

QANTAS SUPERANNUATION PLAN

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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QANTAS SUPERANNUATION PLAN

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Cash and cash equivalents	18(a)	1,304,972	1,155,713
Receivables	16	158,171	224,945
Investments	8	6,902,361	6,499,550
TOTAL ASSETS		8,365,504	7,880,208
LIABILITIES			
Benefits payable		2,930	6,125
Creditors and accruals	17	101,828	238,744
Current tax liabilities	14(d)	12,805	15,382
Financial liabilities	9	256,532	205,405
Deferred tax liabilities	14(e)	39,794	66,707
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS		413,889	532,363
NET ASSETS AVAILABLE FOR MEMBER BENEFITS		7,951,615	7,347,845
MEMBERS BENEFITS			
Defined contribution Member liabilities	4(a)	4,079,684	3,686,695
Defined benefit Member liabilities	4(b)	3,472,101	3,364,881
TOTAL MEMBERS BENEFITS		7,551,785	7,051,576
NET ASSETS		399,830	296,269
EQUITY			
Disability reserve	7	11,814	12,325
Other insurance reserves	7	4,743	6,669
Forgone benefits reserve	7	-	-
Operational risk reserve	7	19,450	19,205
Defined benefit plans that are over/(under) funded		363,823	258,070
TOTAL EQUITY		399,830	296,269

QANTAS SUPERANNUATION PLAN

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
REVENUE FROM SUPERANNUATION ACTIVITIES			
Interest		56,664	51,271
Dividends and distributions		212,542	161,802
Net remeasurement of assets measured at fair value	10	463,267	414,466
Other revenue		736	527
		<hr/>	<hr/>
TOTAL SUPERANNUATION ACTIVITIES REVENUE		733,209	628,066
EXPENSES			
Investment expenses		32,485	24,106
General administration expenses	15	15,362	13,269
		<hr/>	<hr/>
TOTAL EXPENSES		47,847	37,375
		<hr/>	<hr/>
NET INCOME SUPERANNUATION ACTIVITIES		685,362	590,691
NET INSURANCE ACTIVITIES	6	(9,404)	(9,422)
ALLOCATION TO MEMBERS BENEFITS			
Net benefits allocated to Defined Contribution (DC) Member accounts		(315,189)	(292,418)
Net benefits allocated to Defined Benefit (DB) Member liabilities		(237,753)	(254,147)
		<hr/>	<hr/>
TOTAL ALLOCATION TO MEMBER BENEFITS		(552,942)	(546,565)
		<hr/>	<hr/>
OPERATING RESULT BEFORE INCOME TAX		123,016	34,704
INCOME TAX EXPENSE/(BENEFIT)	14(a)(b)	15,946	52,609
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OPERATING RESULT AFTER INCOME TAX		107,070	(17,905)
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QANTAS SUPERANNUATION PLAN

STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	DC Members Benefits \$'000	DB Members Benefits \$'000	Total 2018 \$'000
<u>Year ended 30 June 2018</u>				
Liability for accrued benefits beginning of period		3,686,695	3,364,881	7,051,576
CONTRIBUTION REVENUE				
Employer contributions		170,124	94,138	264,262
Member contributions		26,168	15,124	41,292
Government co-contributions		46	93	139
Low income contributions		341	55	396
Transfers in		44,465	9,066	53,531
Transfers from DB to DC Members benefits		225,138	(225,138)	-
Total contributions before tax		466,282	(106,662)	359,620
Income tax on contributions	14(c)	25,538	14,124	39,662
Net after tax contributions		440,744	(120,786)	319,958
BENEFITS PAID				
Benefits paid		(361,969)	(12,920)	(374,889)
Anti-detriment deduction	14(c)	744	-	744
Net benefits paid		(361,225)	(12,920)	(374,145)
INSURANCE				
Insurance premiums charged to Members' accounts		(18,709)	(1,432)	(20,141)
Claims credited to Members' accounts		14,191	880	15,071
Income tax benefit on insurance premiums	14(c)	2,799	215	3,014
Net Insurance (cost)/benefit		(1,719)	(337)	(2,056)
INCOME AND EXPENSES				
Investment earnings/(losses) applied to Members		324,025	-	324,025
Net change in DB Member accrued benefits*		-	237,753	237,753
Administration fees paid by Members		(8,836)	-	(8,836)
Reserve transfers to/(from) Members				
- Disability reserve		-	3,437	3,437
- Other insurance reserve		-	73	73
- Forgone benefits reserve		-	-	-
Net income/(expenses)		315,189	241,263	556,452
Liability for accrued benefits end of period		4,079,684	3,472,101	7,551,785

* Includes investment earnings/(losses) applied to accumulation accounts of DB Members

QANTAS SUPERANNUATION PLAN

STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	DC Members Benefits \$'000	DB Members Benefits \$'000	Total 2017 \$'000
Year ended 30 June 2017				
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
Transfers from DB to DC Members benefits		290,090	(290,090)	-
Total contributions before tax		502,698	(119,054)	383,644
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

* Includes investment earnings/(losses) applied to accumulation accounts of DB Members

QANTAS SUPERANNUATION PLAN

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	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 2018						
Opening Balance	12,325	6,669	-	19,205	258,070	296,269
Amounts allocated to DC Members	-	-	-	-	-	-
Amount allocated to DB Members	(3,437)	(73)	-	-	-	(3,510)
Net income/(loss) applied	2,926	(1,853)	-	1,615	105,753	108,441
Transfer out of reserve	-	-	-	(1,370)	-	(1,370)
Closing Balance	11,814	4,743	-	19,450	363,823	399,830
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

Refer to Note 7 for details on the reserves

QANTAS SUPERANNUATION PLAN

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		25,868	40,053
Dividend and distributions received		210,614	161,938
Insurance		14,063	13,319
Insurance premiums paid		(29,874)	(27,298)
Other income		823	708
Administration expenses		(15,729)	(11,463)
Investment expenses		(26,179)	(34,080)
Income tax paid		(48,913)	(12,661)
GST received from ATO		1,723	1,632
NET CASH FLOWS FROM SUPERANNUATION ACTIVITIES	18(b)	132,396	132,148
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial instruments held at fair value through profit or loss		10,540,125	8,752,755
Purchase of financial instruments held at fair value through profit or loss		(10,473,627)	(8,781,183)
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		66,498	(28,428)
CASH FLOWS FROM FINANCING ACTIVITIES			
Employer contributions		264,065	267,781
Member contributions		41,266	61,878
Government co-contribution		139	200
Low income super contributions		396	387
Transfers in		53,531	52,346
Benefits paid		(378,087)	(452,094)
Income tax on contributions		(30,945)	(37,194)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(49,635)	(106,696)
NET (DECREASE)/INCREASE IN CASH HELD		149,259	(2,976)
CASH AT THE BEGINNING OF PERIOD		1,155,713	1,158,689
CASH AT THE END OF PERIOD	18(a)	1,304,972	1,155,713

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018 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 20 September 2018.

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 prepared using fair value as a basis of measurement.

(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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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. 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 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised losses
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

(g) 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 2018, 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 as they are carried at fair value through the profit or loss.

AASB 2018-1 Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

AASB 2018-1 relates to amendments to AASB1, AASB128 and AASB140 and applies for annual reporting periods beginning on or after 1 January 2019. The Plan does not expect any impact on its financial statements resulting from the application of AASB 2018-1.

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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).

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).

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 32% 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2018 there were no capital commitment obligations other than disclosed in Note 21.

(o) Operational Risk Reserve (ORR)

Superannuation Prudential Standard 114: Operational Risk Financial Requirement, (SPS 114) 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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:

	2018 \$'000	2017 \$'000
Vested Benefits	4,079,684	3,686,695

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

(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 (in aggregate these are the accrued benefits).

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

4. MEMBER LIABILITIES (CONTINUED)

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

	2018 \$'000	2017 \$'000
Actuarial Value of Accrued Benefits	3,472,101	3,364,881
<i>Split as follows:</i>		
DC benefits	1,409,512	1,364,623
DB benefits	2,062,589	2,000,258
Assets related to DB Members' DB benefits	2,426,412	2,258,328
Surplus for DB Members DB benefits	363,823	258,070

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 net investment rate of return of 4.4% p.a. (2017: 4.4%) was derived based on long term capital market assumptions as at 31 March 2018 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. In particular adjustments were made for net alpha generation and centralised portfolio management efficiencies. The sum of these adjustments results in an increase to the net investment rate of return of 0.3%.
- The long term inflationary salary increase rate was assumed to be 3.0% p.a (2017: 3.0%). This is consistent with the assumption adopted by the Company for its 30 June 2018 AASB 119 accounting disclosures and that adopted for the 1 July 2016 actuarial investigation.

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 (2017: 1%)
- Future salary increases being 1% p.a. (2017 1%) higher or lower than assumed

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

4. MEMBER LIABILITIES (CONTINUED)

	2018 \$'000	2017 \$'000
Reasonably possible change in key assumptions (with no change in other assumptions)		
Increase in future rate of investment return	(168,351)	(170,263)
Decrease in future rate of investment return	197,468	200,640
Increase in future salary increases	171,967	156,532
Decrease in future salary increases	(149,740)	(136,503)

Other assumptions made when calculating the DB liabilities for which changes are not considered reasonably possible, or for which reasonably possible changes are not expected to have a material effect, include pre and past retirement mortality rates, pension increase rates and retirement patterns.

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 2018 were \$264,262,195 (2017: \$268,842,445).

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 2018 the Plan had a surplus of net assets available to pay benefits compared to vested benefits.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

5. MEMBER NUMBERS

	2018 Number	2017 Number
Members at the beginning of the year	31,884	31,921
New Members admitted	2,523	2,299
Member exits due to:		
Choice of fund	(95)	(78)
Deaths	(57)	(39)
Ill health and TPD	(26)	(39)
Other exits	(2,611)	(2,180)
Members at the end of the year	31,618	31,884
The membership is split as follows:		
Division 1	291	300
Division 2	4,017	4,169
Division 3	4,695	4,880
Division 3a	79	140
Division 4	31	31
Division 5	413	444
Division 6	3,637	3,810
Division 7	796	864
Division 10	539	604
Division 12	1	1
Division 15	352	371
Gateway	15,623	15,162
Gateway Income	1,144	1,108
Members at the end of the year	31,618	31,884

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:

	2018 \$'000	2017 \$'000
Insurance premiums paid by Plan	(9,877)	(9,003)
Self-insurance amounts paid to members	(1,008)	(1,769)
Tax benefit for insurance premiums paid by Plan	1,481	1,350
	(9,404)	(9,422)

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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:

		2018 \$'000	2017 \$'000
Disability reserve	(i)	11,814	12,325
Other insurance reserve	(ii)	4,743	6,669
Foregone benefits reserve	(iii)	-	-
Operational risk reserve	(iv)	19,450	19,205
		<u>36,007</u>	<u>38,199</u>

(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.

	2018 \$'000	2017 \$'000
Disability reserve		
- Current permanent incapacities	10,971	11,192
- Current initial incapacities	843	1,133
Other insurance reserves	4,743	6,669
	<u>16,557</u>	<u>18,994</u>
Total insurance reserves		

(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 2018 the balance was \$nil and the distribution to Members of nil% of salaries has been recommended (2017: \$nil and nil% 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 0.25% (2017: 0.26%) of the Plan's invested assets which is invested in line with the defined benefit investment strategy.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8. INVESTMENTS

	Note	2018 \$'000	2017 \$'000
Australian equities and managed funds		3,024,588	2,523,770
Global equities and managed funds		2,600,045	2,515,154
Money market securities		306,159	579,914
Australian fixed income securities	12(b)	539,735	374,118
Global fixed income securities	12(b)	377,287	416,464
Derivatives	11	54,547	90,130
		<hr/>	<hr/>
TOTAL INVESTMENTS		6,902,361	6,499,550
		<hr/>	<hr/>

9. FINANCIAL LIABILITIES

	Note	2018 \$'000	2017 \$'000
Derivatives	11	70,863	46,417
Repurchase agreements		185,669	158,988
		<hr/>	<hr/>
TOTAL FINANCIAL LIABILITIES		256,532	205,405
		<hr/>	<hr/>

10. NET REMEASUREMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS

	2018 \$'000	2017 \$'000
Australian equities and managed funds	148,172	136,628
Global equities and managed funds	338,691	228,452
Australian fixed income securities	68,023	20,418
Global fixed income securities	10,199	3,868
Derivatives	(104,924)	37,747
Foreign exchange gains/(losses)	3,106	(12,647)
	<hr/>	<hr/>
NET REMEASUREMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS	463,267	414,466
	<hr/>	<hr/>

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 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 any required margins are 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, or where the contract is centrally cleared.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	Notional Principal Amounts \$'000	Fair Value Assets \$'000	Fair Value Liabilities \$'000
30 June 2018			
Australian fixed interest futures	548,452	92	3,415
Global fixed interest futures	692,498	631	2,738
Money market futures	937,348	160	238
Australian share price index futures	101,749	9	951
Global share price index futures	36,352	25	851
Swaps	6,225,524	8,555	15,653
Warrants and options	16,319,240	24,900	400
Forward currency contracts	2,953,945*	20,175	46,617
		<u>54,547</u>	<u>70,863</u>
30 June 2017			
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
		<u>90,130</u>	<u>46,417</u>

* 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 Trustee has not entered into any offsetting arrangements, or master netting arrangement. 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. Where the Plan does not presently have a legally enforceable right to off-set, amounts will be presented on a gross basis in the Statement of Financial Position.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 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.

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 and actuary 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 13.8% in 2018 (2017: 12.7%) at the reporting date would increase the Plan's net assets by \$1,000 million (2017: \$861 million). 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

30 June 2018	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	256,811	100,461	27,725	2,079	5,591	392,667	912,305	1,304,972
Receivables	30,981	8,579	3,319	621	4,689	48,189	109,982	158,171
Investments	1,767,645	371,430	117,557	178,447	590,251	3,025,330	3,877,031	6,902,361
Total Assets	2,055,437	480,470	148,601	181,147	600,531	3,466,186	4,899,318	8,365,504
Liabilities								
Payables	6,243	2,278	106	145	146	8,918	95,840	104,758
Financial liabilities	47,603	5,787	1,039	259	1,794	56,482	200,050	256,532
Other liabilities	-	-	-	-	-	-	52,599	52,599
Total Liabilities	53,846	8,065	1,145	404	1,940	65,400	348,489	413,889
Net assets available to pay benefits	2,001,591	472,405	147,456	180,743	598,591	3,400,786	4,550,829	7,951,615
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

Sensitivity Analysis

A strengthening of the Australian dollar against the following currencies by the factors shown in the following table as at 30 June 2018 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 2018 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

	USD A\$'000	EUR A\$'000	GBP A\$'000	JPY A\$'000
30 June 2018	230,183	46,768	16,220	26,208
Currency rate risk *	11.5%	9.9%	11.0%	14.5%
30 June 2017	213,140	40,268	14,030	20,227
Currency rate risk *	10.8%	8.5%	11.2%	13.2%

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

iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan's interest-bearing financial assets 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.

	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
30 June 2018						
Assets						
Cash and cash equivalents	1,192,472	112,500	-	-	-	1,304,972
Receivables	63,748	-	-	-	94,423	158,171
Investments	328,700	63,883	370,327	494,190	5,645,261	6,902,361
Total assets	1,584,920	176,383	370,327	494,190	5,739,684	8,365,504
Liabilities						
Payables	38,175	-	-	-	66,583	104,758
Financial liabilities	13,176	191,824	1,480	1,634	48,418	256,532
Other liabilities	-	-	-	-	52,599	52,599
Total liabilities	51,351	191,824	1,480	1,634	167,600	413,889
Net assets/(liabilities) available to pay benefits	1,533,569	(15,441)	368,847	492,556	5,572,084	7,951,615

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

	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
30 June 2017						
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

Sensitivity analysis

An increase of 100 basis points (2017: 100 basis points) in interest rates would have decreased the net assets available to pay benefits and the net investment revenue by \$19,637,883 (2017: a decrease of \$17,974,950). 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 \$19,637,883 (2017: an increase of \$17,974,950).

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 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.

(b) Credit risk

Exposure to credit risk is inherent when holding credit securities, with a counterparty default, combined with nil recovery 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.

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2018 \$'000	2017 \$'000
Australian Fixed Income Securities		
<u>Credit Grade</u>		
AAA	432,396	326,646
AA	97,751	35,005
A	9,335	11,750
BBB	253	717
Not rated	-	-
	<hr/>	<hr/>
	539,735	374,118
	<hr/>	<hr/>
Global Fixed Income Securities		
<u>Credit Grade</u>		
AAA	52,998	47,078
AA	59,592	38,973
A	91,002	117,907
BBB	88,918	147,159
BB	55,447	38,950
B	26,102	25,585
CCC	2,040	812
Not rated	1,188	-
	<hr/>	<hr/>
	377,287	416,464
	<hr/>	<hr/>

(c) 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018					
Financial liabilities					
Benefits payable	2,930	-	-	-	-
Accounts payable	25,078	-	-	-	-
Income tax payable	-	-	12,805	-	-
Outstanding settlements securities purchased	38,575	-	-	-	-
Deposits held broker margin accounts	38,175	-	-	-	-
Repurchase agreement	185,669	-	-	-	-
Vested benefits	7,623,997	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total including member benefits	7,914,424	-	12,805	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	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	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total including member benefits	7,531,687	-	15,382	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018					
Derivatives					
Net settled derivatives	-	23,952	-	4,370	-
	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

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2018				
Investment assets				
Australian short-term deposits	595,137	-	-	595,137
Global short-term deposits	116,744	-	-	116,744
Derivative assets	916	53,631	-	54,547
Australian and global equities and managed funds	3,337,661	895,205	1,391,767	5,624,633
Australian and global fixed income securities	-	917,022	-	917,022
Money market securities	26,980	279,179	-	306,159
Investment income receivable & outstanding settlements for securities sold	79,170	-	-	79,170
Deposits held with brokers margin accounts	63,748	-	-	63,748
Total investment assets	4,220,356	2,145,037	1,391,767	7,757,160
Investment liabilities				
Derivatives liabilities	8,193	62,670	-	70,863
Outstanding settlements for securities purchased	38,575	-	-	38,575
Deposits held with broker margin accounts	38,175	-	-	38,175
Repurchase agreements	-	185,669	-	185,669
Total investment liabilities	84,943	248,339	-	333,282
Total investment	4,135,413	1,896,698	1,391,767	7,423,878

Reconciliation of balances in the level 3 fair value hierarchy

	Australian and global equities managed funds \$'000	Total \$'000
30 June 2018		
Opening balance	-	-
Reclassification from level 2 to level 3 during the year	1,085,154	1,085,154
Purchases	286,038	286,038
Sales	-	-
Total unrealised gains/(losses) on level 3 financial instruments	20,575	20,575
Closing balance	1,391,767	1,391,767

The reclassification from level 2 to level 3 in the current financial year represents investments that are valued based on non-market observable inputs.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

Valuation inputs and relationships to fair value

The Plan's level 3 investments comprise units in unit trusts which hold illiquid investments such as unlisted property and private equity. The following table summarises the quantitative information about the significant unobservable inputs used for the Trustee in level 3 fair value measurements.

Description	Fair value at 30 June	Unobservable inputs	Relationship of unobservable inputs to fair value
30 June 2018			
Australian and global equities and managed funds	1,391,767	Redemption price	Higher (lower) redemption price (+/- 16.97%) would increase/(decrease) fair value by \$236,115,034

Valuation process

The Trustee reviews the valuation of the financial instruments required for financial reporting purposes, including level 3 fair values. Changes in level 2 and 3 fair values are analysed at each reporting date by the Trustee.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

14. TAXATION

	2018 \$'000	2017 \$'000
(a) Recognised in the income statement		
Current income tax		
- Current tax charge	42,169	20,665
- Adjustment to current tax for prior period	746	7,584
Deferred income tax		
- Movement in temporary differences	(26,969)	24,360
	<hr/>	<hr/>
Income tax expense/(benefit)	15,946	52,609
	<hr/>	<hr/>
(b) Numerical reconciliation between tax expense and profit before income tax		
Profit/(loss) before income tax	685,362	590,691
	<hr/>	<hr/>
Tax applicable at the rate of 15% (2017: 15%)	102,804	88,604
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
- Movement in realised/unrealised positions	(60,275)	(18,505)
Tax effect of other adjustments		
- Imputation and foreign tax credits	(23,249)	(21,067)
- Exempt pension income	(4,080)	(4,007)
- Under/(Over) provision prior year	746	7,584
	<hr/>	<hr/>
Income tax expense/(benefit)	15,946	52,609
	<hr/>	<hr/>
(c) Recognised in the Statement of Changes in Members Benefits		
Contributions, transfers in and other items recognised in the Statement of Changes in Members Benefits	343,665	369,498
	<hr/>	<hr/>
Tax applicable at the rate of 15% (2017: 15%)	51,550	55,426
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
- Contributions revenue and transfers in	(14,285)	(17,170)
- Insurance proceeds	(2,109)	(1,991)
- No TFN tax	4	(13)
Tax effect of other adjustments		
- Anti-detriment & notional deduction for self-insurance	(744)	(911)
- notional deduction for self-insurance	7	-
	<hr/>	<hr/>
Income tax expense	34,423	35,341
	<hr/>	<hr/>
<u>Allocated as follows:</u>		
Contributions tax	39,662	40,339
Anti-detriment deduction	(744)	(911)
Tax benefit on insurance premiums (to members)	(3,014)	(2,737)
Tax benefit on insurance premiums (to Plan)	(1,481)	(1,350)
	<hr/>	<hr/>
Income tax expense	34,423	35,341
	<hr/>	<hr/>

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

14. TAXATION (CONTINUED)

	2018 \$'000	2017 \$'000
(d) Current tax liabilities		
Balance at beginning of year	15,382	1,765
Income tax paid – current period	(63,732)	(40,486)
Income tax paid – prior periods	(16,128)	(10,518)
Current year income tax provision	76,537	55,868
Under/(Over) provision prior year	746	8,753
	<hr/>	<hr/>
Current tax liabilities	12,805	15,382
	<hr/>	<hr/>
(e) Deferred tax assets and liabilities		
The amount of net deferred tax liability recognised:		
<u>Deferred tax assets</u>		
Accounts payable	759	669
	<hr/>	<hr/>
Deferred tax assets	759	669
	<hr/>	<hr/>
<u>Deferred tax liabilities</u>		
Contributions receivable	1,758	1,681
Realised and Unrealised capital gains on investments (discounted)	38,795	65,695
	<hr/>	<hr/>
Deferred tax liabilities	40,553	67,376
	<hr/>	<hr/>
Net deferred tax liabilities	39,794	66,707
	<hr/>	<hr/>

15. ADMINISTRATION EXPENSES

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

	2018 \$'000	2017 \$'000
Actuarial fees	653	597
Audit fees	422	445
Benefit payment fees	513	203
General administration expenses	9,840	9,616
Project expenses	1,239	1,200
Regulatory fees	649	715
Tax agent fees	516	344
Trustee fees and reimbursements	160	149
ORFR drawdown expense	1,370	-
	<hr/>	<hr/>
TOTAL ADMINISTRATION EXPENSES	15,362	13,269
	<hr/>	<hr/>

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

16. RECEIVABLES

	2018 \$'000	2017 \$'000
Contributions receivable	12,745	12,205
Other receivables and prepayments	2,508	2,363
Deposits held with broker margin accounts	63,748	69,100
Investment income receivable	34,567	26,259
Outstanding settlements	44,603	115,018
TOTAL RECEIVABLES	158,171	224,945

17. PAYABLES

	2018 \$'000	2017 \$'000
Creditors and accruals	25,078	22,250
Liabilities held with broker margin accounts	38,175	43,417
Outstanding settlements	38,575	173,077
TOTAL PAYABLES	101,828	238,744

18. CASH FLOW INFORMATION

	2018 \$'000	2017 \$'000
(a) Reconciliation of Cash		
Cash at bank	17,182	17,362
Short term deposits	711,881	624,745
Cash held by investment managers	575,909	513,606
TOTAL CASH AND CASH EQUIVALENTS	1,304,972	1,155,713

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

Net profit after tax	107,070	(17,905)
Allocated to Members accounts	552,942	546,565
Remeasurement in assets measured at fair value	(479,394)	(440,784)
(Increase)/Decrease in investment receivables	67,529	(86,304)
(Increase)/Decrease in receivables	(215)	1,880
Increase/(Decrease) in payables	2,828	(4,473)
Increase/(Decrease) in investment payables	(88,618)	100,612
Increase/(Decrease) in current tax liabilities	(2,833)	8,079
Increase/(Decrease) in deferred tax liabilities	(26,913)	24,478
NET CASH FLOWS FROM SUPERANNUATION ACTIVITIES	132,396	132,148

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

19. AUDITOR'S REMUNERATION

	2018 \$	2017 \$
Amounts paid or due and payable to PricewaterhouseCoopers for the following services:		
• Audit of the financial report and regulatory compliance	170,572	224,245
• Other audit related services	46,391	36,150
Other services:		
• Taxation services	516,112	344,125
TOTAL AUDITOR'S REMUNERATION	733,075	604,520

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 2018 (and received subsequent to that date) amounted to \$12,745,165 (2017: \$12,205,049).

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 \$278,387 (2017: \$285,362) are included in administration expenses in the Income Statement.

At 30 June 2018 the Plan held investments in Qantas Airways Limited to the value of \$6,257,396 (2017: \$5,810,439). These investments have been made independent of the Trustee by the Fund's investment managers.

The Plan also paid Qantas Superannuation Limited \$168,988 (2017: \$149,087) 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:

Anne Ward (Chairman)
Paul Costello
Cecilia Ho
Andrew Monaghan
Rachel Yangoyan

Member elected:

Mark Thorpe (Group A)
Bruce Roberts (Group B)
John Sipek (Group C)
Kash Gillies (Group D) (ceased 22 October 2017)
Luke Murray (Group D) (appointed 4 December 2017)
Greg Manning (Group E) (ceased 3 June 2018)
Hendrik van Calcar (Group E) (appointed 21 June 2018)

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 2006 and last varied on 13 October 2016 (Licence No. L0002257).

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

20. RELATED PARTIES (CONTINUED)

(c) Remuneration of Key Management Personnel

The remuneration of KMP paid is set out below:

	2018 \$'000	2017 \$'000
Short-term benefits	1,846	1,764
Post-employment	77	75
	<u>1,923</u>	<u>1,839</u>

(d) Trustee related transactions

The Trustee Directors receive no remuneration from the Plan. Anne Ward and Paul Costello are the sole directors who receive remuneration from a related party in connection with their Trustee duties. 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 ten sole purpose investment vehicles which are recorded at fair value:

			2018		2017
	Place of business	% Int.	\$'000	% Int.	\$'000
Q Infrastructure Trust	Australia	100	273,268	100	253,217
QPET	Australia	100	333,060	100	352,641
Q Infrastructure Yield Trust	United Kingdom	100	190,238	100	122,491
QAIF Limited	Singapore	100	30,197	100	168,595
QCT	United States	100	17,612	100	100,533
QPIPO Trust	Australia	100	52,748	100	12,214
Q Timberland Trust	United States	100	144,254	100	-
Q Diversified Credit Trust	Australia	100	127,508	-	-
Q Agriculture Trust	Australia	100	22,192	-	-
QGR Trust	Australia	100	12,658	-	-
			<u>1,203,735</u>		<u>1,009,691</u>
Total direct holdings and associates					

The above tables list the fair value and the percentage interest of each investment asset as at 30 June 2018. 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

21. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There were no contingent assets and liabilities as at 30 June 2018 (30 June 2017: Nil).

The Plan had the following investment commitments:

Undrawn Commitments	2018 \$'000	2017 \$'000
Agriculture	53,610	75,000
Infrastructure Debt	3,778	21,232
Real Assets	143,525	271,071
Private Equity	130,700	97,900
Opportunistic Growth Alternatives	141,043	110,814
Australian Equities	31,440	62,140
	<hr/>	<hr/>
	504,096	638,157
	<hr/>	<hr/>

22. 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 2018.

QANTAS SUPERANNUATION PLAN

STATEMENT BY TRUSTEE

In the opinion of the Trustee

- (a) the accompanying financial statements and notes set out on pages 2 to 37 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 2018 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 2018; 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 20th day of September 2018.



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 2018 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 2018 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2018.

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.

Responsibility of the trustee 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 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.

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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Auditor's responsibilities for the audit of the financial statements

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.

A handwritten signature in black ink, appearing to read 'Praveen Kumar'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CJ Cummins'.

CJ Cummins
Partner

Sydney
20 September 2018