QANTAS SUPERANNUATION PLAN

2016/2017 Financial Statements

as at 30 June 2017

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

QANTAS SUPER

QANTAS SUPERANNUATION PLAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Issued by Qantas Superannuation Limited (ABN 47 003 806 960, AFS Licence No.288330, RSE L0002257)
as Trustee for Qantas Superannuation Plan (ABN 41 272 198 829, RSE R1005486)

QANTAS SUPERANNUATION PLAN

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Cash and cash equivalents	18(a)	1,155,713	1,158,689
Receivables	16	224,945	139,469
Investments	8	6,499,550	6,027,669
TOTAL ASSETS		**7,880,208**	**7,325,827**
LIABILITIES			
Benefits payable		6,125	7,372
Creditors and accruals	17	238,744	85,419
Current tax liabilities	14(d)	15,382	1,765
Financial liabilities	9	205,405	262,591
Deferred tax liabilities	14(e)	66,707	42,229
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS		**532,363**	**399,376**
NET ASSETS AVAILABLE FOR MEMBER BENEFITS		**7,347,845**	**6,926,451**
MEMBERS BENEFITS			
Defined contribution Member liabilities	4(a)	3,686,695	3,341,084
Defined benefit Member liabilities	4(b)	3,364,881	3,266,694
TOTAL MEMBERS BENEFITS		**7,051,576**	**6,607,778**
NET ASSETS		**296,269**	**318,673**
EQUITY			
Disability reserve	7	12,325	13,343
Other insurance reserves	7	6,669	5,747
Forgone benefits reserve	7	-	14
Operational risk reserve	7	19,205	18,042
Defined benefit plans that are over/(under) funded		258,070	281,527
TOTAL EQUITY		**296,269**	**318,673**

QANTAS SUPERANNUATION PLAN

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
REVENUE FROM SUPERANNUATION ACTIVITIES			
Interest		51,271	74,418
Dividends and distributions		161,802	252,892
Net remeasurement of assets measured at fair value	10	414,466	(216,644)
Other revenue		527	534
TOTAL SUPERANNUATION ACTIVITIES REVENUE		**628,066**	**111,200**
EXPENSES			
Investment expenses		24,106	32,077
General administration expenses	15	13,269	12,242
Other operating expenses		-	1
TOTAL EXPENSES		**37,375**	**44,320**
NET INCOME SUPERANNUATION ACTIVITIES		**590,691**	**66,880**
NET INSURANCE ACTIVITIES	**6**	**(9,422)**	**(11,039)**
ALLOCATION TO MEMBERS BENEFITS			
Net benefits allocated to Defined Contribution (DC) Member accounts		(292,418)	2,861
Net benefits allocated to Defined Benefit (DB) Member liabilities		(254,147)	(242,823)
TOTAL ALLOCATION TO MEMBER BENEFITS		(546,565)	(239,962)
OPERATING RESULT BEFORE INCOME TAX		**34,704**	**(184,121)**
INCOME TAX EXPENSE/(BENEFIT)	14(a)(b)	52,609	(13,586)
OPERATING RESULT AFTER INCOME TAX		**(17,905)**	**(170,535)**

QANTAS SUPERANNUATION PLAN

STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2017

Year ended 30 June 2017	Notes	DC Members Benefits $'000	DB Members Benefits $'000	Total 2017 $'000
Liability for accrued benefits beginning of period		3,341,084	3,266,694	6,607,778
CONTRIBUTION REVENUE				
Employer contributions		135,274	133,568	268,842
Member contributions		32,682	29,187	61,869
Government co-contributions		50	150	200
Low income contributions		307	80	387
Transfers in		44,295	8,051	52,346
Transfer from Australian Air Express		-	-	-
Transfers from DB to DC Members benefits		290,090	(290,090)	-
Income tax on contributions	14(c)	(20,264)	(20,075)	(40,339)
Net after tax contributions		**482,434**	**(139,129)**	**343,305**
BENEFITS PAID				
Benefits paid		(429,710)	(21,137)	(450,847)
Anti-detriment deduction	14(c)	911	-	911
Net benefits paid		**(428,799)**	**(21,137)**	**(449,936)**
INSURANCE				
Insurance premiums charged to Members' accounts		(17,107)	(1,353)	(18,460)
Claims credited to Members' accounts		14,096	992	15,088
Income tax benefit on insurance premiums	14(c)	2,534	203	2,737
Net Insurance (cost)/benefit		**(477)**	**(158)**	**(635)**
INCOME AND EXPENSES				
Investment earnings/(losses) applied to Members		301,057	-	301,057
Net change in DB Member accrued benefits		-	254,147	254,147
Administration fees paid by Members		(8,639)	-	(8,639)
Reserve transfers to/(from) Members				
- Disability reserve		-	4,329	4,329
- Other insurance reserve		35	135	170
- Forgone benefits reserve		-	-	-
Net income/(expenses)		**292,453**	**258,611**	**551,064**
Liability for accrued benefits end of period		**3,686,695**	**3,364,881**	**7,051,576**

QANTAS SUPERANNUATION PLAN

STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2016

Year ended 30 June 2016	Notes	DC Members Benefits $'000	DB Members Benefits $'000	Total 2016 $'000
Liability for accrued benefits beginning of period		3,266,836	3,216,572	6,483,408
CONTRIBUTIONS RECEIVED				
Employer contributions		123,857	142,972	266,829
Member contributions		17,563	26,301	43,864
Government co-contributions		30	176	206
Low income super contributions		348	99	447
Transfers in		28,468	4,121	32,589
Transfer from Australian Air Express		-	336	336
Transfer of funds from DB to DC Member benefits		325,627	(325,627)	-
Income tax on contributions	14(c)	(18,593)	(21,447)	(40,040)
Net after tax contributions		**477,300**	**(173,069)**	**304,231**
BENEFITS PAID				
Benefits paid		(407,092)	(22,474)	(429,566)
Anti-detriment deduction	14(c)	1,431	-	1,431
Net benefits paid		**(405,661)**	**(22,474)**	**(428,135)**
INSURANCE				
Insurance premiums charged to Members' accounts		(15,835)	(1,338)	(17,173)
Claims credited to Members' accounts		18,809	509	19,318
Income tax benefit on insurance premiums	14(c)	2,375	201	2,576
Net Insurance (cost)/benefit		**5,349**	**(628)**	**4,721**
INCOME AND EXPENSES				
Investment earnings/(losses) applied to Members		5,038	-	5,038
Net change in DB Member accrued benefits		-	242,823	242,823
Administration fees paid by Members		(7,897)	-	(7,897)
Reserve transfers to/(from) Members				
- Disability reserve		-	3,098	3,098
- Other insurance reserve		119	342	461
- Forgone benefits reserve		-	30	30
Net income/(expenses)		**(2,740)**	**246,293**	**243,553**
Liability for accrued benefits end of period		**3,341,084**	**3,266,694**	**6,607,778**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Disability Reserve $'000	Other Insurance Reserve $'000	Foregone Benefits Reserve $'000	Operational Risk Reserve $'000	DB Surplus/ (deficit) $'000	Total Reserves $'000
Year Ended 30 June 2017						
Opening Balance	13,343	5,747	14	18,042	281,527	318,673
Amounts allocated to DC Members	-	(35)	-	-	-	(35)
Amount allocated to DB Members	(4,329)	(135)	-	-	-	(4,464)
Net income/(loss) applied	3,311	1,092	(14)	1,163	(23,457)	(17,905)
Closing Balance	12,325	6,669	-	19,205	258,070	296,269
Year Ended 30 June 2016						
Opening Balance	12,750	8,235	-	11,516	460,296	492,797
Amounts allocated to DC Members	-	(119)	-	-	-	(119)
Amount allocated to DB Members	(3,098)	(342)	(30)	-	-	(3,470)
Net income/(loss) applied	3,691	(2,027)	44	6,526	(178,769)	(170,535)
Closing Balance	13,343	5,747	14	18,042	281,527	318,673

Refer to Note 7 for details on the reserves

This Statement should be read in conjunction with the accompanying notes.

QANTAS SUPERANNUATION PLAN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		40,053	67,882
Dividend and distributions received		161,938	218,867
Insurance		13,319	14,968
Insurance premiums paid		(27,298)	(24,458)
Other income		708	427
Administration expenses		(11,463)	(10,656)
Investment expenses		(34,080)	(37,063)
Other expenses		-	(1)
Income tax refunds received		(7,380)	8,984
GST received from ATO		1,632	2,054
NET CASH FLOWS FROM SUPERANNUATION ACTIVITIES	**18(b)**	**137,429**	**241,004**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial instruments held at fair value through profit or loss		8,752,755	8,648,031
Purchase of financial instruments held at fair value through profit or loss		(8,781,183)	(8,705,675)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(28,428)**	**(57,644)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Employer contributions		267,781	265,603
Member contributions		61,878	42,233
Government co-contribution		200	206
Low income super contributions		387	447
Transfers in		52,346	32,589
Transfer from Australian Air Express		-	336
Benefits paid		(452,094)	(430,344)
Income tax on contributions		(42,475)	(39,724)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(111,977)**	**(128,654)**
NET (DECREASE)/INCREASE IN CASH HELD		(2,976)	54,706
CASH AT THE BEGINNING OF PERIOD		1,158,689	1,103,983
CASH AT THE END OF PERIOD	**18(a)**	**1,155,713**	**1,158,689**

1. REPORTING ENTITY

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 2017 comprise the Plan and its controlled entities. The Plan has both defined 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: RI005486)

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 10 Bourke Road, Mascot, NSW, 2020, Australia. The financial statements were approved by the Board of the Trustee on 22 September 2017.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements are general purpose statements which have been drawn up in accordance with Australian Accounting Standards, including AASB 1056 *Superannuation Entities,* other applicable Accounting Standards and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations ("SIS") and the provisions of the Trust Deed.

(b) Basis of Measurement

The financial statements have been measured on a fair value basis.

(c) Functional and Presentation Currency

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.

(d) Use of Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting assumptions and estimates. It also requires the Trustee and management to exercise judgement in the process of applying the entity's accounting policies and reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for accrued benefits (Note 4(b)), valuation of investments (Note 3(a)) and deferred tax asset recognition (Note 3(i)).

(e) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year information and other disclosures.

2. BASIS OF PREPARATION (CONTINUED)

(f) New and amended standards adopted during the year

The following new and revised Standards and Interpretations have been adopted in the financial statements. Apart from AASB 1056, their adoption has not had significant financial or disclosure impact on these financial statements but may affect the accounting for future transactions or arrangements.

AASB Amendment / Standard	Title
AASB 1056	Superannuation Entities
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

(g) Adoption of AASB 1056 *Superannuation Entities* ("AASB 1056")

The Australian Accounting Standards Board issued AASB 1056 *Superannuation Entities* in June 2014 which replaces AAS 25 *Financial Reporting by Superannuation Plans* ("AAS 25") and is applicable retrospectively from financial period beginning on or after 1 July 2016. The Plan has applied the requirements of AASB 1056 for the first time in current year.

In accordance with the transitional provisions of AASB 1056, the Plan has not presented a statement of financial position as at the beginning of comparative period (1 July 2015). The impact of adopting AASB 1056 has been summarised as follows:

- There Plan has presented five primary financial statements (i.e. Statement of financial position, Income Statement, Statement of Cash Flows, Statement of Changes in Equity/Reserves and Statement of Changes in Members benefits);
- All assets and liabilities (with the exception of members' liabilities and tax balances) have been measured at fair value;
- Members' benefits are presented as liabilities in the Statement of Financial Position; and
- The Plan has considered the nature of insurance arrangements in place and determined no additional disclosures are required.

The adoption of AASB 1056 had the following impact on the financial statements of the Plan for the period ended 30 June 2016:

2. BASIS OF PREPARATION (CONTINUED)

Impact on the Statement of Financial Position	Original reported 30 June 2016	Transitional restatement	Restated 30 June 2016
Assets			
Change in measurement from net market value to fair value:			
Total investments	5,998,070	29,599	6,027,669
Liabilities			
Deferred tax liability effect of increase in asset values due to remeasurement to fair value:			
Deferred tax liabilities	38,076	4,153	42,229
Member benefits recognised as liabilities rather than equity:			
Defined Contribution Member liabilities	-	3,341,084	3,341,084
Defined Benefit Member liabilities	-	3,266,694	3,266,694

2. BASIS OF PREPARATION (CONTINUED)

Impact on the Statement of Financial Position	**Original reported 30 June 2016**	**Transitional restatement**	**Restated 30 June 2016**
Equity			
Member benefits recognised as liabilities rather than equity:			
Member benefits	6,607,778	(6,607,778)	-
Other equity movements			
Change in equity due to change in remeasurement from net market value to fair value	6,901,005	25,446	6,926,451
Operational risk reserve	-	18,042	18,042
Disability reserve	-	13,343	13,343
Other insurance reserves	-	5,747	5,747
Foregone benefits reserve	-	14	14
Defined benefit plans that are over/(under) funded	-	281,527	281,527

Impact on the Income Statement	**Original reported 30 June 2016**	**Transitional restatement**	**Restated 30 June 2016**
Profit/(loss) before income tax previously reported	(58,086)	-	(58,086)
Change in measurement from net market value to fair value			
Changes to assets measured at fair value		29,599	29,599
Contributions, rollovers and other inward transfers and benefits paid to members are transferred to the statement of changes in member benefits:			
Employer contributions	-	(266,829)	(266,829)
Member contributions	-	(43,864)	(43,864)
Government co-contributions	-	(206)	(206)
Low income super contributions		(447)	(447)
Transfers in	-	(32,589)	(32,589)
Transfer from Australian Air Express	-	(336)	(336)
Claims credited to Members' accounts	-	(14,968)	(14,968)
Insurance premiums charged to Members' accounts	-	25,040	25,040
Benefits paid	-	429,566	429,566
Profit/(loss) from operating activities	**(58,086)**	**124,966**	**66,880**
Net insurance activities	-	(11,039)	(11,039)
Benefits allocated to Members accounts	-	(239,962)	(239,962)
Profit/(loss) before income tax	**(58,086)**	**(126,035)**	**(184,121)**
Income tax expense/(benefit)	17,114	-	17,114
Tax effect of change in measurement from net market value to fair value	-	4,153	4,153
Income tax on contributions transferred to the statement of changes in member benefits	-	(34,853)	(34,853)
Profit/(loss) after income tax	**(75,200)**	**(95,335)**	**(170,535)**

2. BASIS OF PREPARATION (CONTINUED)

Statement of Changes in Members Benefits	Original reported 30 June 2016	Transitional restatement	Restated 30 June 2016
Opening balance	-	6,483,408	6,483,408
Contributions, transfers from other superannuation entities (transferred from income statement)		344,271	344,271
Tax on contributions	-	(40,040)	(40,040)
Benefits paid to Members (transferred from income statement)	-	(429,566)	(429,566)
Anti-detriment claims	-	1,431	1,431
Insurance premiums charged to Members' accounts	-	(17,173)	(17,173)
Claims credited to Members' accounts	-	19,318	19,318
Tax benefit on insurance premiums		2,576	2,576
Net benefits allocation (defined contribution)	-	5,038	5,038
Net change in DB Member benefits	-	242,823	242,823
Administration fees paid by Members	-	(7,897)	(7,897)
Reserve transfers to/(from) Members	-	3,589	3,589
Closing balance		6,607,778	6,607,778
Statement of Changes in Equity	**Original reported 30 June 2016**	**Transitional restatement**	**Restated 30 June 2016**
Opening balances	-	492,797	492,797
Transfer (to)/from Members	-	(3,589)	(3,589)
Operating results	-	(170,535)	(170,535)
Closing balance	-	318,673	318,673
Statement of Cash Flows	**Original reported 30 June 2016**	**Transitional restatement**	**Restated 30 June 2016**
Net cash inflows from operating activities	-	241,004	241,004
Net cash outflows from investing activities	-	(57,644)	(57,644)
Net cash outflows from financing activities	-	(128,654)	(128,654)
Net increase in cash	-	54,706	54,706
Cash at beginning of year	-	1,103,983	1,103,983
Cash at end of year	-	1,158,689	1,158,689

Apart from the above, AASB 1056 also introduces the following changes, where no financial impact has been identified for the financial period presented:

- Requirement to re-measure defined benefit liabilities at each period end;
- Additional disclosure requirements in relation to defined benefit liabilities valuations;
- Consideration to recognise employer sponsor receivable where appropriate; and
- Requirement to disaggregate financial information presentation where Members from different categories are exposed to different risks and benefits.

2. BASIS OF PREPARATION (CONTINUED)

(h) New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 June 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Plan are set out below. The Plan does not plan to adopt these standards early.

AASB 9 *Financial Instruments*
AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised requirements on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the requirements on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The adoption of AASB 9 is not expected to have a material impact on the Plan's financial assets or financial liabilities.

AASB 15 *Revenue from Contracts with Customers*
AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Plan's main sources of income are interest, dividends, distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Plan's accounting policies or the amounts recognised in the financial statements.

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
AASB 2016-1 relates to amendments to AASB112 and the recognition of deferred tax assets and applies from 1 January 2017. The Plan does not expect any impact on its financial statements resulting from the application of AASB 2016-1.

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 107*
AASB 2016-2 relates to amendments to AASB107 and applies from 1 January 2017. The Plan does not expect any impact on its financial statements resulting from the application of AASB 2016-2.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Investments

Investments of the Plan are initially recognised using trade date accounting. From this date any gains and losses arising from net remeasurement changes in assets are recorded.

Fair values have been determined as follows:

Market quoted investments
The fair value of an investment for which there is a readily available market quotation is determined as the last quoted sale price at the close of business on reporting date.

Non-market quoted investments
Investments for which market quotations are not readily available are valued at the fair value determined by the Trustee as follows:

Unlisted securities are recorded with reference to recent arm's length transactions, current market value of another instrument substantially the same or discounted cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where discounted cash flow techniques are used, estimated future cash flows are based on Trustee's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms, condition and risk.

Where other pricing models are used, inputs are based on market data at the reporting date.

Private equity investments are valued according to the most recent valuation obtained from the underlying manager at fair value adjusted for subsequent investments, redemptions and significant changes in underlying market conditions through to balance date.

Units in pooled superannuation trusts, unlisted unit trusts and property trusts
These are valued at the redemption price at reporting date quoted by the investment managers which are based on the fair value of the underlying investments. Unit values denominated in foreign currency are translated to Australian dollars at the current exchange rates.

Short term deposits
These are valued at their fair value at close of business on the last business day of the reporting period.

(b) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits.

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

(c) Foreign Currency

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences are recognised in the Income Statement.

(d) Receivables

Interest receivable represents accrued interest revenue from government securities, other fixed interest securities, money market securities and derivatives. Distributions receivable, settlements and other receivables are carried at nominal amounts accrued or due at reporting date, which approximate fair value. Receivables are normally settled within 30 days.

(e) Financial Liabilities

The Plan recognises financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Other payables are payable on demand or over short time frames of less than 60 days.

The Plan recognises financial liabilities at fair value as at reporting date with any net remeasurement changes in liabilities since the beginning of the reporting period are included in the Income Statement.

(f) Revenue Recognition

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

Net remeasurement changes in value of investments
Net remeasurement changes in value of investments are recognised as a revenue item in the Income Statement in the periods in which they occur. Net remeasurement changes in value are determined as the difference between the fair value at balance date or consideration received (if sold during the year) and the fair value at the previous balance date or the cost (if the investment was acquired during the year).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest revenue
Interest revenue is recognised in the Income Statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend revenue
Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at reporting date, is reflected in the Statement of Financial Position as a receivable at fair value.

Trust distribution revenue
Distributions from managed investment schemes are recognised on the date the unit value is quoted ex-distribution and the Plan is entitled to the distribution. If not received at reporting date, the distribution receivable is reflected in the Statement of Financial Position as a receivable at fair value.

(g) Contributions revenue and transfers in

Contributions revenue and transfers in are recognised in the Statement of Changes in Member Benefits 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. Where contributions have not been allocated to Members accounts at period end they are included as a liability on the Statement of Financial Position. If not received at reporting date, the contributions receivable are recognised in the Statement of Financial Position as a receivable at fair value.

(h) Benefits

Benefits paid and payable are recognised in the Statement of Changes in Member Benefits. Benefits payable at balance date are settled in accordance with the Plan's trust deed.

(i) Income Tax

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

Current tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable income accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Plan expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Plan intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position.

(k) Excess Contributions Tax and Division 293 Assessment Notices

The ATO may issue release authorities to Members of the Plan relating to the relevant Member's excess contributions tax or Division 293 assessments that are payable in respect of the Member's concessional and/or non-concessional contributions for a particular year. The liability for these amounts will be recognised when the relevant release authorities are received from Members, as the Trustee considers this is when it can be reliably measured. The excess contributions tax liability and Division 293 assessments that are recognised by the Plan will be charged to the relevant Members' accounts.

(l) No-TFN Contributions Tax

Where a Member does not provide their tax file number to a fund, the fund may be required to pay no-TFN contributions tax at a rate of 34% which is in addition to the concessional tax rate of 15% which applies to the Plan's assessable income. The no-TFN contributions tax liability recognised by the Plan will be charged to the relevant Members' accounts. Where a tax offset is obtained by the Plan in relation to Members' no-TFN contributions tax, the tax will be included in the relevant Members' accounts.

(m) Financial Instruments

Recognition
The Plan recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or liabilities are recorded.

Measurement
Financial instruments are initially measured at cost, being the fair value of the consideration given. Subsequent to initial recognition all financial instruments are valued at fair value.

Derecognition of Financial Assets and 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 liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(n) Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. This could be the case where voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Plan invests in other funds for the purpose of capital appreciation and earning investment income.

The investee funds' objectives range from achieving medium to long term capital growth. The investee funds invest in a number of different financial instruments, including equities and debt instruments. The size of a related investee fund is indicated by the net asset value of the fund per the investee funds' balance sheet. For unrelated funds, size is indicated by the carrying value of the Plan's investment as recognised on the Plan's Statement of Financial Position as at reporting date as there is no other exposure to the Plan other than the carrying value of its investment.

The nature and extent of the Plan's interests in structured entities are titled "Other related parties – direct holdings and associates" and are summarised in Note 20(e). During the year the Plan did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

As at 30 June 2017 there were no capital commitment obligations other than disclosed in Note 21.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Operational Risk Reserve

Superannuation Prudential Standard 114: Operational Risk Financial Requirement, (SPS 1114) which became effective 1 July 2013, requires RSE licences to maintain adequate financial resources to address losses arising from operational risks that may affect such entities within their business operations. The Plan's operational risk reserve has been established for this purpose.

The Plan has built up the reserve to a target amount of reserves equal to 25 basis points of the Plan's invested assets subject to a predetermined tolerance limit between 1 July 2013 and 30 June 2016. The tolerance limit was set by the Trustee to reduce the need for small transfers to or from the operational risk reserve for immaterial fluctuations in the reserve's value.

The operational risk reserve may only be used to make a payment to address an operational risk event as defined by SPS 114. When the amount falls below the tolerance limit additional funds are transferred into the operational risk reserve to replenish it.

Further detail on the operational risk reserve is provided in Note 7.

4. MEMBER LIABILITIES

The entitlements of Members to superannuation benefits are recognised as liabilities. They are measured as the amount of the accrued benefits as at the reporting date, being the benefits that the Plan is presently obliged to transfer to Members or their beneficiaries in the future as a result of the membership up to the end of the reporting period. The Plan has numerous divisions. Some of these provide defined benefits whilst the others provide defined contribution (or accumulation) benefits. All of the defined benefit divisions are closed to new Members. Gateway, which is a defined contribution division, is the only division currently open to new Members. Most defined benefit Members will have both a defined benefit and an accumulation benefit and for the purpose of these statements are referred to as DB Members.

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 voluntarily terminated their Plan membership as at the reporting date.

(a) Defined Contribution Member liabilities

Defined Contribution (DC) Members have accounts that are credited or debited each year with contributions and a proportionate share of net investment income and expenses (including income tax expense) of the Plan. Therefore DC Members bear the investment risk relating to the underlying assets of the Plan.

For the purpose of these statements, DC Members comprise:

- Members in Divisions 3A, 5, 6, 7 and 10
- Gateway and Gateway Income Members
- Late retirement Members (i.e. previous Members of the defined benefit division) and non-member spouses

Defined Contribution Member liabilities are measured as the amount of Member account balances as at reporting date.

At the end of the period the Defined Contribution Member liabilities, which also represent their vested benefits are as follows:

	2017 $'000	2016 $'000
Vested Benefits	3,686,695	3,341,084

Employer contributions for Defined Contribution Members were paid at the rate or rates agreed.

4. MEMBER LIABILITIES (CONTINUED)

(b) Defined Benefit Member liabilities

Defined Benefit (DB) Members receive benefits that are determined on the basis of various formula based on the Member's membership and salary in the final years before they retire or leave employment.

Nearly all of the Plan's DB Members also have accumulation accounts (i.e. DC accounts such as an additional voluntary contribution account). DB Members comprise Members in Divisions 1,2, 3, 4, 12 and 15.

The actuarial value of accrued benefits represents the total value in current dollars of the DB Members' accrued benefits in respect of their membership up to the end of the reporting period allowing for future salary increases, investment earnings and expected incidence and type of payment.

The Plan Actuary has calculated the amount of the "Defined Benefit Member liabilities" to be equal to the present value of the benefits accrued in respect of service to the relevant calculation date. This involved:

- Calculating the amount of benefits expected to be paid in the future to existing Members in respect of membership already completed to the investigation date, allowing for the contingencies under which benefits can be paid (retirement, death, disablement, ill health, retrenchment and resignation) and for future salary increases; and
- Discounting these amounts to determine the present value of the liability for benefits accrued in the Plan up to the investigation date.

The actuarial value of the accrued benefits at 30 June is as follows:

	2017 $'000	2016 $'000
Actuarial Value of Accrued Benefits	3,364,881	3,266,694
Split as follows:		
DC benefits	1,364,623	1,363,119
DB benefits	2,000,258	1,903,575
Assets related to DB Members' DB benefits	2,258,328	2,185,102
Surplus for DB Members DB benefits	258,070	281,527

The surplus in the Plan has arisen primarily through:

- The requirement to ensure that the net assets are at least equal to the Plan's vested benefits which at times has resulted in additional contributions being payable to the Plan; and
- In recent years, the strong investment performance of the assets attributable to DB interests relative to the future rates of return assumed by the Plan Actuary.

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

- The future rate of investment returns (net of investment taxes and investment management fees) earned on the Plan's assets would be 4.4% p.a. The net investment return was derived based on long term capital market assumptions as at 31 March 2017 taking into account the Plan's investment strategy for the assets backing its defined benefit liabilities as at that date. These results were then adjusted to reflect the particular circumstances of the Plan that are not captured in the capital markets assumptions. The expected future investment return of 4.4% p.a. as at 30 June 2017 represents a reduction compared to the 4.8% p.a. return assumed for the 30 June 2016 actuarial investigation. Whilst there have been changes to the market's expectations of the future investment returns for various asset classes, the decrease in the long-term net investment rate of return is also attributable to differences between the Willis Towers Watson economic model (used to derive the capital market assumptions as at 30 June 2017) and the Russell Investments economic model (used to derive the capital market assumptions as at 30 June 2016).

4. MEMBER LIABILITIES (CONTINUED)

- Long term salary inflation of 3.0% p.a. This was set equal to the assumption adopted by the Company for its 30 June 2017 AASB 119 accounting disclosures and that adopted for the 30 June 2016 actuarial investigation.

The decrease in DB surplus from 30 June 2016 to 30 June 2017 is a result of the downward revision of investment return assumptions from 4.8% to 4.4% which is partly offset by the higher than assumed actual investment returns up to 30 June 2017.

The eventual costs of the benefits will depend on the Plan experience rather than on the assumptions.

The Plan Actuary considers that the material risks to the funding of the Plan include:

- Investment returns being lower than expected;
- Salary increases being higher than expected;
- The employer being unable or unwilling to make the recommended contributions;
- Any large downsizing of the membership, when the Plan's assets are less than the vested benefits.

The impact of the reasonably possible changes in these key assumptions is shown below:

- The future rate of investment return being 1% p.a. higher or lower than assumed (2016: 1%)
- Future salary increases being 1% p.a. higher or lower than assumed

	2017 $'000	2016 $'000
Reasonably possible change in key assumptions (with no change in other assumptions)		
Increase in future rate of investment return	(170,263)	(160,035)
Decrease in future rate of investment return	200,640	189,146
Increase in future salary increases	156,532	150,237
Decrease in future salary increases	(136,503)	(128,634)

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 Plan Actuary has considered the long-term trends in such factors as Plan membership, salary growth and the market value of Plan assets.

Total employer contributions (including additional funding) for the year ending 30 June 2017 were $268,842,445 (2016: $266,828,928).

The employer has made defined benefit contributions in accordance with the recommendations of the Plan Actuary.

In April 2013, the Trustee adopted a Journey Management Plan (JMP) to progressively de-risk the defined benefit investment portfolio as the defined benefit's funding position improves over time. The JMP and the defined benefit investment strategy was formally reviewed and refined during the 2016 financial year, with a marginal de-risking implemented in May 2016.

In addition the Plan has in place an Additional Funding Plan (AFP). The AFP sets out the manner in which the Trustee and the Company will respond in the event of the Plan moving into an "Unsatisfactory Financial Position" which is defined as being when the Plan's DB vested benefits exceeds the asset backing those liabilities. The Plan's financial position is monitored by the Trustee each quarter and the Plan Actuary determines the amounts of additional contributions to be made each quarter in line with the requirements of the AFP. As at 30 June 2017 the Plan had a surplus of net assets available to pay benefits compared to vested benefits.

5. MEMBER NUMBERS

	2017 Number	2016 Number
Members at the beginning of the year	31,921	32,625
New Members admitted	2,299	1,421
Member exits due to:		
Choice of fund	(78)	(58)
Deaths	(39)	(53)
Ill health and TPD	(39)	(51)
Other exits	(2,180)	(1,963)
Members at the end of the year	31,884	31,921
The membership is split as follows:		
Division 1	300	329
Division 2	4,169	4,425
Division 3	4,880	5,110
Division 3a	140	155
Division 4	31	31
Division 5	444	480
Division 6	3,810	4,010
Division 7	864	951
Division 10	604	730
Division 12	1	1
Division 15	371	411
Gateway	15,162	14,210
Gateway Income	1,108	1,078
Members at the end of the year	31,884	31,921

6. INSURANCE

The Plan self-insured death and disability benefits for members of the defined contribution divisions up to 30 June 2013. These were funded through the allocation of assets to reserves maintained for this purpose. On 1 July 2013 insurance for all Defined Contribution division Members was transferred to external insurance policies with MLC Limited.

The Plan's self-insured death and disability benefits for Members of defined benefit divisions were funded through the allocation of assets to reserves maintained for this purpose until 1 August 2014 when insurance was transferred to policies with MLC Limited. Transitional variable premium arrangements existed from 1 August 2014 through until 31 July 2016. Current Insurance arrangements are funded by payment of premiums to MLC Limited as reported in the Statement of Changes in Members Benefits.

Insurance proceeds are recognised when the insurer has agreed to pay the claim. Therefore insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to Member accounts are recognised in the Statement of Changes in Members Benefits.

The Plan has incurred insurance expenses that were not deducted from Members accounts and self-insurance payments as follows:

	2017 $'000	2016 $'000
Insurance premiums paid by Plan	(9,003)	(7,869)
Self insurance amounts paid to members	(1,769)	(4,350)
Tax benefit for insurance premiums paid by Plan	1,350	1,180
	(9,422)	(11,039)

6. INSURANCE (CONTINUED)

The Plan has put in place reserves to cover insurance liabilities that arose before 1 August 2014.

The Trustee has determined that the Plan is not exposed to material insurance risk because:

- Members or their beneficiaries will only receive insurance benefits if the external insurer pays the claim; and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

7. RESERVES

In line with sound administration and financial practice and actuarial advice, the Plan maintains reserves to provide for operational risks and the remaining self-insured risks of the Plan. The insurance reserves are in respect of self-insured claims providing income benefits which have already arisen and those claims which may arise in the future.

The excess of the net assets over the amounts of these reserves represent amounts held directly to pay benefits. The following is a summary of the reserves at 30 June:

		2017 $'000	2016 $'000
Disability reserve	(i)	12,325	13,343
Other insurance reserve	(ii)	6,669	5,747
Foregone benefits reserve	(iii)	-	14
Operational risk reserve	(iv)	19,205	18,042
		38,199	37,146

(i) The disability reserve is to cover the expected self-insured benefits payable in respect of permanent and initial incapacitants that have arisen from Division 1 and Division 2 of the Plan.

(ii) The other insurance reserve has been established to provide for self-insured incurred but not reported risks under the Plan, and for new self-insured risks arising after 1 July 2013.

	2017 $'000	2016 $'000
Disability reserve		
- Current permanent incapacities	11,192	11,446
- Current initial incapacities	1,133	1,897
Other insurance reserves	6,669	5,747
Total insurance reserves	18,994	19,090

(iii) Benefits foregone by Division 1 Members on resignation and certain employer contributions in respect of Division 1 Members are credited to the foregone benefits reserve. The balance of the reserve as at 30 June after meeting applicable costs of disability benefits for Division 1 Members is allocated to all Members of Division 1 as at 30 June. For the year ended 30 June 2017 the balance was $nil and the distribution to Members of nil% of salaries has been recommended (2016: $44,000 and 0.02% distribution).

(iv) The operational risk reserve is designed to provide adequate financial resources to address losses arising from operational risks that may affect the Plan's normal operations. The current strategy, approved by the Board on 13 March 2013, specifies that the reserve Target of 0.25% of the Plan's invested assets was to be built up over three years to 30 June 2016. The operational risk reserve is being maintained with a tolerance limit set at 80% of the reserve target amount. The operational risk reserve currently represents 0.26% (2016: 0.25%) of the Plan's invested assets which is invested in line with the defined benefit investment strategy.

8. INVESTMENTS

	Note	2017 $'000	2016 $'000
Australian equities and managed funds		2,523,770	2,048,192
Global equities and managed funds		2,515,154	2,353,255
Money market securities		579,914	863,444
Australian fixed income securities		374,118	587,639
Global fixed income securities		416,464	96,811
Derivatives	11	90,130	78,328
TOTAL INVESTMENTS		6,499,550	6,027,669

9. FINANCIAL LIABILITIES

	Note	2017 $'000	2016 $'000
Derivatives	11	46,417	87,309
Repurchase agreements		158,988	175,282
TOTAL FINANCIAL LIABILITIES		205,405	262,591

10. NET REMEASUREMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS

	2017 $'000	2016 $'000
Australian equities and managed funds	136,628	(133,907)
Global equities and managed funds	228,452	(21,949)
Australian fixed income securities	20,418	13,345
Global fixed income securities	3,868	(20,402)
Derivatives	37,747	(84,163)
Foreign exchange gains/(losses)	(12,647)	30,432
NET REMEASUREMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS	414,466	(216,644)

11. 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.

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.

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 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 investments. 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.

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

30 June 2017	Notional Principal Amounts $'000	Fair Value Assets $'000	Fair Value Liabilities $'000
Australian fixed interest futures	151,604	2,797	100
Global fixed interest futures	720,291	3,000	611
Money market futures	330,202	436	-
Australian share price index futures	120,324	-	426
Global share price index futures	18,278	173	15
Swaps	12,075,389	22,712	32,542
Warrants and options	49,910,551	21,584	476
Forward currency contracts	3,039,988*	39,428	12,247
		90,130	46,417

30 June 2016	Notional Principal Amounts $'000	Fair Value Assets $'000	Fair Value Liabilities $'000
Australian fixed interest futures	245,748	1,154	1,069
Global fixed interest futures	596,360	1,647	9,519
Money market futures	4,112,344	1,409	705
Australian share price index futures	94,203	36	-
Global share price index futures	85,506	1,031	512
Swaps	17,538,886	28,868	42,127
Warrants and options	24,840,238	14,548	2,647
Forward currency contracts	2,543,302*	29,635	30,730
		78,328	87,309

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

When there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on the basis or realise the asset and settle the liability simultaneously financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position. The Plan has not entered into any offsetting arrangements, or master netting arrangement, so there has been no netting off reported in the Statement of Financial Position. Some derivative instruments settle on a net basis through the Statement of Financial Position in accordance with the convention, rather than through an offsetting arrangement. Under the terms of the derivative contracts where certain credit events occur (such as default), the net position owing/receivable to a single counterparty will be taken as owing and all the relevant arrangements terminated. As the Plan does not presently have a legally enforceable right to off-set, these amounts have been presented on a gross basis in the Statement of Financial Position.

12. 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.

The 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 Trustee 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.

The Plan acknowledges that an integral part of its good governance practice is a sound and prudent Risk Management Framework. The Plan has adopted a Risk Management Framework in accordance with APRA Prudential Standard SPS 220 *Risk Management* that includes a risk management strategy that describes that the key elements of the Risk Management Framework and a risk appetite statement that covers the Trustee's business operations and each category of material risk.

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 Framework 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 strategic 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;
- Risk reporting; 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. Performance and key manager characteristics are reported by the CIO to the Investment Committee via an Investment Manager watch list.

The Plan's Audit & Risk Committee oversees how management monitors compliance with the Risk Management Framework and its risk management policies and procedures. The committee also 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 exposure within acceptable parameters, while optimising the return on risk.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

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. Market risk is managed and monitored using sensitivity and scenario analysis, and minimised in addition to diversification 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 Income Statement 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 and historical levels of changes in interest rates and foreign exchange rates. 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.

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 Financial Position at fair value which the Trustee believes approximates net fair value. The maximum risk is determined by the fair value of the financial instruments. Price risk sensitivity analysis is prepared on the basis of the Plan's investments across all assets classes subject to price risk. The disclosure of price risk is considered by the Trustee as a reasonable guide to the sensitivity of the value of the investments within the Plan.

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 12.7% in 2017 (2016: 12.0%) at the reporting date would increase the Plan's net assets by $861,856,955 (2016: $751,506,530). 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 reasonably possible change in the fair 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 is calculated on the 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.

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. In the 2016 financial year the Trustee reviewed the Plan's approach to currency. The key outcome from this review was for currency risk to be managed at an investment option level.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

30 June 2017	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	319,077	20,566	811	1,513	4,114	346,081	809,632	1,155,713
Receivables	48,285	6,986	2,433	453	3,905	62,062	162,883	224,945
Investments	1,628,096	454,357	124,418	152,643	635,681	2,995,195	3,504,355	6,499,550
Total Assets	1,995,458	481,909	127,662	154,609	643,700	3,403,338	4,476,870	7,880,208
Liabilities								
Payables	14,340	3,983	1,743	1,324	19,285	40,675	204,194	244,869
Financial liabilities	7,596	4,180	650	54	5,900	18,380	187,025	205,405
Other liabilities	-	-	-	-	-	-	82,089	82,089
Total Liabilities	21,936	8,163	2,393	1,378	25,185	59,055	473,308	532,363
Net assets available to pay benefits	1,973,522	473,746	125,269	153,231	618,515	3,344,283	4,003,562	7,347,845

30 June 2016	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	383,722	36,855	926	2,859	8,285	432,647	726,042	1,158,689
Receivables	15,065	5,237	3,140	378	3,763	27,583	111,886	139,469
Investments	1,412,953	312,849	95,900	121,443	522,142	2,465,287	3,562,382	6,027,669
Total Assets	1,811,740	354,941	99,966	124,680	534,190	2,925,517	4,400,310	7,325,827
Liabilities								
Payables	5,149	1,602	53	-	216	7,020	85,771	92,791
Financial liabilities	32,135	1,646	1,679	4,784	788	41,032	221,559	262,591
Other liabilities	-	-	-	-	-	-	43,994	43,994
Total Liabilities	37,284	3,248	1,732	4,784	1,004	48,052	351,324	399,376
Net assets available to pay benefits	1,774,456	351,693	98,234	119,896	533,186	2,877,465	4,048,986	6,926,451

Sensitivity Analysis

A strengthening of the Australian dollar against the following currencies by the factors shown in the following table as at 30 June 2017 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 2017 would have the equal but opposite effect by the amounts shown below, assuming that all other variables remain constant.

The analysis assumes that all other variables, in particular interest rates, remain constant. The impact mainly arises from the reasonably possible change in foreign currency rates, 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 of foreign currencies.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

	USD A$'000	EUR A$'000	GBP A$'000	JPY A$'000
30 June 2017	213,140	40,268	14,030	20,227
Currency rate risk *	10.8%	8.5%	11.2%	13.2%
30 June 2016	189,867	29,542	10,904	15,706
Currency rate risk *	10.7%	8.4%	11.1%	13.1%

* 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 especially expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates in 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 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.

30 June 2017	Floating Interest Rate $'000	Fixed 1 year or less $'000	Fixed 1 to 5 years $'000	Fixed Over 5 years $'000	Non-interest Bearing $'000	Total $'000
Assets						
Cash and cash equivalents	1,072,813	82,900	-	-	-	1,155,713
Receivables	72,555	-	-	-	152,390	224,945
Investments	555,682	71,113	241,135	549,229	5,082,391	6,499,550
Total assets	1,701,050	154,013	241,135	549,229	5,234,781	7,880,208
Liabilities						
Payables	-	-	-	-	244,869	244,869
Financial liabilities	-	161,021	12,425	19,170	12,789	205,405
Other liabilities	-	-	-	-	82,089	82,089
Total liabilities	-	161,021	12,425	19,170	339,747	532,363
Net assets/(liabilities) available to pay benefits	1,701,050	(7,008)	228,710	530,059	4,895,034	7,347,845

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

30 June 2016	Floating Interest Rate $'000	Fixed 1 year or less $'000	Fixed 1 to 5 years $'000	Fixed Over 5 years $'000	Non-interest Bearing $'000	Total $'000
Assets						
Cash and cash equivalents	1,055,308	103,381	-	-	-	1,158,689
Receivables	76,432	-	-	-	63,037	139,469
Investments	883,093	35,812	233,546	436,086	4,439,132	6,027,669
Total assets	2,014,833	139,193	233,546	436,086	4,502,169	7,325,827
Liabilities						
Payables	-	-	-	-	92,791	92,791
Financial liabilities	705	187,025	3,952	37,259	33,650	262,591
Other liabilities	-	-	-	-	43,994	43,994
Total liabilities	705	187,025	3,952	37,259	170,435	399,376
Net assets/(liabilities) available to pay benefits	2,014,128	(47,832)	229,594	398,827	4,331,734	6,926,451

Sensitivity analysis

An increase of 100 basis points (2016: 100 basis points) in interest rates would have decreased the net assets available to pay benefits and the net investment revenue by $17,974,950 (2016: a decrease of $8,954,905). A move by the same amount in the opposite direction would have increased the net assets available to pay benefits and the net investments revenue by $17,970,950 (2016: an increase of $8,954,905).

The impact mainly arises from the reasonable possible change in interest rates on the net market value of fixed interest securities. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, in consultation with its investment adviser, having regard to the average annual absolute movement in the yields of 10 year Australian and US Government bonds and other large developed market government bonds over a 10 year period.

(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.

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.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Australian Fixed Income Securities	2017 $'000	2016 $'000
Credit Grade		
AAA	326,646	451,185
AA	35,005	84,231
A	11,750	33,843
BBB	717	16,959
Not rated	-	1,421
	374,118	587,639

Global Fixed Income Securities	2017 $'000	2016 $'000
Credit Grade		
AAA	47,078	3,229
AA	38,973	13,473
A	117,907	5,185
BBB	147,159	40,852
BB	38,950	18,723
B	25,585	15,301
CCC	812	48
	416,464	96,811

(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 unlisted 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.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis for financial liabilities

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

	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	12 to 60 months $'000	60+ months $'000
30 June 2017					
Financial liabilities					
Benefits payable	6,125	-	-	-	-
Accounts payable	22,250	-	-	-	-
Income tax payable	-	15,382	-	-	-
Outstanding settlements securities purchased	173,077	-	-	-	-
Deposits held broker margin accounts	43,417	-	-	-	-
Repurchase agreement	158,988	-	-	-	-
Vested benefits	7,127,830	-	-	-	-
Total excluding member benefits	7,531,687	15,382	-	-	-

	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	12 to 60 months $'000	60+ months $'000
30 June 2016					
Financial liabilities					
Benefits payable	7,372	-	-	-	-
Accounts payable	26,723	-	-	-	-
Income tax payable	-	1,765	-	-	-
Outstanding settlements securities purchased	33,201	-	-	-	-
Deposits held broker margin accounts	25,495	-	-	-	-
Repurchase agreement	175,282	-	-	-	-
Vested benefits	6,756,686	-	-	-	-
Total excluding member benefits	7,024,759	1,765	-	-	-

Liabilities to defined contribution Members are payable upon request. Liabilities to defined benefit Members are payable upon the Member meeting a vesting condition (such as resignation or retirement) in accordance with the terms of the Fund's Trust Deed. The Fund considers it is highly unlikely that all liabilities to Members would fall due at the same time.

12. 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. A figure is only disclosed if the net settled amount across all types of derivatives for a respective period is a liability. The majority of the totals disclosed in the table relate to swaps.

	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	12 to 60 months $'000	60+ months $'000
30 June 2017					
Derivatives					
Net settled derivatives	-	-	-	4,537	2,437

	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	12 to 60 months $'000	60+ months $'000
30 June 2016					
Derivatives					
Net settled derivatives	8,876	-	105	-	8,981

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Fair value reflects the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 discounted cash flow 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 fair value. Refer to Note 3(a) for the methods and assumptions adopted in determining the fair values of investments and Note 3(m) for derivatives.

Fair Value Hierarchy

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

- Level 1: Inputs to the valuation methodology are quoted prices (adjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), for substantially the full term of the financial instrument.
- Level 3: Inputs to the valuation methodology are valuation techniques using inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2017				
Investment assets				
Australian short-term deposits	624,745	-	-	624,745
Global short-term deposits	-	-	-	-
Derivative assets	6,406	83,724	-	90,130
Australian and global equities and managed funds	3,018,095	2,020,829	-	5,038,924
Australian and global fixed income securities	-	790,582	-	790,582
Money market securities	-	579,914	-	579,914
Investment income receivable & outstanding settlements for securities sold	141,277	-	-	141,277
Deposits held with brokers margin accounts	69,100	-	-	69,100
Total investment assets	3,859,623	3,475,049	-	7,334,672
Investment liabilities				
Derivatives liabilities	1,153	45,264	-	46,417
Outstanding settlements for securities purchased	173,077	-	-	173,077
Deposits held with broker margin accounts	43,417	-	-	43,417
Repurchase agreements	-	158,988	-	158,988
Total investment liabilities	217,647	204,252	-	421,899
Total investment	3,641,976	3,270,797	-	6,912,773

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2016				
Investment assets				
Australian short-term deposits	515,378	-	-	515,378
Global short-term deposits	-	-	-	-
Derivative assets	6,109	72,219	-	78,328
Australian and global equities and managed funds	2,687,664	1,713,782	-	4,401,446
Australian and global fixed income securities	-	684,450	-	684,450
Money market securities	68,839	794,605	-	863,444
Investment income receivable & outstanding settlements for securities sold	45,051	-	-	45,051
Deposits held with brokers margin accounts	79,022	-	-	79,022
Total investment assets	3,402,063	3,265,056	-	6,667,119
Investment liabilities				
Derivatives liabilities	11,804	75,505	-	87,309
Outstanding settlements for securities purchased	33,201	-	-	33,201
Deposits held with broker margin accounts	25,495	-	-	25,495
Repurchase agreements	-	175,282	-	175,282
Total investment liabilities	70,500	250,787	-	321,287
Total investment	3,331,563	3,014,269	-	6,345,832

Reconciliation of balances in the level 3 fair value hierarchy

	Derivative assets $'000	Equity and managed funds $'000	Fixed income securities $'000	Money market securities $'000
30 June 2016				
Opening balance	-	655	3,089	254,729
Purchases	-	538	-	208,967
Sales	-	(1,193)	(1,956)	(254,729)
Reclassification from level 3 to level 2 during the year	-	-	-	(210,067)
Total unrealised gains/(losses) on level financial instruments	-	-	(1,133)	1,100
Closing balance	-	-	-	-

In the year ended 30 June 2016 the level 3 money market securities which are corporate promissory notes were re-classified from level 3 to level 2 although they do not have market observable prices. This is change from the disclosure in 30 June 2016 audited financial statements.

14. TAXATION

	2017 $'000	2016 $'000
(a) Recognised in the income statement		
Current income tax		
- Current tax charge	20,665	(9,711)
- Adjustment to current tax for prior period	7,584	(2,669)
Deferred income tax		
- Movement in temporary differences	24,360	(1,206)
Income tax expense/(benefit)	52,609	(13,586)

(b) Numerical reconciliation between tax expense and profit before income tax

	2017 $'000	2016 $'000
Profit/(loss) before income tax	590,691	66,880
Tax applicable at the rate of 15% (2016: 15%)	88,604	10,032
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
- Movement in realised/unrealised positions	(18,505)	4,778
Tax effect of other adjustments		
- Imputation and foreign tax credits	(21,067)	(22,440)
- Exempt pension income	(4,007)	(3,287)
- Under/(Over) provision prior year	7,584	(2,669)
Income tax expense/(benefit)	52,609	(13,586)

(c) Recognised in the Statement of Changes in Members Benefits

	2017 $'000	2016 $'000
Contributions, transfers in and other items recognised in the Statement of Changes in Members Benefits	369,498	334,200
Tax applicable at the rate of 15% (2016: 15%)	55,426	50,130
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
- Contributions revenue and transfers in	(17,170)	(11,601)
- Insurance proceeds	(1,991)	(2,245)
- No TFN tax	(13)	-
Tax effect of other adjustments		
- Anti-detriment & notional deduction for self-insurance	(911)	(1,431)
Income tax expense	35,341	34,853
<u>Allocated as follows:</u>		
Contributions tax	40,339	40,040
Anti-detriment deduction	(911)	(1,431)
Tax benefit on insurance premiums (to members)	(2,737)	(2,576)
Tax benefit on insurance premiums (to Plan)	(1,350)	(1,180)
Income tax expense	35,341	34,853

14. TAXATION (CONTINUED)

	2017 $'000	2016 $'000
(d) Current tax liabilities		
Balance at beginning of year	1,765	(13,036)
Income tax paid – current period	(40,486)	(43,002)
Income tax paid– prior periods	(10,518)	15,705
Current year income tax provision	55,868	44,767
Under/(Over) provision prior year	8,753	(2,669)
Current tax liabilities	15,382	1,765

(e) Deferred tax assets and liabilities

The amount of net deferred tax liability recognised:

Deferred tax assets		
Accounts payable	669	794
Deferred tax assets	669	794
Deferred tax liabilities		
Contributions receivable	1,681	1,686
Realised and Unrealised capital gains on investments (discounted)	65,695	41,337
Deferred tax liabilities	67,376	43,023
Net deferred tax liabilities	66,707	42,229

15. ADMINISTRATION EXPENSES

Administration expenses comprise payments of staff, board, finance, operations, Member services, legal, risk & compliance and other operating expenses:

	2017 $'000	2016 $'000
Actuarial fees	597	574
Audit fees	445	435
General administration expenses	9,819	9,215
Project expenses	1,200	688
Regulatory fees	715	829
Tax agent fees	344	340
Trustee fees and reimbursements	149	161
TOTAL ADMINISTRATION EXPENSES	13,269	12,242

The Plan did not incur any sponsorship or advertising expenses during the year.

16. RECEIVABLES

	2017 $'000	2016 $'000
Contributions receivable	12,205	12,253
Other receivables and prepayments	2,363	3,143
Deposits held with broker margin accounts	69,100	79,022
Investment income receivable	26,259	31,063
Outstanding settlements	115,018	13,988
TOTAL RECEIVABLES	224,945	139,469

17. PAYABLES

	2017 $'000	2016 $'000
Creditors and accruals	22,250	26,723
Liabilities held with broker margin accounts	43,417	25,495
Outstanding settlements	173,077	33,201
TOTAL PAYABLES	238,744	85,419

18. CASH FLOW INFORMATION

(a) Reconciliation of Cash

	2017 $'000	2016 $'000
Cash at bank	17,362	9,602
Short term deposits	624,745	515,378
Cash held by investment managers	513,606	633,709
TOTAL CASH AND CASH EQUIVALENTS	1,155,713	1,158,689

(b) Reconciliation of Net Cash provided by Superannuation Activities to net profit after tax

	2017 $'000	2016 $'000
Net profit after tax	(17,905)	(170,535)
Allocated to Members accounts	546,565	239,962
Remeasurement in assets measured at fair value	(440,784)	116,680
(Increase)/Decrease in investment receivables	(86,304)	8,900
(Increase)/Decrease in receivables	1,880	(2,954)
Increase/(Decrease) in payables	(4,473)	(487)
Increase/(Decrease) in investment payables	100,612	61,613
Increase/(Decrease) in current tax liabilities	13,360	8,656
Increase/(Decrease) in deferred tax liabilities	24,478	(20,831)
NET CASH FLOWS FROM SUPERANNUATION ACTIVITIES	137,429	241,004

19. AUDITOR'S REMUNERATION

	2017 $	2016 $
Amounts paid or due and payable to PricewaterhouseCoopers for the following services:		
• Audit of the financial report and regulatory compliance	234,800	200,950
• Other audit related services	36,150	31,190
Other services:		
• Taxation services	344,125	340,333
TOTAL AUDITOR'S REMUNERATION	615,075	572,473

20. 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 Income Statement. Contributions are made in accordance with the Trust Deed and Rules.

Contributions receivable from the employer sponsor and associated employers as at 30 June 2017 (and received subsequent to that date) amounted to $12,205,049 (2016: $12,253,163)

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 of $285,362 (2016: $254,813) are included in administration expenses in the Income Statement.

At 30 June 2017 the Plan held investments in Qantas Airways Limited to the value of $5,810,439 (2016: $3,126,351). These investments have been made independent of the Trustee by the Fund's investment managers.

The Plan also paid Qantas Airways Limited $149,087 (2016: $160,994) for the supply of trustee services on behalf of the Trustee.

(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:
Anne Ward (Chairman)	Mark Thorpe (Group A)
Paul Costello	Bruce Roberts (Group B) (appointed 30 September 2016)
Cecilia Ho	John Sipek (Group C)
Andrew Monaghan	Kash Gillies (Group D)
Rachel Yangoyan (appointed 10 November 2016)	Greg Manning (Group E)
Macfarlane, Russell (ceased 29 September 2016)	Pagden, D (ceased 5 September 2016)

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, Michael Clancy (CEO), Andrew Spence (CIO) and Hugh Loughrey (HLRC) are also KMPs.

The Trustee has a licence from the Australian Prudential Regulatory Authority. Its RSE licence was granted on 27 April 2016 (Licence No. L0002257).

20. RELATED PARTIES (CONTINUED)

(c) Remuneration of Key Management Personnel

The remuneration of KMP paid is set out below:

	2017 $'000	2016 $'000
Short-term benefits	1,764	1,797
Post-employment	75	119
	1,839	1,916

(d) Trustee related transactions

The Trustee Directors, except for Anne Ward and Paul Costello, receive no remuneration from the Plan or its related parties in connection with the management of the Plan. All Directors of the Trustee except Anne Ward are also Members of the Plan and made contributions to the Plan on an arms-length basis.

The membership terms and conditions, contributions and benefits 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.

(e) Other related parties – direct holdings and associates

The Plan holds six sole purpose investment vehicles which are recorded at fair value:

		2017		2016	
	Place of business	% Int.	$'000	% Int.	$'000
Q Infrastructure Trust	Australia	100	253,217	100	221,881
QPET	Australia	100	352,641	100	349,986
Q Infrastructure Yield Trust	United Kingdom	100	122,491	100	117,202
QAIF Limited	Singapore	100	168,595	100	165,009
QCT	United States	100	100,533	100	111,824
QPIPO Trust	Australia	100	12,214	-	-
Q Timberland Trust	United States	100	-	100	-
Total direct holdings and associates			1,009,691		965,902

The above tables list the fair value and the percentage interest of each investment asset as at 30 June 2017. The maximum exposure to loss is limited to the net fair value of each investment asset. The net fair value will potentially change on a daily basis throughout the period and in subsequent periods and will cease once the investments are disposed. The investments of the Plan are managed in accordance with the investment mandates with the respective underlying investment managers. The investment decisions of the Plan are made by the investment managers based on their analysis and the investment guidelines provided to them by the Plan. The return of the Plan is exposed to the variability of the performance of the underlying investment assets. The underlying investment managers receive a management fee for undertaking the management of these investments.

21. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There were no contingent assets and liabilities as at 30 June 2017 (30 June 2016: Nil).

The Plan had the following investment commitments:

Undrawn Commitments	**2017 $'000**	**2016 $'000**
Agriculture	75,000	-
Infrastructure Debt	71,071	65,777
Real Assets	283,372	261,461
Private Equity	97,900	93,624
Opportunistic Growth Alternative	110,814	146,052
	638,157	566,914

22. CONDITIONS FOR TERMINATION OF THE 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 Plan 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 any order is made or an effective resolution is passed for the winding up of the Principal Company other than for 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.

23. SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the Plan's financial statements at 30 June 2017.

STATEMENT BY TRUSTEE

In the opinion of the Trustee

(a) the accompanying financial statements and notes set out on pages 2 to 39 are in accordance with:

(i) Australian Accounting Standards and other mandatory professional reporting requirements; and

(ii) present fairly the Plan's financial position as at 30 June 2017 and its performance for the year ended on that date; and

(b) the Plan has been conducted in accordance with the provisions of the Trust Deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993, and Regulations, the Corporations Act 2001, Regulations and Guidelines and Financial Sector (Collection of Data) Act 2001 during the year ended 30 June 2017; and

(c) There are reasonable grounds to believe that the Plan will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Trustee.

....
Director

....
Director

Signed at Sydney this 22nd day of September 2017.

pwc

Independent Auditor's report on financial statements

Report by the RSE Auditor to the trustee and members of Qantas Superannuation Plan (ABN: 41 272 198 829)

Opinion

I have audited the financial statements of Qantas Superannuation Plan for the year ended 30 June 2017 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Qantas Superannuation Plan as at 30 June 2017 and the results of its operations, cash flows, changes in equity and changes in member benefits for the year ended 30 June 2017.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Trustee's responsibility for the financial statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards[1] and the requirements of the *Superannuation Industry (Supervision) Act 1993* (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.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

[1] The Australian Accounting Standards issued by the Australian Accounting Standards Board.

pwc

Auditor's responsibility

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgement and maintained professional scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit 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 RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my auditor opinion. My auditor conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

PricewaterhouseCoopers

PricewaterhouseCoopers

David Coogan
Partner

Sydney
22 September 2017