QANTAS SUPERANNUATION PLAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

QANTAS SUPERANNUATION PLAN

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	18(a)	1,379,739	1,189,844
Receivables	16	98,983	177,668
Financial investments	8	6,997,585	7,413,992
TOTAL ASSETS		**8,476,307**	**8,781,504**
LIABILITIES			
Benefits payable		16,020	5,399
Creditors and accruals	17	69,649	145,300
Current tax liabilities	14(d)	29,512	1,021
Financial liabilities	9	162,801	179,122
Deferred tax liabilities	14(e)	38,280	69,812
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS		**316,262**	**400,654**
NET ASSETS AVAILABLE FOR MEMBER BENEFITS		**8,160,045**	**8,380,850**
MEMBERS BENEFITS			
Defined contribution (DC) Member liabilities	4(a)	4,394,537	4,464,865
Defined benefit (DB) Member liabilities	4(b)	3,449,517	3,441,137
TOTAL MEMBERS BENEFITS		**7,844,054**	**7,906,002**
NET ASSETS		**315,991**	**474,848**
RESERVES			
Disability reserve	7	8,846	9,703
Other insurance reserves	7	7,182	7,700
Forgone benefits reserve	7	210	208
Operational risk reserve	7	21,789	21,205
DB plans that are over/(under) funded		277,964	436,032
TOTAL RESERVES		**315,991**	**474,848**

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
REVENUE FROM SUPERANNUATION ACTIVITIES			
Interest		46,351	49,495
Dividends and distributions		226,653	262,375
Net gains/(losses) on financial instruments held at fair value through profit or loss	10	(286,612)	279,857
Other revenue		1,560	2,045
TOTAL SUPERANNUATION ACTIVITIES REVENUE		**(12,048)**	**593,772**
EXPENSES			
Investment expenses		28,334	32,244
General administration expenses	15	16,265	14,688
TOTAL EXPENSES		**44,599**	**46,932**
RESULTS FROM SUPERANNUATION ACTIVITIES BEFORE INCOME TAX		**(56,647)**	**546,840**
Income tax expenses/(benefit)	14(a)(b)	(22,660)	40,004
RESULTS FROM SUPERANNUATION ACTIVITIES AFTER INCOME TAX		**(33,987)**	**506,836**
NET INSURANCE ACTIVITIES	**6**	**(7,531)**	**(9,801)**
ALLOCATION TO MEMBERS BENEFITS			
Net benefits allocated to DC Member accounts		88,360	(258,388)
Net benefits allocated to DB Member liabilities		(202,043)	(161,349)
TOTAL ALLOCATION TO MEMBER BENEFITS		(113,683)	(419,737)
OPERATING RESULT AFTER INCOME TAX		**(155,201)**	**77,298**

STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2020

Year ended 30 June 2020	Notes	DC Member Benefits $'000	DB Member Benefits $'000	Total 2020 $'000
Liability for accrued benefits beginning of period		4,464,865	3,441,137	7,906,002
CONTRIBUTION REVENUE				
Employer contributions		154,746	96,731	251,477
Member contributions		29,097	11,902	40,999
Government co-contributions		50	84	134
Low income contributions		342	32	374
Transfers in		79,832	12,924	92,756
Transfers from DB to DC Members benefits		276,519	(276,519)	-
Total contributions before tax		540,586	(154,846)	385,740
Income tax on contributions	14(c)	19,632	14,510	34,142
Net after tax contributions		**520,954**	**(169,356)**	**351,598**
BENEFITS PAID				
Benefits paid		(501,830)	(28,505)	(530,335)
Net benefits paid		**(501,830)**	**(28,505)**	**(530,335)**
INSURANCE				
Insurance premiums charged to Members' accounts		(18,354)	(1,507)	(19,861)
Claims credited to Members' accounts		14,515	1,823	16,338
Income tax benefit on insurance premiums	14(c)	2,747	226	2,973
Net Insurance (cost)/benefit		**(1,092)**	**542**	**(550)**
INCOME AND EXPENSES				
Investment earnings/(losses) applied to Members		(80,403)	-	(80,403)
Net change in DB Member accrued benefits*		-	202,043	202,043
Administration fees paid by Members		(7,957)	-	(7,957)
Reserve transfers to/(from) Members				
- Disability reserve		-	3,411	3,411
- Other insurance reserve		-	31	31
- Forgone benefits reserve		-	214	214
Net income/(expenses)		**(88,360)**	**205,699**	**117,339**
Liability for accrued benefits end of period		**4,394,537**	**3,449,517**	**7,844,054**

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

STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2020

Year ended 30 June 2019	Notes	DC Member Benefits $'000	DB Member Benefits $'000	Total 2019 $'000
Liability for accrued benefits beginning of period		4,079,684	3,472,101	7,551,785
CONTRIBUTION REVENUE				
Employer contributions		174,185	97,277	271,462
Member contributions		29,602	14,513	44,115
Government co-contributions		46	105	151
Low income contributions		358	40	398
Transfers in		49,188	12,361	61,549
Transfers from DB to DC Members benefits		291,866	(291,866)	-
Total contributions before tax		545,245	(167,570)	377,675
Income tax on contributions	14(c)	26,165	14,591	40,756
Net after tax contributions		**519,080**	**(182,161)**	**336,919**
BENEFITS PAID				
Benefits paid		(387,902)	(12,103)	(400,005)
Anti-detriment deduction	14(c)	280	-	280
Net benefits paid		**(387,622)**	**(12,103)**	**(399,725)**
INSURANCE				
Insurance premiums charged to Members' accounts		(20,018)	(1,498)	(21,516)
Claims credited to Members' accounts		12,358	947	13,305
Income tax benefit on insurance premiums	14(c)	2,995	225	3,220
Net Insurance (cost)/benefit		**(4,665)**	**(326)**	**(4,991)**
INCOME AND EXPENSES				
Investment earnings/(losses) applied to Members		267,013	-	267,013
Net change in DB Member accrued benefits*		-	161,349	161,349
Administration fees paid by Members		(8,625)	-	(8,625)
Reserve transfers to/(from) Members				
- Disability reserve		-	2,243	2,243
- Other insurance reserve		-	34	34
- Forgone benefits reserve		-	-	-
Net income/(expenses)		**258,388**	**163,626**	**422,014**
Liability for accrued benefits end of period		**4,464,865**	**3,441,137**	**7,906,002**

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

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2020

	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 2020						
Opening Balance	9,703	7,700	208	21,205	436,032	474,848
Amount allocated to DB Members	(3,411)	(31)	(214)	-	-	(3,656)
Net income/(loss) applied	2,554	(487)	216	584	(158,068)	(155,201)
Transfer out of reserve	-	-	-	-	-	-
Closing Balance	8,846	7,182	210	21,789	277,964	315,991
Year Ended 30 June 2019						
Opening Balance	11,814	4,743	-	19,450	363,823	399,830
Amount allocated to DB Members	(2,243)	(34)	-	-	-	(2,277)
Net income/(loss) applied	132	2,991	208	1,955	72,209	77,495
Transfer out of reserve	-	-	-	(200)	-	(200)
Closing Balance	9,703	7,700	208	21,205	436,032	474,848

Refer to Note 7 for details on the reserves

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		47,551	54,939
Dividend and distributions received		189,762	246,078
Other income		1,570	2,044
Administration expenses		(17,692)	(15,569)
Investment expenses		(31,616)	(33,509)
Income tax refunded/(paid)		18,175	(23,792)
GST received from ATO		1,541	1,573
NET CASH FLOWS FROM OPERATING ACTIVITIES	18(b)	**209,291**	**231,764**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial instruments held at fair value through profit or loss		9,550,235	10,997,045
Purchase of financial instruments held at fair value through profit or loss		(9,393,661)	(11,271,061)
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**156,574**	**(274,016)**
CASH FLOWS FROM MEMBER ACTIVITIES			
Employer contributions		249,863	271,607
Member contributions		41,750	44,123
Government co-contribution		134	151
Low income super contributions		374	398
Transfers in		92,756	61,549
Benefits paid		(519,728)	(397,536)
Insurance proceeds		15,818	11,375
Insurance premiums paid		(28,448)	(30,698)
Income tax on contributions		(28,489)	(33,845)
NET CASH FLOWS USED IN MEMBER ACTIVITIES		**(175,970)**	**(72,876)**
NET (DECREASE)/INCREASE IN CASH HELD		189,895	(115,128)
CASH AT THE BEGINNING OF PERIOD		1,189,844	1,304,972
CASH AT THE END OF PERIOD	18(a)	**1,379,739**	**1,189,844**

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 (Plan Sponsor) 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 2020 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 Trustee Board on 24 September 2020.

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.

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.

AASB 16 *Leases* became effective for annual periods beginning on or after 1 January 2019. It removes the lease classification test for lessees and requires all leases (including operating leases) to be bought to account onto the balance sheet. There has been no impact on the Plan's financial statements resulting from the application of AASB 16 as the Plan does not have any lease obligations over property or other assets.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior or current periods that will affect future periods.

(g) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Plan. None of these are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(h) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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.

The Plan uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Fair values have been determined as follows:

<u>Market quoted equities</u>
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.

<u>Non-market quoted equities</u>
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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Managed funds
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.

Derivatives
Derivative financial instruments including forward exchange contracts and fixed rate futures are recorded at market rates at close of business on the reporting date.

Short-term deposits, fixed floating interest securities
These are valued at their fair value at close of business on the last business day of the reporting period.

(b) Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

(c) Foreign currency

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

(d) Receivables

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

(e) Financial liabilities

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

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

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

(f) Revenue recognition

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the expected tax payable on the estimated taxable income for the current year based on the applicable tax rate adjusted for instalment payments made to the ATO during the year and by adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(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) Financial instruments

Recognition/derecognition
The Plan recognises financial assets and financial liabilities on the date it becomes a party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Plan has transferred substantially all of the risks and rewards of ownership.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

Measurement
At initial recognition, the Plan measures financial assets and financial liabilities at fair value. Transaction costs for financial assets and liabilities carried at fair value through profit or loss are expensed in the income statement.

Subsequent to initial recognition all financial assets and liabilities are measured at fair value. Gains and losses are presented in the income statement in the period in which they arise as net changes in fair value of financial instruments.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or realise the asset and settle the liability at the same time.

(l) 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 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.

The Plan invests in structured entities 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.

As at 30 June 2020 there were no capital commitment obligations other than disclosed in Note 21.

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 DBs whilst the others provide DC (or accumulation) benefits. All of the DB divisions are closed to new Members. Gateway, which is a DC division, is the only division currently open to new Members. Most DB Members will have both a DB 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) DC Member liabilities

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 DB division) and non-member spouses

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

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

	2020 $'000	2019 $'000
Vested Benefits	4,394,537	4,464,865

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

(b) DB Member liabilities

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 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 DB 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 DB 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 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).

4. MEMBER LIABILITIES (CONTINUED)

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

	2020 $'000	2019 $'000
Actuarial Value of Accrued Benefits	3,449,517	3,441,137
Split as follows:		
DC benefits	1,250,700	1,395,966
DB benefits	2,198,817	2,045,171
Assets related to DB Members' DB benefits	2,476,781	2,481,203
Surplus for DB Members DB benefits	277,964	436,032

As at 30 June 2020 the Plan had a surplus of net assets available to pay benefits compared to vested benefits of $3,474,617,659 (2019: $3,466,404,105).

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
- The strong investment performance of the assets attributable to DB liabilities relative to the future rates of return assumed by the actuary, noting that despite the recent down turn in markets the Plan's funding position has remained reasonably strong.

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 4.3% p.a. (2019: 4.8%) was derived based on long term capital market assumptions as at 31 March 2020 taking into account the Plan's investment strategy for the assets backing its DB liabilities and the Plan's projected benefit cash flows as at 30 June 2020.
- The long-term inflationary salary increase rate was assumed to be 3.3% p.a. (2019: 3.0%). This is consistent with the assumption adopted for the 30 June 2019 actuarial investigation approved on 5 December 2019.

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; and
- Any large downsizing of the membership, when the Plan's assets are less than the vested benefits.

Given the current surplus in the Plan, the redundancy program announced by the Plan Sponsor on 25 June 2020 is not expected to have a material impact on the Plan's funding position.

4. MEMBER LIABILITIES (CONTINUED)

The impact to the actuarial value of accrued benefits 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 (2019: 1%).
- Future salary increases being 1% p.a. higher or lower than assumed (2019: 1%).

	2020 $'000	2019 $'000
Reasonably possible change in key assumptions (with no change in other assumptions)		
Increase in future rate of investment return	(191,045)	(157,105)
Decrease in future rate of investment return	223,606	182,209
Increase in future salary increases	196,076	158,380
Decrease in future salary increases	(171,406)	(139,243)

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 post 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 for the year ending 30 June 2020 were $251,477,102 (2019: $271,461,535).

The employer has made DB 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 DB investment portfolio as the DB's funding position improves over time. The JMP and the DB investment strategy was formally reviewed and refined during the 2016 and 2019 financial years, with a de-risking implemented in May 2016 as well as June 2019.

In addition, the Plan has in place an Additional Funding Plan (AFP). The AFP sets out the manner in which the Trustee and the Plan Sponsor 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 2020 the Plan had a surplus of net assets available to pay benefits compared to vested benefits.

An issue has been identified in respect of certain data provided by the Plan Sponsor to the Trustee affecting some classes of benefit calculations. The net impact of this issue on the measurement of Accrued Benefits cannot be reliably measured at this stage and as a result no adjustment has been recognised in the financial statements for the year ended 30 June 2020. Any required adjustment to the financial statements will be recognised, and any required reimbursement will be considered, when a reliable estimate of any net impact of this issue on the measurement of Accrued Benefits is known.

5. MEMBER NUMBERS

	2020 Number	2019 Number
Members at the beginning of the year	31,174	31,618
New Members admitted	1,908	1,809
Member exits due to:		
Choice of fund	(80)	(89)
Deaths	(41)	(45)
Ill health and TPD	(31)	(36)
Other exits	(2,433)	(2,083)
Members at the end of the year	30,497	31,174
The membership is split as follows:		
Division 1	242	262
Division 2	3,575	3,789
Division 3	4,334	4,501
Division 3A	62	71
Division 4	31	31
Division 5	312	365
Division 6	3,209	3,399
Division 7	646	702
Division 10	425	474
Division 15	323	339
Gateway	16,033	16,068
Gateway Income	1,305	1,173
Members at the end of the year	30,497	31,174

6. INSURANCE

The Plan self-insured death and disability benefits for Members of the DC 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 DC division Members was transferred to external insurance policies with MLC Limited.

The Plan's self-insured death and disability benefits for Members of DB 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.

Insurance arrangements for DC and DB division Members up to 30 June 2020 were funded by payment of premiums to MLC Limited as reported in the Statement of Changes in Member Benefits. Insurance arrangements from 1 July 2020 onwards are funded by payment of premiums to MetLife Insurance Limited.

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 Member Benefits.

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

	2020 $'000	2019 $'000
Insurance premiums paid by Plan	(8,248)	(9,260)
Self-insurance amounts paid to Members	(520)	(1,930)
Tax benefit for insurance premiums paid by Plan	1,237	1,389
	(7,531)	(9,801)

6. INSURANCE (CONTINUED)

The Plan has reserves in place to cover self-insured 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 (excluding self-insured Members) 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:

		2020 $'000	2019 $'000
Disability reserve	(i)	8,846	9,703
Other insurance reserve	(ii)	7,182	7,700
Foregone benefits reserve	(iii)	210	208
Operational risk reserve	(iv)	21,789	21,205
		38,027	38,816

(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.

	2020 $'000	2019 $'000
Disability reserve		
- Current permanent incapacities	7,986	8,993
- Current initial incapacities	860	710
Other insurance reserves	7,182	7,700
Total insurance reserves	16,028	17,403

(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 2020, after meeting applicable costs of disability benefits for Division 1 Members, is $210,381 (2019: $208,284). There was a contribution of $215,995 to the reserve and a distribution of $213,898 or 0.19% to active Division 1 Members for the year ended 30 June 2020 (2019: $208,294 contribution and nil or 0% 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 Trustee 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 0.27% (2019: 0.25%) of the Plan's invested assets which is invested in line with the DB investment strategy. 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.

8. FINANCIAL INVESTMENTS

	Note	2020 $'000	2019 $'000
Australian equities and managed funds		3,423,566	3,457,821
Global equities and managed funds		2,404,877	2,833,074
Money market securities		413,882	363,061
Australian fixed income securities	12(b)	601,396	557,011
Global fixed income securities	12(b)	36,196	102,534
Derivatives	11	117,668	100,491
TOTAL FINANCIAL INVESTMENTS		6,997,585	7,413,992

9. FINANCIAL LIABILITIES

	Note	2020 $'000	2019 $'000
Derivatives	11	47,718	48,863
Repurchase agreements		115,083	130,259
TOTAL FINANCIAL LIABILITIES		162,801	179,122

10. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2020 $'000	2019 $'000
Net gains/(losses) on financial assets and liabilities (Derivatives)		(129,155)	(180,937)
Net gains/(losses) on financial assets and liabilities (Non-Derivatives)		(157,457)	460,794
NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		(286,612)	279,857
Realised gains/(losses) on net assets at fair value		(123,963)	933
Unrealised gains/(losses) on net assets at fair value		(88,634)	395,110
Realised FFX		(85,872)	(122,966)
Total currency gains/(loss)		13,375	5,423
Total settlement gain/(loss) on purchases		(534)	3,475
Total settlement gain/(loss) on sales		(901)	(2,347)
Total income exchange gain/(loss) on dividends		(81)	209
Total income exchange gain/(loss) on interest		3	25
Total income exchange gain/(loss) on trusts		(5)	(5)
NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		(286,612)	279,857

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.

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

30 June 2020	Fair Value Assets $'000	Fair Value Liabilities $'000
Australian fixed interest futures	9,083	2,209
Global fixed interest futures	6,294	1,458
Money market futures	-	11
Swaps	28,295	28,004
Forward currency contracts	73,996	16,036
	117,668	47,718

30 June 2019	Fair Value Assets $'000	Fair Value Liabilities $'000
Australian fixed interest futures	39	1,476
Global fixed interest futures	7,203	4,864
Australian share price index futures	-	31
Global share price index futures	43	89
Swaps	16,596	19,069
Warrants and options	22,508	307
Forward currency contracts	54,102	23,027
	100,491	48,863

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.

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. A three lines-of-defence risk management and assurance model has been implemented to assist in facilitating an effective risk governance model for risk management. The Trustee also recognises the importance of a central risk management function which is headed up by the Chief Risk Officer (CRO). 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 Trustee Board has established an Investment Committee, consisting of selected Trustee 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 and evaluation of investment performance and providing reports to the Trustee Board. The Trustee Board has delegated responsibility to the CIO for the appointment of investment managers within agreed 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 Trustee 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 Audit & Risk 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.

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 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 9.8% in 2020 (2019: 14.1%) at the reporting date would increase the Plan's net assets available for members by $694 million (2019: $1,046 million). A decrease in the weighted-average sensitivity factor would have the equal but opposite effect assuming that all other variables remain constant.

During the current year the Trustee changed advisers in relation to AASB7 market price sensitivities. The 2020 sensitivities have been calculated using volatility factors based on actual market or historical portfolio movements. In 2019, a statistical measure of standard deviation to calculate volatility based on expected averages over the next 10 years was used to calculate market price sensitivities. The Trustee believes that volatility factors are appropriate for this market price sensitivity disclosure, on the basis that the Plan's dedicated and alternative investment strategies utilise market price sensitivities that have been based on actual historical experience.

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' whereas 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.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

30 June 2020	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	57,719	240,053	10,218	2,887	3,901	314,778	1,064,961	1,379,739
Receivables	25,167	6,713	1,836	219	2,345	36,280	62,703	98,983
Financial Investments	1,797,088	164,881	60,356	121,825	322,358	2,466,508	4,531,077	6,997,585
Total Assets	1,879,974	411,647	72,410	124,931	328,604	2,817,566	5,658,741	8,476,307
Liabilities								
Payables	17,067	456	17	273	327	18,140	67,529	85,669
Financial liabilities	7,326	1,780	1,504	180	428	11,218	151,583	162,801
Other liabilities	-	-	-	-	-	-	67,792	67,792
Total Liabilities	24,393	2,236	1,521	453	755	29,358	286,904	316,262
Net assets available to pay benefits	1,855,581	409,411	70,889	124,478	327,849	2,788,208	5,371,837	8,160,045

30 June 2019	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	50,887	167,290	858	4,097	3,449	226,581	963,263	1,189,844
Receivables	30,998	10,794	2,954	735	9,990	55,471	122,197	177,668
Financial Investments	2,047,697	340,917	84,644	162,575	433,989	3,069,822	4,344,170	7,413,992
Total Assets	2,129,582	519,001	88,456	167,407	447,428	3,351,874	5,429,630	8,781,504
Liabilities								
Payables	40,796	5,227	1,527	3,306	13,891	64,747	85,952	150,699
Financial liabilities	7,952	9,349	950	665	7,325	26,241	152,881	179,122
Other liabilities	-	-	-	-	-	-	70,833	70,833
Total Liabilities	48,748	14,576	2,477	3,971	21,216	90,988	309,666	400,654
Net assets available to pay benefits	2,080,834	504,425	85,979	163,436	426,212	3,260,886	5,119,964	8,380,850

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity Analysis

A strengthening of the Australian dollar against the following currencies by the factors shown in the following table as at 30 June 2020 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 2020 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.

	USD A$'000	EUR A$'000	GBP A$'000	JPY A$'000
30 June 2020	167,002	40,941	6,380	8,713
Currency rate risk *	9.0%	10.0%	9.0%	7.0%
30 June 2019	239,296	49,938	9,458	23,698
Currency rate risk *	11.5%	9.9%	11.0%	14.5%

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

iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan's interest-bearing financial assets 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. Interest rate risk disclosures have been prepared on the basis of the Plan's direct investments and not on a look-through basis for investments held indirectly through managed funds. Managed funds are classified under 'non-interest bearing' in relation to the fixed interest maturing analysis. Consequently, the disclosure of interest rate risk in the note may not represent the true interest rate risk profile of the Plan where the Plan has investments in managed funds, some of which also have exposure to interest rates.

30 June 2020	Floating Interest Rate $'000	Fixed Interest Rate $'000	Non-interest Bearing $'000	Total $'000
Assets				
Cash and cash equivalents	1,379,739	-	-	1,379,739
Receivables	44,209	-	54,774	98,983
Financial Investments	439,712	655,435	5,902,438	6,997,585
Total assets	1,863,660	655,435	5,957,212	8,476,307

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

30 June 2020	Floating Interest Rate $'000	Fixed Interest Rate $'000	Non-interest Bearing $'000	Total $'000
Liabilities				
Payables	45,917	-	39,752	85,669
Financial liabilities	1,713	29,968	131,120	162,801
Other liabilities	-	-	67,792	67,792
Total liabilities	47,630	29,968	238,664	316,262
Net assets/(liabilities) available to pay benefits	1,816,030	625,467	5,718,548	8,160,045

30 June 2019	Floating Interest Rate $'000	Fixed Interest Rate $'000	Non-interest Bearing $'000	Total $'000
Assets				
Cash and cash equivalents	1,124,767	65,077	-	1,189,844
Receivables	78,812	-	98,856	177,668
Financial Investments	364,834	704,943	6,344,215	7,413,992
Total assets	1,568,413	770,020	6,443,071	8,781,504
Liabilities				
Payables	57,120	-	93,579	150,699
Financial liabilities	2,218	23,497	153,407	179,122
Other liabilities	-	-	70,833	70,833
Total liabilities	59,338	23,497	317,819	400,654
Net assets/(liabilities) available to pay benefits	1,509,075	746,523	6,125,252	8,380,850

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

An increase of 8 basis points (2019: 15 basis points) in interest rates would have decreased the net assets available to pay benefits and the net investment revenue by $1,928,323 (2019: a decrease of $3,579,201). 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 $1,928,323 (2019: an increase of $3,579,201).

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.

Fixed Income Securities	**2020 $'000**	**2019 $'000**
Credit Grade		
AAA	488,804	531,311
AA	119,050	62,335
A	11,938	18,132
BBB	10,756	23,035
BB	4	-
B	7,040	24,732
	637,592	659,545

(c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to generate sufficient cash resources to settle its obligations to Members or counterparties in full as they fall due or can only do so on terms that are disadvantageous.

The liquidity position of the Plan is conditional on a number of external factors including the liquidity of the investment markets in which the Plan invests and the relevant legislative requirements governing Members' access to their superannuation benefits. The Plan is obligated to pay Member benefits in accordance with the relevant legislative requirements. This includes the payment of rollovers to other superannuation funds upon request and the payment of benefits to Members within 30 days from meeting a condition of release.

In accordance with the Plan's Risk Management Framework, the Investment Committee monitors the Plan's liquidity position, and regularly reviews it. Monitoring of the Plan's liquidity incorporates a range of stress tests that take into account potential adverse impacts on cash flows resulting from investment switching by Members, rollover and benefit requests, settling foreign currency transactions and funding capital call commitments. Stress tests assess the impact on the liquidity of the investment portfolio.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The Plan limits its allocation to illiquid assets and ensures that the allocation is consistent with the intended term of investment. The Plan's membership profile coupled with the bulk of its assets being invested in highly liquid asset classes allows the Plan to tolerate the lower liquidity of some unlisted investments in an expectation of higher long-term gains.

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.

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 2020					
Financial liabilities					
Benefits payable	16,020	-	-	-	-
Accounts payable	21,433	-	-	-	-
Income tax payable	2,245	-	27,267	-	-
Outstanding settlements securities purchased	2,299	-	-	-	-
Deposits held broker margin accounts	45,917	-	-	-	-
Repurchase agreement	115,083	-	-	-	-
Accrued benefits	7,844,054	-	-	-	-
Total including Member benefits	8,047,051	-	27,267	-	-

	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 2019					
Financial liabilities					
Benefits payable	5,399	-	-	-	-
Accounts payable	25,724	-	-	-	-
Income tax payable	-	-	1,021	-	-
Outstanding settlements securities purchased	62,456	-	-	-	-
Deposits held broker margin accounts	57,120	-	-	-	-
Repurchase agreement	130,259	-	-	-	-
Accrued benefits	7,906,002	-	-	-	-
Total including Member benefits	8,186,960	-	1,021	-	-

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

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.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis for financial liabilities (continued)

30 June 2020	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	12 to 60 months $'000	60+ months $'000
Derivatives					
Net settled derivatives	8,166	49,755	4,463	(974)	8,540

30 June 2019	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	12 to 60 months $'000	60+ months $'000
Derivatives					
Net settled derivatives	14,880	30,479	3,476	808	1,985

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.

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 financial investments of the Plan according to the fair value hierarchy. The Plan's policy is to recognise transfers into and transfers out of the fair value hierarchy as at the end of the reporting period. The fair value hierarchy is assessed on an annual basis to determine the most appropriate value of the investment within a provided range, during the year there was a reclassification from level 2 to level 1 of $nil (2019: $37,622,000) and a reclassification from level 2 to level 3 of $92,602,524 (2019: $nil) in Australian and global managed funds. There were no other reclassifications during the period.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2020				
Financial Investments				
Derivative assets	2,208	115,460	-	117,668
Australian and global equities	2,840,296	-	689	2,840,985
Australian and global managed funds	142,537	555,629	2,289,292	2,987,458
Australian and global fixed income securities	-	637,592	-	637,592
Money market securities	-	413,882	-	413,882
Total financial investments	2,985,041	1,722,563	2,289,981	6,997,585
Investment liabilities				
Derivatives liabilities	3,366	44,352	-	47,718
Repurchase agreements	-	115,083	-	115,083
Total investment liabilities	3,366	159,435	-	162,801
Net investment	2,981,675	1,563,128	2,289,981	6,834,784

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2019				
Financial Investments				
Derivative assets	7,285	93,202	4	100,491
Australian and global equities	3,259,730	-	-	3,259,730
Australian and global managed funds	187,767	943,569	1,899,004	3,030,340
Australian and global fixed income securities	-	659,545	-	659,545
Money market securities	-	363,061	-	363,061
Australian and global convertible notes	-	825	-	825
Total financial investments	3,454,782	2,060,202	1,899,008	7,413,992
Investment liabilities				
Derivatives liabilities	6,459	42,401	3	48,863
Repurchase agreements	-	130,259	-	130,259
Total investment liabilities	6,459	172,660	3	179,122
Net investment	3,448,323	1,887,542	1,899,005	7,234,870

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Hierarchy (continued)

The tables below set out the movement in level 3 instruments by class of financial instrument:

	Derivatives $'000	Australian and global managed funds $'000	Total $'000
30 June 2020			
Opening balance	1	1,899,004	1,899,005
Purchases	3	368,673	368,676
Sales	-	(1,882)	(1,882)
Transfers from level 2 to level 3	-	92,602	92,602
Total unrealised and realised gains/(losses) on level 3 financial instruments	(4)	(68,416)	(68,420)
Closing balance	**-**	**2,289,981**	**2,289,981**

	Derivatives $'000	Australian and global managed funds $'000	Total $'000
30 June 2019			
Opening balance	-	1,391,767	1,391,767
Purchases	478	540,614	541,092
Sales	(210)	(84,226)	(84,436)
Total unrealised and realised gains/(losses) on level 3 financial instruments	(267)	50,849	50,582
Closing balance	**1**	**1,899,004**	**1,899,005**

Valuation inputs and relationships to fair value

The Plan's level 3 investments predominantly comprise units in managed funds which hold illiquid investments such as infrastructure and private equity. These investments are managed by external investment managers and are not actively traded in public markets.

The Plan generally values these investments using the valuation provided by the external investment manager. As the underlying interests in these investments are not actively traded in a public market, the valuation provided by the external investment manager is considered unobservable and the interests are therefore classified as a Level 3 investments.

The Plan reviews the valuation methodology adopted by the relevant investment manager and makes further enquiries, as appropriate, relating to valuation methodology and key inputs used to determine valuations at each reporting date. The Plan generally values units in unit trusts and other unlisted investments classified as level 3 instruments using the implied unit price provided by the underlying fund manager unless there is a specific verifiable reason to vary from the unit price provided.

In March 2020, the World Health Organisation declared COVID-19 as a pandemic. The pandemic has had, and continues to have, a significant impact on the general business environment and financial markets. The Trustee's evaluation of level 3 investment valuations has included further consideration relating to the economic implications of the COVID-19 pandemic and the measures taken to contain it.

The valuation of the Plan's level 3 investments is based on data available at the time of the relevant valuation which may change as circumstances and events continue to unfold. The Plan's level 3 investment valuations will be updated as and when new information becomes available and will be reflected in future accounting periods.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarises the information about the key unobservable inputs used for the Plan in level 3 fair value measurements. The range of inputs shown below are provided by the underlying investment managers or based on reasonable sensitivities determined in consultation with the Plan's external consultants and are derived with reference to the nature of the underlying level 3 asset exposure. The Trustee reviewed the level of detail provided in respect of level 3 assets during the year with the aim to increase the readability of the table below and has considered the nature of the holding entity, materiality and the complexity of each level 3 asset in presenting the information disclosed.

30 June 2020

Description	Fair Value at 30 June $'000	Unobservable inputs	Range of inputs	Sensitivity of unobservable inputs to fair value
Australian and global managed funds				
A portfolio of private equity investments	388,568	Unit Price	-10% to +10%*	Fair value sensitivity is subject to various unobservable inputs with the overall sensitivity reasonably expected to be between -10% to +10% or -$39m to +$39m.
A portfolio of Australian senior loans	386,926	Unit Price	-0.75% to +0.75%*	A decline in the unit price of 0.75% results in a decrease in fair value of $3m. An increase in unit price of 0.75% results in an increase in fair value of $3m.
A portfolio of Australian infrastructure	342,195	Discount Rate	+9.2% to +18.7%	Fair value sensitivity is subject to unobservable inputs such as discount rate, inflation and interest rates (base and margin) with the overall sensitivity reasonably expected to be between -12% to +12% or -$41m to +$41m.
A portfolio of distressed & special situations	280,338	Unit Price	-3% to +20%*	Fair value sensitivity is subject to a range of unobservable inputs with the overall sensitivity reasonably expected to be between -3% to +20% or -$8m to +$56m.
A portfolio of US gas & oil royalties & working interests	275,427	Discount Rate Risk Ratings (Reserves) Gas Price (HH) Oil Price (WTI)	+8% to +15% 90-100% for Proved Reserves 50% for Probable Reserves 20% for Possible Reserves USD2.15 to USD2.93/mcf USD38.82 to USD52.93/bbl	Fair value sensitivity is subject to observable inputs such as current gas and oil prices, forward curves and well performance as well as unobservable inputs such as discount rate and various reserve risk factors with overall sensitivity reasonably expected to be between -21% to +36% or -$58m to +$99m.
A portfolio of timber plantations and related assets	221,932	Discount Rate Cost of Equity Av. Timber Price Av. Log Price Franking Utilisation	+9.1% to +10.8% +9.1% to +10.8% +AUD291.35 to +AUD322.01 +USD77.8 to +USD96.5 +0% to +100%	Fair value sensitivity is subject to unobservable inputs such as discount rate, cost of equity, sawmill / timber prices and franking utilisation with the overall sensitivity reasonably expected to be between -15% to +15% or -$33m to +$33m.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2020 (CONTINUED)

Description	Fair Value at 30 June $'000	Unobservable inputs	Range of inputs	Sensitivity of unobservable inputs to fair value
A portfolio of infrastructure debt	191,779	Unit Price	-11% to 0%*	Fair value sensitivity is impacted by a loss or a credit rating downgrade. These investments generate attractive levels of income, rather than capital gain. A loss or credit rating downgrade across all holdings will impact fair value by -11% or -$21m.
A portfolio of Australian retail property	86,255	Discount Rate Capitalisation Rate Terminal Yield	6.25% to 7.0% 4.75% to 6.5% 5.0% to 6.75%	Fair value sensitivity is subject to unobservable inputs such as discount rate, capitalisation rate, terminal yield and passing yield with the overall sensitivity reasonably expected to be between -9% to +9% or -$8m to +$8m.
A portfolio of Australian agricultural investments	54,615	Net Tangible Assets	-10% to +10%**	Fair value sensitivity is subject to unobservable inputs such as net tangible assets and EV/EBIT multiples with overall sensitivity reasonably expected to be between -10% to +10% or -$5m to +$5m.
A portfolio of Australian equity (listed and private)	33,259	Unit Price	-12% to +15%*	Fair value sensitivity considers the sensitivity of listed equity exposure, as well as the sensitivity of private companies which is subject to various unobservable inputs. Overall sensitivity is reasonably expected to be between -12% to +15% or -$4m to +$5m.
A portfolio of global infrastructure	22,340	Unit Price	-12% to +12%*	Fair value sensitivity is subject to unobservable inputs such as discount rate with the overall sensitivity reasonably expected to be between -12% to +12% or -$3m to +$3m.
A portfolio of Australian commercial and industrial property	6,347	Unit Price	-9% to +9%*	Fair value sensitivity is subject to unobservable inputs such as discount rate, capitalisation rate, terminal yield, passing rent, net market rent lease incentives and market rent growth with the overall sensitivity reasonably expected to be between -9% to +9% or -$1m to +$1m.
Total	**2,289,981**			

*Range of unit price sensitivity based on aggregate range of underlying unobservable inputs
**Range of Net Tangible Asset sensitivity based on aggregate range of underlying unobservable inputs

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2019

Description	Fair Value at 30 June $'000	Unobservable inputs	Range of inputs	Sensitivity of unobservable inputs to fair value
Australian and global managed funds				
A portfolio of private equity investments	384,300	Unit Price	-10% to +10%*	Fair value sensitivity is subject to various unobservable inputs with the overall sensitivity reasonably expected to be between -10% to +10% or -$38m to +$38m.
A portfolio of Australian senior loans	259,717	Unit Price	-0.75% to +0.75%*	A decline in the unit price of 0.75% results in a decrease in fair value of $2m. An increase in unit price of 0.75% results in an increase in fair value of $2m.
A portfolio of Australian infrastructure	300,172	Discount Rate	+9.25% to +17%	Fair value sensitivity is subject to unobservable inputs such as discount rate, inflation and interest rates (base and margin) with the overall sensitivity reasonably expected to be between -12% to +12% or -$36m to +$36m.
A portfolio of distressed & special situations	247,843	Unit Price	-3% to +20%*	Fair value sensitivity is subject to a range of unobservable inputs with the overall sensitivity reasonably expected to be between -3% to +20% or -$7m to +$50m.
A portfolio of US gas & oil royalties & working interests	166,165	Discount Rate Risk Ratings (Reserves) Gas Price (HH) Oil Price (WTI)	+8% to +12% 90-100% for Proved Reserves 35% for Probable Reserves 10% for Possible Reserves USD2.55 to USD3.23/mcf USD53.58 to USD62.05/bbl	Fair value sensitivity is subject to observable inputs such as current gas and oil prices, forward curves and well performance as well as unobservable inputs such as discount rate and various reserve risk factors with overall sensitivity reasonably expected to be between -11% to +15% or -$18m to +$25m.
A portfolio of timber plantations and related assets	223,915	Discount Rate Cost of Equity Av. Timber Price Av. Log Price Franking Utilisation	+9.3% to +10.5% +8.8% to +11.0% +AUD308.7 to +AUD341.2 +USD77.1 to +USD96.2 +0% to +100%	Fair value sensitivity is subject to unobservable inputs such as discount rate, cost of equity, log prices and franking utilisation with the overall sensitivity reasonably expected to be between -15% to +15% or -$34m to + $34m.
A portfolio of infrastructure debt	198,434	Unit Price	-9.5% to 0%*	Fair value sensitivity is impacted by a loss or a credit rating downgrade. These investments generate attractive levels of income, rather than capital gain. A loss or credit rating downgrade across all holdings will impact fair value by -9.5% or -$19m.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2019 (CONTINUED)

Description	Fair Value at 30 June $'000	Unobservable inputs	Range of inputs	Sensitivity of unobservable inputs to fair value
A portfolio of Australian agricultural investments	58,417	Net Tangible Assets	-10% to +10%**	Fair value sensitivity is subject to unobservable inputs such as net tangible assets and EV/EBIT multiples with overall sensitivity reasonably expected to be between -10% to +10% or -$6m to +$6m.
A portfolio of Australian equity (listed and private)	30,338	Unit Price	-11% to +11%*	Fair value sensitivity considers the sensitivity of listed equity exposure, as well as the sensitivity of private companies which is subject to various unobservable inputs. Overall sensitivity is reasonably expected to be between -11% to +11% or -$3m to +$3m
A portfolio of global infrastructure	29,703	Unit Price	-17% to +17%*	Fair value sensitivity is subject to unobservable inputs such as discount rate with the overall sensitivity reasonably expected to be between -17% to +17% or -$5m to +$5m.
Total	**1,899,004**			

*Range of unit price sensitivity based on aggregate range of underlying unobservable inputs
**Range of Net Tangible Asset sensitivity based on aggregate range of underlying unobservable inputs

14. TAXATION

	2020 $'000	2019 $'000
(a) Recognised in the income statement		
Current income tax		
- Current tax charge	13,936	13,537
- Adjustment to current tax for prior period	93	(3,552)
Deferred income tax		
- Movement in temporary differences	(36,689)	30,019
Income tax expense/(benefit)	(22,660)	40,004
(b) Numerical reconciliation between tax expense and profit before income tax		
Profit/(loss) before income tax	(56,647)	546,840
Tax applicable at the rate of 15% (2019: 15%)	(8,497)	82,026
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
- Movement in realised/unrealised positions	13,544	1,759
Tax effect of other adjustments		
- Imputation and foreign tax credits	(24,988)	(36,966)
- Exempt pension income	(2,812)	(3,263)
- Under/(Over) provision prior year	93	(3,552)
Income tax expense/(benefit)	(22,660)	40,004
(c) Recognised in the Statement of Changes in Members Benefits		
Contributions and transfers in recognised in the Statement of Changes in Members Benefits	385,740	377,675
Tax applicable at the rate of 15% (2019: 15%)	57,861	56,651
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
- Contributions revenue and transfers in	(20,058)	(15,900)
- No TFN tax	-	5
Tax effect of other adjustments		
- Anti-detriment deduction	-	(280)
- Insurance premiums	(4,210)	(4,609)
- Under/(over) provision prior year	(3,661)	-
Income tax expense	29,932	35,867
Allocated as follows:		
Contributions tax	34,142	40,756
Anti-detriment deduction	-	(280)
Tax benefit on insurance premiums (to Members)	(2,973)	(3,220)
Tax benefit on insurance premiums (to Plan)	(1,237)	(1,389)
Income tax expense	29,932	35,867

14. TAXATION (CONTINUED)

(d) Current tax liabilities

	2020 $'000	2019 $'000
Balance at beginning of year	1,021	12,805
Income tax paid – current period	(18,017)	(48,385)
Income tax paid – prior periods	7,703	(9,253)
Current year income tax provision	47,529	49,406
Under/(Over) provision prior year	(8,724)	(3,552)
Current tax liabilities	29,512	1,021

(e) Deferred tax assets and liabilities

The amount of net deferred tax liability recognised:

	2020 $'000	2019 $'000
Deferred tax assets		
Accounts payable	975	1,018
Deferred tax assets	975	1,018
Deferred tax liabilities		
Contributions receivable	1,994	1,927
Realised and Unrealised capital gains on investments (discounted)	37,261	68,903
Deferred tax liabilities	39,255	70,830
Net deferred tax liabilities	38,280	69,812

15. ADMINISTRATION EXPENSES

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

	2020 $'000	2019 $'000
Actuarial fees	732	532
Audit fees	267	248
General administration expenses	13,204	11,972
Project expenses	1,080	941
Regulatory fees	771	627
Tax agent fees	211	188
ORFR drawdown expense	-	180
TOTAL ADMINISTRATION EXPENSES	16,265	14,688

16. RECEIVABLES

	2020 $'000	2019 $'000
Contributions receivable	13,562	13,863
Other receivables and prepayments	3,556	3,805
Deposits held with broker margin accounts	44,209	64,278
Investment income receivable	21,760	21,354
Outstanding settlements	15,896	74,368
TOTAL RECEIVABLES	98,983	177,668

17. PAYABLES

	2020 $'000	2019 $'000
Creditors and accruals	21,433	25,724
Liabilities held with broker margin accounts	45,917	57,120
Outstanding settlements	2,299	62,456
TOTAL PAYABLES	69,649	145,300

18. CASH FLOW INFORMATION

(a) Reconciliation of Cash

	2020 $'000	2019 $'000
Cash at bank	44,468	9,418
Short-term deposits	342,661	707,509
Cash held by investment managers	992,610	472,917
TOTAL CASH AND CASH EQUIVALENTS	1,379,739	1,189,844

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

	2020 $'000	2019 $'000
Net operating result after tax	(155,201)	77,298
Allocated to Members accounts	113,683	419,737
Remeasurement in assets measured at fair value	267,245	(229,326)
(Increase)/Decrease in investment receivables	78,735	(17,750)
(Increase)/Decrease in receivables	(351)	(629)
Increase/(Decrease) in payables	(2,774)	646
Increase/(Decrease) in investment payables	(87,681)	(34,584)
Increase/(Decrease) in current tax liabilities	27,167	(13,646)
Increase/(Decrease) in deferred tax liabilities	(31,532)	30,018
NET CASH FLOWS FROM OPERATING ACTIVITIES	209,291	231,764

19. AUDITOR'S REMUNERATION

	2020 $	2019 $
Amounts paid or due and payable to PricewaterhouseCoopers for the following services:		
• Audit of the financial report and regulatory compliance	204,415	199,850
• Other audit related services	49,937	48,478
Other services:		
• Taxation services (tax agent and investment tax advice)	464,485	350,428
TOTAL AUDITOR'S REMUNERATION	718,837	598,756

20. RELATED PARTIES

(a) Plan Sponsor

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 2020 (and received subsequent to that date) amounted to $13,561,861 (2019: $13,863,327).

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 $266,841 (2019: $284,936) are included in administration expenses in the Income Statement.

At 30 June 2020 the Plan held investments in Qantas Airways Limited to the value of $11,757,985 (2019: $15,381,621). These investments have been made independent of the Trustee by the Plan's investment managers.

(b) Trustee and Key Management Personnel (KMP)

The Trustee of the Plan is Qantas Superannuation Limited (ABN: 47 003 806 960). The names of the persons who were Trustee directors up to the date of this report are:

Employer appointed:
John Atkin (Chairman)
Lorraine Berends
Cecilia Ho
Andrew Monaghan
Rachel Yangoyan

Member elected:
Mark Thorpe (Group A)
Bruce Roberts (Group B)
John Sipek (Group C) (resigned 23 Aug 2019)
Ryan Greaves (Group C) (appointed 19 Sep 2019)
Luke Murray (Group D)
Hendrik van Calcar (Group E) (resigned 11 Dec 2019)
Maria Ka Po Cheung (Group E) (appointed 12 Mar 2020)

The Trustee directors are KMP for the purposes of AASB 124 *Related Party Disclosures*. In addition to the Trustee directors, Michael Clancy (CEO), Andrew Spence (CIO) and Suzette Thurman (CRO) 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).

20. RELATED PARTIES (CONTINUED)

(c) Remuneration of Key Management Personnel

The remuneration of KMP paid is set out below:

	2020 $'000	2019 $'000
Short-term benefits	1,504	1,874
Post-employment	45	35
Termination payments	-	272
	1,549	2,181

(d) Trustee related transactions

The Trustee directors receive no remuneration from the Plan. John Atkin and Lorraine Berends are Trustee directors who received remuneration from a related party directly in connection with their Trustee duties. All Trustee directors of the Trustee except John Atkin and Lorraine Berends 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 Trustee directors 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.

The Plan also paid Qantas Superannuation Limited $124,550 (2019: $159,947) for the supply of trustee services on behalf of the Trustee.

(e) Other related parties – direct holdings and associates

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

		2020		2019	
	Place of business	% Int.	$'000	% Int.	$'000
QPIPO Trust	Australia	100	33,259	100	67,960
QPET	Australia	100	387,879	100	384,300
Q Infrastructure Trust	Australia	100	342,194	100	300,172
Q Infrastructure Yield Trust	Australia	100	191,779	100	198,434
QAIF Limited	Singapore	100	22,340	100	29,703
Q Timberland Trust	United States	100	221,932	100	223,915
Q Agriculture Trust	Australia	100	54,615	100	58,418
QCT	United States	100	3,536	100	6,627
QGR Trust	Australia	100	275,427	100	166,165
Q Diversified Credit Trust	Australia	100	386,926	100	259,717
Total direct holdings and associates			1,919,887		1,695,411

The above tables list the fair value and the percentage interest of each investment asset as at 30 June 2020. The maximum exposure to loss is limited to the net fair value of each investment asset. The net fair value will potentially change on a daily basis throughout the period and in subsequent periods and will cease once the investments are disposed. The investments of the Plan are managed in accordance with the investment mandates with the respective underlying investment managers. The investment decisions of the Plan are made by the investment managers based on their analysis and the investment guidelines provided to them by the Plan. The return of the Plan is exposed to the variability of the performance of the underlying investment assets. The underlying investment managers receive a management fee for undertaking the management of these investments.

21. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

Contingent Assets and Liabilities

There were no contingent assets or liabilities as at 30 June 2020 (30 June 2019: Nil).

Commitments

The Plan had the following investment commitments:

Undrawn Commitments	**2020 $'000**	**2019 $'000**
Australian Equity	3,800	29,415
Private Equity	152,700	156,000
Real Assets	62,053	128,930
Opportunistic Growth Alternatives	97,160	256,026
Defensive Credit	61,165	190,514
	376,878	760,885

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 2020.

STATEMENT BY TRUSTEE

In the opinion of the Trustee

(a) the accompanying financial statements and notes set out on pages 2 to 40 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 2020 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 2020; 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.

....
Trustee director

....
Trustee director

Signed at Sydney this 24th day of September 2020.

Independent Auditor's report on financial statements

Independent Auditor's report approved form for an RSE which is a reporting entity)

Report by the RSE Auditor to the trustees 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 2020 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 2020 and the results of its operations, cash flows, changes in equity and changes in members' benefits for the year ended 30 June 2020.

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.

Responsibilities 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 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.

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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.

PricewaterhouseCoopers

CJ Cummins
Partner

Sydney
25 September 2020