporting date would increase the Plan's net assets by $862,348,233 (2012: $765,148,250). A decrease in the weighted-average sensitivity factor would have the equal but opposite effect assuming that all other variables remain constant.

The impact mainly arises from the reasonable possible change in the net market value of investments which has been determined based on the Trustee's best estimate having regard to a number of sensitivity factors, including the average standard deviation of annual returns on a forward looking basis and interest rate risk. The weighted-average sensitivity factor is the addition of each asset classes' net market value by the asset classes' sensitivity factor divided by the Plan's total investment portfolio, excluding cash securities.

(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 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 2013

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 2013	**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	112,381	42,525	3,145	1,679	2,641	162,371	940,222	1,102,593
Receivables	39,563	13,355	477	216	3,136	56,747	52,933	109,680
Investments	1,490,455	300,334	74,251	124,607	262,719	2,252,366	3,195,871	5,448,237
Other assets	-	-	-	-	-	-	50,474	50,474
Total assets	1,642,399	356,214	77,873	126,502	268,496	2,471,484	4,239,500	6,710,984
Liabilities								
Payables	19,447	4,092	6,157	385	272	30,353	84,756	115,109
Financial liabilities	2,943	4,071	1,135	1,983	1,998	12,130	306,116	318,246
Total liabilities	22,390	8,163	7,292	2,368	2,270	42,483	390,872	433,355
Net assets available to pay benefits	1,620,009	348,051	70,581	124,134	266,226	2,429,001	3,848,628	6,277,629

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	92,901	124,219	3,828	1,140	3,868	225,956	1,075,881	1,301,837
Receivables	18,113	6,159	765	530	1,604	27,171	99,169	126,340
Investments	1,267,024	281,741	111,815	99,416	261,317	2,021,313	2,521,278	4,542,591
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 available to pay benefits	1,373,005	400,411	114,668	99,275	265,374	2,252,733	3,499,656	5,752,389

Sensitivity analysis

A strengthening of the Australian dollar against the following currencies by the factors shown in the following table as at 30 June 2013 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 2013 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 2013

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 2013	**184,681**	**34,109**	**7,693**	**17,875**
Currency rate risk *	**11.4%**	**9.8%**	**10.9%**	**14.4%**
30 June 2012	156,523	37,639	12,040	14,395
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 2013						
Assets						
Cash and cash equivalents	1,102,593	-	-	-	-	1,102,593
Receivables	49,317	-	-	-	60,363	109,680
Investments	944,395	28,876	142,948	432,840	3,899,178	5,448,237
Other assets	-	-	-	-	50,474	50,474
Total assets	2,096,305	28,876	142,948	432,840	4,010,015	6,710,984
Liabilities						
Payables	-	-	-	-	115,109	115,109
Financial liabilities	503	122,732	8,041	21,482	165,488	318,246
Total liabilities	503	122,732	8,041	21,482	280,597	433,355
Net assets / (liabilities) available to pay benefits	2,095,802	(93,856)	134,907	411,358	3,729,418	6,277,629

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

For the year ended 30 June 2013

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 2012						
Assets						
Cash and cash equivalents	1,301,837	-	-	-	-	1,301,837
Receivables	26,435	-	-	-	99,905	126,340
Investments	410,275	14,403	275,212	480,984	3,361,717	4,542,591
Other assets	-	-	-	-	95,547	95,547
Total assets	1,738,547	14,403	275,212	480,984	3,557,169	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	1,737,934	(151,366)	263,776	455,694	3,446,351	5,752,389

Sensitivity analysis

To illustrate the sensitivity relating to movements in interest rates, the Trustee has reasonably considered a forward looking increase/(decrease) movement of 100 basis points in interest rates using the net market value of the portfolio. This would increase/(decrease) the net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

30 June 2013	**Carrying Amount $'000**	**Changes in Net Assets Available to Pay Benefits / Net Assets Available to Pay Benefits -100 bps $'000**	**+100 bps $'000**
Cash and cash equivalents	**1,102,593**	**(11,026)**	**11,026**
Receivables	**109,680**	**(493)**	**493**
Investments*	**5,448,237**	**15,916**	**(15,916)**
Other assets	**50,474**	**-**	**-**
Total assets	**6,710,984**	**4,397**	**(4,397)**

30 June 2012	Carrying Amount $'000	Changes in Net Assets Available to Pay Benefits Net Assets Available to Pay Benefits -100 bps $'000	+100 bps $'000
Cash and cash equivalents	1,301,837	(13,018)	13,018
Receivables	126,340	(264)	264
Investments*	4,542,591	26,899	(26,899)
Other assets	95,547	-	-
Total assets	6,066,315	13,617	(13,617)

*Sensitivity analysis of investments is calculated on securities sensitive to interest rate movements only. A portion of 'Investments' are not directly sensitive to interest rate movements.

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

For the year ended 30 June 2013

Note 10 Financial Risk Management (continued)

(c) Credit risk

Exposure to credit risk is inherent when holding credit securities, with a counterparty default being the maximum risk for credit securities. The Plan's exposure to credit securities is predominantly within Australian and Global Fixed Income Securities. Credit risk is minimised through diversification of counterparties, investment managers and fixed income securities. In addition, all Australian and Global Fixed Income investment managers have investment mandate guidelines relating to credit risk, subject to weekly compliance monitoring by the Plan's custodian weekly.

Credit quality by credit grade

The credit quality of securities within Australian and Global Fixed Income Securities have been rated using primarily Standard & Poor's (S&P) rating categories and other agencies where no S&P rating is given. The table below shows the credit quality by credit rating grades. Credit quality disclosures have been prepared on the basis of the Plan's direct investments within Australian and Global Fixed Income Securities and not on a look-through basis for investments held indirectly through managed funds. Consequently, the disclosure of credit quality in the note may not represent the true credit grade profile of all credit securities within the Plan.

Australian Fixed Income Securities	**2013 $'000**	2012 $'000
Credit Grade		
AAA	**357,595**	360,697
AA	**133,726**	88,929
A	**50,397**	8,511
BBB	**17,420**	1,540
	559,138	459,677

Global Fixed Income Securities	**2013 $'000**	2012 $'000
Credit Grade		
AAA	**10,361**	668
AA	**3,520**	-
A	**14,750**	16,779
BBB	**40,274**	37,376
BB	**107,001**	102,574
B	**125,524**	108,415
CCC	**6,270**	2,502
D	**3,400**	193
Not rated	**38,425**	9,674
	349,525	278,181

(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.

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

For the year ended 30 June 2013

Note 10 Financial Risk Management (continued)

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.

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 2013	**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					
Benefits payable	**24,336**	-	-	-	-
Accounts payable	**21,771**	-	-	-	-
Income tax payable	-	**12,013**	**2,062**	-	-
Outstanding settlements for securities purchased	**42,020**	-	-	-	-
Deposits held with broker margin accounts	**12,907**	-	-	-	-
Repurchase agreements	**115,914**				
Vested benefits	**6,207,104**	-	-	-	-
Total	**6,424,052**	**12,013**	**2,062**	-	-

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					
Benefits payable	69,015	-	-	-	-
Accounts payable	8,773	-	-	-	-
Income tax payable	-	19,627	(17,300)	-	-
Outstanding settlements for securities purchased	19,282	-	-	-	-
Deposits held with broker margin accounts	1,337	-	-	-	-
Repurchase agreements	163,103				
Vested benefits	5,825,403	-	-	-	-
Total	6,086,913	19,627	(17,300)	-	-

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.

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

For the year ended 30 June 2013

Note 10 Financial Risk Management (continued)

The following table analyses the Plan's derivative financial instruments allocated into relevant maturity groupings based on the remaining period to the contractual maturity date. The vast majority of the totals disclosed in the table relate to foreign currency forwards.

30 June 2013	**Less than 1 month $'000**	**1 to 3 months $'000**	**3 to 12 months $'000**	**12 to 60 months $'000**	**60 + months $'000**
Derivatives					
Net settled derivatives	**77,521**	**68,924**	**-**	**5,964**	**-**

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					
Net settled derivatives	-	-	801	9,566	-

(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 2013

Note 10 Financial Risk Management (continued)

Fair value hierarchy

30 June 2013	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment assets				
Australian short-term deposits	**297,690**	**-**	**-**	**297,690**
Global short-term deposits	**75,367**	**-**	**-**	**75,367**
Derivative assets	**5,898**	**47,105**	**43**	**53,046**
Australian and global equities and managed funds	**2,453,096**	**1,427,449**	**2**	**3,880,547**
Australian and global fixed income securities	**-**	**883,425**	**25,237**	**908,662**
Money market securities	**105,621**	**470,430**	**29,931**	**605,982**
Investment income receivable & outstanding settlements for securities sold	**40,143**	**-**	**-**	**40,143**
Deposits held with brokers margin accounts	**49,317**	**-**	**-**	**49,317**
Total investment assets	**3,027,132**	**2,828,409**	**55,213**	**5,910,754**
Investment liabilities				
Derivatives liabilities	**3,909**	**198,423**	**-**	**202,332**
Outstanding settlements for securities purchased	**42,020**	**-**	**-**	**42,020**
Deposits held with broker margin accounts	**12,907**	**-**	**-**	**12,907**
Repurchase agreements	**-**	**115,914**	**-**	**115,914**
Total investment liabilities	**58,836**	**314,337**	**-**	**373,173**
Total investments	**2,968,296**	**2,514,072**	**55,213**	**5,537,581**

Fair value hierarchy

30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment assets				
Australian short-term deposits	834,627	-	-	834,627
Global short-term deposits	90,399	-	-	90,399
Derivative assets	3,892	74,129	-	78,021
Australian and global equities and managed funds	2,114,912	1,199,171	4,152	3,318,235
Australian and global fixed income securities	-	737,858	-	737,858
Money market securities	102,435	306,041	-	408,476
Investment income receivable & outstanding settlements for securities sold	68,229	-	-	68,229
Deposits held with brokers margin accounts	26,435	-	-	26,435
Total investment assets	3,240,929	2,317,199	4,152	5,562,280
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	3,216,740	2,107,577	4,152	5,328,469

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

For the year ended 30 June 2013

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 2013:

Level 3	**Derivative assets**	**Equity and managed funds**	**Fixed income securities**	**Money market securities**
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	-	4,152	-	-
Purchases	-	85	22,360	29,656
Sales	-	(3,837)	-	-
Reclassification from level 2 to level 3 hierarchy during the year	-	-	-	-
Reclassification from level 3 to level 2 hierarchy during the year	-	(398)	-	-
Changes in net market value	43	-	2,877	275
Closing balance	43	2	25,237	29,931

The following table reconciles the balances in level 3 of the fair value hierarchy for the year ended 30 June 2012:

Level 3	Derivative assets	Equity and managed funds	Fixed income securities	Money market securities
	$'000	$'000	$'000	$'000
Opening balance	-	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)	-	-
Closing balance	-	4,152	-	-

(iii) Sensitivity analysis of balances in level 3

For the investments assets classified as level 3 securities, the Trustee has reasonably considered sensitivity analysis based on the investments assets. An increase of the weighted-average sensitivity factor of 2.9% in 2013 (2012: 24.0%) at the reporting date would increase the Plan's net assets by $1,599,774 (2012: $996,480). A decrease in the weighted-average sensitivity factor would have the equal but opposite effect assuming that all other variables remain constant.

The impact mainly arises from the possible change in the net market value of investments which has been determined based on the Trustee's best estimate having regard to a number of sensitivity factors, including the average standard deviation of annual returns on a forward looking basis and interest rate risk. The weighted-average sensitivity factor is the addition of each asset classes' net market value by the asset classes' sensitivity factor divided by the Plan's exposure to level 3 securities.

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

For the year ended 30 June 2013

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:

		2013 $'000	2012 $'000
Investment fluctuation reserve	(i)	**(7,725)**	(7,244)
Disability reserve	(ii)	**56,247**	65,722
Foregone benefits reserve	(iii)	**542**	546
		49,064	59,024

(i) The investment fluctuation reserve accounts for any deviations between the actual returns of the Plan and the amounts credited to the investment options.

(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:

	2013 $'000	2012 $'000
Current permanent incapacities	**15,415**	19,185
Current initial disablement	**6,026**	10,952
New disablements	**8,379**	8,567
Possible future deterioration	**26,427**	27,018
	56,247	65,722

(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 2013 represents an under distribution, which will be allocated during the year ended 30 June 2014 (2012: net balance as at 30 June 2012 was allocated during the year ended 30 June 2013).

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

For the year ended 30 June 2013

Note 11 Reserves (continued)

	2013 $'000	2012 $'000
Movements in reserves		
Investment fluctuation reserve		
Opening balance	**(7,244)**	(20,527)
Investment fluctuation reserve allocated to members	**7,244**	20,527
Current year movement	**(7,725)**	(7,244)
Closing balance	**(7,725)**	(7,244)
Disability reserves		
Opening balance	**65,722**	62,025
Transfer from assets of the plan	**4,639**	4,554
Transfer to forgone benefits reserve	**(96)**	(59)
Amounts allocated to members during the year	**(14,018)**	(798)
Closing balance	**56,247**	65,722
Foregone benefits reserve		
Opening balance	**546**	826
Transfer to General Plan Assets	**(540)**	(811)
Plus Foregone Benefits from Division 1 Members in FY 2013	**-**	4
Plus 1.5% of salaries contributions for Division 1 Members in FY 2012	**412**	467
Plus interest	**28**	1
Plus transfer from disability reserves	**96**	59
Closing balance	**542**	546

Note 12 Related Parties

(a) **Employer company**

Qantas Airways Limited is the employer, and together with the other associated employers, 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 2013 (and received subsequent to that date) amounted to $17,564,986 (2012: $27,810,141).

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 $4,357,953 (2012: $2,999,321) are included in administration expenses in the Statement of Changes in Net Assets.

At 30 June 2013 the Plan held investments in Qantas Airways Limited to the value of $10,777,336 (2012: $8,603,325). These investments have been made independent of the Trustee by underlying investment manager(s).

The Plan also paid $126,327 for the supply of trustee services on behalf of the Trustee.

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

For the year ended 30 June 2013

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 are:

Employer appointed:	**Member elected:**
Cosgrove, P	Gillies, K
Grantham, N	Manning, G
Macfarlane, R	Pagden, C
Scriven, J	Sipek, J
Ward, A (Chairman)	Thorpe, M

The Directors of Qantas Superannuation Limited are Key Management Personnel (KMP) for the purposes of AASB 124 *Related Party Disclosures*. In addition to the Directors, J Perry (Chief Executive Officer) and A Spence (CIO) are also KMPs.

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:

	2013 $'000	2012 $'000
Short-term benefits	**1,362**	1,299
Post-employment	**33**	47
	1,395	1,346

(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 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 same Divisions of the Plan.

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

For the year ended 30 June 2013

Note 12 Related Parties (continued)

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

The Plan holds four sole purpose investment vehicles which are recorded at net market value:

	% Interest	2013 $'000	% Interest	2012 $'000
Q Infrastructure Trust	**100**	**203,497**	100	157,732
QPET	**100**	**243,589**	100	144,937
Q Infrastructure Yield Trust	**100**	**86,938**	100	81,649
QAIF Limited	**100**	**18,096**	100	-
Total direct holdings and associates		552,120		384,318

Note 13 Contingent Assets and Liabilities and Commitments

There were no contingent assets and liabilities as at 30 June 2013 (30 June 2012: nil).

The Plan had the following investment commitments:

Undrawn Commitments	**2013 $'000**	2012 $'000
Infrastructure Debt	**39,579**	21,192
Infrastructure Equity	**81,500**	125,794
Private Equity	**70,192**	139,092
Credit	**71,344**	73,594
	262,615	359,672

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 provided in this Rule 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, (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 2013

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.

	2013 $'000	2012 $'000
Vested Benefits	**6,207,104**	5,825,403
Net Assets Available to Pay Benefits	**6,277,629**	5,752,389

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 (including additional funding) for the year ending 30 June 2013 were $295,790,894 (2012: $339,266,965). As at 30 June 2013 there was a surplus of net assets compared to vested benefits of the Plan (details of the vested benefits are referred to in Note 16). On 8 May 2013 the Board of the Trustee approved a refreshed Additional Funding Plan (AFP) that addresses the requirements of the new APRA Prudential Standard SPS 160 *Defined Benefit Matters*. The new AFP applies for a period of three years effective from 1 July 2013. It is subject to renewal every three years as part of the triennial actuarial review of the Plan. For the year ending 30 June 2013 Qantas Airways Limited has contributed $27,900,000 of additional funding which was recognised as employer contribution revenue in Statement of Changes in Net Assets (for the year ending 30 June 2012: $40,650,000).

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 AFP 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 then actuary, Mr Fintan Thornton FIAA summarising the results of that actuarial review of the Plan. The next actuarial review is in progress and will be completed by 31 March 2014.

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 2013

Note 19 Events Occurring After the Balance Sheet Date

On 1 July 2013 insurance for all accumulation Divisions transferred from self-insurance cover to external insurance policies with MLC Limited. The 2014 accounts will include insurance premiums rather than benefits paid. This change reduces risk for the Plan.

There have been no other 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 2013 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 2013.

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

28 October 2013

Qantas Superannuation Plan (ABN: 41 272 198 829) *Report by the independent Approved Auditor to the trustee and members*

Financial statements

I have audited the financial statements of Qantas Superannuation Plan for the year ended 30 June 2013 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[1]. 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.

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

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[1] The Australian Auditing Standards issued by the Auditing and Assurance Standards Board.

pwc

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 Qantas Superannuation Plan as at 30 June 2013 and the changes in net assets for the year ended 30 June 2013.

PricewaterhouseCoopers

Claire Keating
Partner

Melbourne
28 October 2013

Russell Investments

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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