

QANTAS SUPERANNUATION PLAN

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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QANTAS SUPERANNUATION PLAN

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
ASSETS			
Cash and cash equivalents	18(a)	918,368	653,139
Receivables	16	174,869	144,017
Financial investments	8	7,462,892	8,069,700
Current tax asset	14(d)	30,847	-
TOTAL ASSETS		8,586,976	8,866,856
LIABILITIES			
Benefits payable		3,843	2,904
Creditors and accruals	17	129,762	106,566
Current tax liabilities	14(d)	-	9,500
Financial liabilities	9	244,141	74,952
Deferred tax liabilities	14(e)	105,741	140,763
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS		483,487	334,685
NET ASSETS AVAILABLE FOR MEMBER BENEFITS		8,103,489	8,532,171
MEMBERS BENEFITS			
Defined contribution (DC) Member liabilities	4(a)	5,400,328	5,556,665
Defined benefit (DB) Member liabilities	4(b)	2,377,769	2,517,074
TOTAL MEMBERS BENEFITS		7,778,097	8,073,739
NET ASSETS		325,392	458,432
RESERVES			
Disability reserve	7	6,254	7,309
Other insurance reserves	7	-	5,662
Forgone benefits reserve	7	209	220
Operational risk reserve	7	22,938	24,642
DB plans that are over/(under) funded		295,991	420,599
TOTAL RESERVES		325,392	458,432

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
INCOME FROM SUPERANNUATION ACTIVITIES			
Interest		31	11
Dividends and distributions		339,775	199,952
Net gains/(losses) on financial instruments held at fair value through profit or loss	10	(247,367)	1,282,929
Other income		251	2,522
TOTAL SUPERANNUATION ACTIVITIES REVENUE		92,690	1,485,414
EXPENSES			
Investment expenses		44,510	35,922
Administration expenses	15	16,035	16,541
TOTAL EXPENSES		60,545	52,463
RESULTS FROM SUPERANNUATION ACTIVITIES BEFORE INCOME TAX		32,145	1,432,951
Income tax expenses/(benefit)	14(a)(b)	(31,428)	133,130
RESULTS FROM SUPERANNUATION ACTIVITIES AFTER INCOME TAX		63,573	1,299,821
NET INSURANCE ACTIVITIES	6	(8,197)	(8,932)
ALLOCATION TO MEMBERS BENEFITS			
Net benefits allocated to DC Member accounts		(81,081)	(836,617)
Net benefits allocated to DB Member liabilities		(106,068)	(309,358)
TOTAL ALLOCATION TO MEMBER BENEFITS		(187,149)	(1,145,975)
OPERATING RESULT AFTER INCOME TAX		(131,773)	144,914

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STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	DC Member Benefits \$'000	DB Member Benefits \$'000	Total 2022 \$'000
<u>Year ended 30 June 2022</u>				
Liability for accrued benefits beginning of period		5,556,665	2,517,074	8,073,739
CONTRIBUTION REVENUE				
Employer contributions		130,057	18,911	148,968
Member contributions		44,933	8,911	53,844
Government co-contributions		62	85	147
Low income contributions		306	78	384
Transfers in		40,134	6,977	47,111
Transfers from DB to DC Members benefits		271,473	(271,473)	-
Total contributions before tax		486,965	(236,511)	250,454
Income tax on contributions	14(c)	(20,624)	(2,918)	(23,542)
Net after tax contributions		466,341	(239,429)	226,912
BENEFITS PAID				
Benefits paid		(702,555)	(7,429)	(709,984)
Total benefits paid		(702,555)	(7,429)	(709,984)
INSURANCE				
Insurance premiums charged to Members' accounts		(22,322)	(1,302)	(23,624)
Claims credited to Members' accounts		17,790	1,325	19,115
Income tax benefit on insurance premiums	14(c)	3,328	195	3,523
Net Insurance (cost)/benefit		(1,204)	218	(986)
INCOME AND EXPENSES				
Investment earnings/(losses) applied to Members		90,751	-	90,751
Net change in DB Member accrued benefits*		-	106,068	106,068
Administration fees paid by Members		(9,670)	-	(9,670)
Reserve transfers to/(from) Members				
- Disability reserve		-	1,152	1,152
- Other insurance reserve		-	-	-
- Forgone benefits reserve		-	115	115
Net income/(expenses)		81,081	107,335	188,416
Liability for accrued benefits end of period		5,400,328	2,377,769	7,778,097

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

QANTAS SUPERANNUATION PLAN

STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	DC Member Benefits \$'000	DB Member Benefits \$'000	Total 2021 \$'000
<u>Year ended 30 June 2021</u>				
Liability for accrued benefits beginning of period		4,394,537	3,449,517	7,844,054
CONTRIBUTION REVENUE				
Employer contributions		108,723	38,529	147,252
Member contributions		53,304	5,541	58,845
Government co-contributions		32	96	128
Low income contributions		299	31	330
Transfers in		24,151	11,878	36,029
Transfers from DB to DC Members benefits		1,264,714	(1,264,714)	-
Total contributions before tax		1,451,223	(1,208,639)	242,584
Income tax on contributions	14(c)	18,647	5,779	24,426
Net after tax contributions		1,432,576	(1,214,418)	218,158
BENEFITS PAID				
Benefits paid		(1,106,783)	(30,711)	(1,137,494)
Total benefits paid		(1,106,783)	(30,711)	(1,137,494)
INSURANCE				
Insurance premiums charged to Members' accounts		(23,075)	(1,519)	(24,594)
Claims credited to Members' accounts		19,339	2,146	21,485
Income tax benefit on insurance premiums	14(c)	3,454	228	3,682
Net Insurance (cost)/benefit		(282)	855	573
INCOME AND EXPENSES				
Investment earnings/(losses) applied to Members		845,488	-	845,488
Net change in DB Member accrued benefits*		-	309,358	309,358
Administration fees paid by Members		(8,871)	-	(8,871)
Reserve transfers to/(from) Members				
- Disability reserve		-	2,356	2,356
- Other insurance reserve		-	-	-
- Forgone benefits reserve		-	117	117
Net income/(expenses)		836,617	311,831	1,148,448
Liability for accrued benefits end of period		5,556,665	2,517,074	8,073,739

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

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STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30 JUNE 2022

	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 2022						
Opening Balance	7,309	5,662	220	24,642	420,599	458,432
Amount allocated to DB Members	(1,152)	-	(115)	-	-	(1,267)
Net income/(loss) applied	35	(5,600)	104	(1,617)	(124,608)	(131,686)
Transfer to/(from) reserve	62	(62)	-	(87)	-	(87)
Closing Balance	6,254	-	209	22,938	295,991	325,392
Year Ended 30 June 2021						
Opening Balance	8,846	7,182	210	21,789	277,964	315,991
Amount allocated to DB Members	(2,356)	-	(117)	-	-	(2,473)
Net income/(loss) applied	(177)	(524)	127	2,915	142,635	144,976
Transfer to/(from) reserve	996	(996)	-	(62)	-	(62)
Closing Balance	7,309	5,662	220	24,642	420,599	458,432

Refer to Note 7 for details on the reserves

QANTAS SUPERANNUATION PLAN

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		12,820	5,542
Dividend and distributions received		349,322	191,856
Other income		3,659	2,390
Administration expenses		(16,158)	(19,618)
Investment expenses		(46,062)	(30,932)
Income tax refunded/(paid)		(45,035)	(48,212)
GST received from ATO		1,949	1,983
NET CASH FLOWS FROM OPERATING ACTIVITIES	18(b)	260,495	103,009
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial instruments held at fair value through profit or loss		6,713,754	9,488,074
Purchase of financial instruments held at fair value through profit or loss		(6,211,437)	(9,384,093)
NET CASH FLOWS FROM INVESTING ACTIVITIES		502,317	103,981
CASH FLOWS FROM MEMBER ACTIVITIES			
Employer contributions		143,043	155,708
Member contributions		53,810	58,638
Government co-contribution		147	128
Low income super contributions		384	330
Transfers in		47,111	36,029
Benefits paid		(708,902)	(1,150,750)
Insurance proceeds		19,115	21,485
Insurance premiums paid		(34,811)	(33,543)
Income tax on contributions		(17,480)	(21,615)
NET CASH FLOWS USED IN MEMBER ACTIVITIES		(497,583)	(933,590)
NET (DECREASE)/INCREASE IN CASH HELD		265,229	(726,600)
CASH AT THE BEGINNING OF PERIOD		653,139	1,379,739
CASH AT THE END OF PERIOD	18(a)	918,368	653,139

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022 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 21 September 2022.

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.

(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.

(f) New and amended standards adopted during the year

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 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 2022 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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:

Market quoted equities

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

Non-market quoted equities

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.

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial liabilities

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

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

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

(f) Revenue recognition

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

Net remeasurement changes in value of investments

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

Interest revenue

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

Dividend revenue

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

Trust distribution revenue

Distributions from managed funds 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 Australian Taxation Office (ATO) during the year and 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Goods and services tax

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

The net amount of GST recoverable from, or payable to, the 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 has expired or the Plan has transferred substantially all of the risks and rewards of ownership.

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 2022 there were no capital commitment obligations other than disclosed in Note 21.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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; and
- 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:

	2022 \$'000	2021 \$'000
Vested Benefits	5,400,328	5,556,665

While the stand down of Plan Sponsor work groups resulted in a reduction of employer contributions for DC Members, all contributions were paid at the rate or rates agreed.

(b) DB Member liabilities

DB Members receive benefits that are determined on the basis of various formulae based on the Member's membership and salary in the final years before they retire or leave employment. The calculation of DB Members' benefits is not impacted by stand down.

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).

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

4. MEMBER LIABILITIES (CONTINUED)

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

	2022 \$'000	2021 \$'000
Actuarial Value of Accrued Benefits	2,377,769	2,517,074
<i>Split as follows:</i>		
DC benefits	820,338	887,800
DB benefits	1,557,431	1,629,274
Assets related to DB Members' DB benefits	1,857,325	2,049,873
Surplus related to DB Members' DB benefits	295,991	420,599

As at 30 June 2022 the Plan's vested benefits totalled \$2,528,131,619 (2021: \$2,603,910,348). DB vested benefits exceeded DB assets available to pay DB benefits.

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.

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 5.0% p.a. (2021: 4.6%) was derived based on long term capital market assumptions as at 31 March 2022 taking into account the Plan's investment strategy for the assets backing its DB liabilities and the Plan's projected benefit cash flows; and
- The long-term inflationary salary increase rate was assumed to be 3.0% p.a. (2021: 3.0%).

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 (2021: 1%).
- Future salary increases being 1% p.a. higher or lower than assumed (2021: 1%).

	2022 \$'000	2021 \$'000
Reasonably possible change in key assumptions (with no change in other assumptions)		
Increase in future rate of investment return	(128,679)	(142,913)
Decrease in future rate of investment return	148,631	166,293
Increase in future salary increases	131,073	147,375
Decrease in future salary increases	(115,704)	(129,246)

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

(i) Funding policy

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 contribution rates for DB divisions, the Plan Actuary considers the long-term trends in such factors as Plan membership, salary growth and the market value of Plan assets.

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 were formally reviewed and refined during the 2016 and 2019 financial years, with de-riskings implemented in May 2016 and 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 the Plan's DB vested benefits exceeding the net assets related to those liabilities. The Plan's financial position is monitored by the Trustee each quarter and the Plan Actuary determines the amounts of any additional contributions to be made each quarter in line with the requirements of the AFP.

(ii) Employer contributions

During the year the Plan Actuary advised that the surplus of net assets, that is the DB assets in excess of DB vested benefits, was sufficient such that the Plan Sponsor could reduce contributions in respect of the Plan's DB divisions in the financial year. This reduction in contributions does not affect the benefits of DB Members.

The Plan Sponsor has made DB contributions for the year ending 30 June 2022 in accordance with the recommendations of the Plan Actuary.

Total employer contributions for the year ending 30 June 2022 were \$148,968,048 (2021: \$147,252,557).

No additional amounts were paid under the AFP for the year ended 30 June 2022. As at 30 June 2022 the Plan had a surplus of net assets over vested benefits.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

5. MEMBER NUMBERS

	2022 Number	2021 Number
Members at the beginning of the year	27,609	30,497
New Members admitted	2,302	147
Member exits	(3,384)	(3,035)
Members at the end of the year	26,527	27,609
The membership is split as follows:		
Division 1	89	106
Division 2	1,848	1,992
Division 3	2,718	2,933
Division 3A	40	47
Division 4	31	31
Division 5	209	227
Division 6	2,092	2,261
Division 7	359	475
Division 10	344	396
Division 15	228	293
Gateway	17,076	17,458
Gateway Income	1,493	1,390
Members at the end of the year	26,527	27,609

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. From 1 July 2013 insurance was transferred to 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.

On 1 July 2020 insurance was transferred to policies with MetLife Insurance Limited with payment of premiums as reported in the Statement of Changes in Member Benefits.

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

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

	2022 \$'000	2021 \$'000
Insurance premiums paid by Plan	(9,643)	(10,508)
Self-insurance amounts paid to Members	-	-
Tax benefit for insurance premiums paid by Plan	1,446	1,576
	(8,197)	(8,932)

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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:

		2022 \$'000	2021 \$'000
Disability reserve	(i)	6,254	7,309
Other insurance reserve	(ii)	-	5,662
Foregone benefits reserve	(iii)	209	220
Operational risk reserve	(iv)	22,938	24,642
		<hr/>	<hr/>
		29,401	37,833
		<hr/>	<hr/>

(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 had 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. Given the reducing frequency of claims payable from the other insurance reserve, and considering the costs associated with maintaining the reserve, this reserve has been set to \$0 and will not be maintained going forward.

	2022 \$'000	2021 \$'000
Disability reserve		
- Current permanent incapacities	5,865	6,912
- Current initial incapacities	389	397
Other insurance reserve	-	5,662
	<hr/>	<hr/>
Total insurance reserves	6,254	12,971
	<hr/>	<hr/>

(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 2022, after meeting applicable costs of disability benefits for Division 1 Members, is \$209,000 (2021: \$220,134). There was a contribution of \$99,000 to the reserve and a distribution of \$115,000 or 0.21% to active Division 1 Members for the year ended 30 June 2022 (2021: \$95,000 contribution and \$116,623 or 0.18% 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 0.28% (2021: 0.29%) of the Plan's invested assets and is invested in line with the Thrifty investment strategy during the period. 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

8. FINANCIAL INVESTMENTS

	Note	2022 \$'000	2021 \$'000
Australian equities and managed funds		3,601,143	4,133,749
Global equities and managed funds		2,781,633	2,948,231
Money market securities		266,991	308,255
Australian fixed income securities	12(b)	601,950	585,063
Global fixed income securities	12(b)	70,710	42,978
Derivatives	11	140,465	51,424
TOTAL FINANCIAL INVESTMENTS		7,462,892	8,069,700

9. FINANCIAL LIABILITIES

	Note	2022 \$'000	2021 \$'000
Derivatives	11	160,041	74,952
Repurchase agreements		84,100	-
TOTAL FINANCIAL LIABILITIES		244,141	74,952

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

	Note	2022 \$'000	2021 \$'000
Net gains/(losses) on financial assets and liabilities (Derivatives)		(89,395)	136,708
Net gains/(losses) on financial assets and liabilities (Non-Derivatives)		(157,972)	1,146,221
NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		(247,367)	1,282,929
Realised gains/(losses) on net assets at fair value		(42,963)	85,994
Unrealised gains/(losses) on net assets at fair value		(102,438)	1,008,387
Realised FFX		(102,880)	195,686
Total currency gains/(loss)		546	(4,117)
Total settlement gain/(loss) on purchases		323	(1,036)
Total settlement gain/(loss) on sales		85	(1,852)
Total income exchange gain/(loss) on dividends		(31)	(134)
Total income exchange gain/(loss) on interest		-	-
Total income exchange gain/(loss) on trusts		(9)	1
NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		(247,367)	1,282,929

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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:

- To manage risk or hedge against movements in interest rates, values or prices in relation to permitted investments and movements in foreign currency exposures;
- To achieve or reduce exposure to assets, all or part of any asset class and foreign currency; and
- To achieve transactional efficiency or reduce the transactional cost of achieving required exposures.

The types of derivatives include:

(i) Exchange traded futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Required margins are settled with the clearing house on a daily basis.

(ii) Exchange traded options

Options are contractual arrangements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the obligation to deliver securities or financial instruments under the contract. Options held by the Plan are typically exchange-traded and any required margins are settled with the clearing house on a daily basis.

(iii) Forward currency contracts

Forward currency contracts are primarily used by the Plan to hedge foreign currency exchange rate risks on its non-Australian dollar denominated investments. The Plan agrees to receive or deliver a fixed quantity of foreign currency for an agreed price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the reporting date. The Plan recognises a gain or loss equal to the change in fair value at the reporting date.

(iv) Over-the-counter securities

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

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	Fair Value Assets \$'000	Fair Value Liabilities \$'000
30 June 2022		
Australian fixed interest futures	420	1,389
Global fixed interest futures	5,589	1,790
Australian share price index futures	4	1,118
Global share price index futures	785	782
Money market futures	5,328	3,837
Australian exchange traded options	535	87
Global exchange traded options	659	128
Australian fixed interest options	3,792	72
Global fixed interest options	11,290	4,400
Global currency options	3	748
Swaps	87,610	67,343
Forward currency contracts	24,450	78,347
	<hr/> 140,465	<hr/> 160,041
	Fair Value Assets \$'000	Fair Value Liabilities \$'000
30 June 2021		
Australian fixed interest futures	288	1,142
Global fixed interest futures	2,575	2,895
Australian share price index futures	-	1,096
Global share price index futures	486	1,496
Money market futures	1	2
Australian fixed interest options	4,282	280
Global fixed interest options	394	-
Swaps	26,872	28,729
Forward currency contracts	16,526	39,312
	<hr/> 51,424	<hr/> 74,952

When there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on the basis or realise the asset and settle the liability simultaneously financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position. The Trustee has not entered into any offsetting arrangements, or master netting arrangement. Some derivative instruments settle on a net basis through the Statement of Financial Position in accordance with the convention, rather than through an offsetting arrangement. Under the terms of the derivative contracts where certain credit events occur (such as default), the net position owing/receivable to a single counterparty will be taken as owing and all the relevant arrangements terminated. Where the Plan does not presently have a legally enforceable right to off-set, amounts will be presented on a gross basis in the Statement of Financial Position.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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, including 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.

In relation to Environmental, Social and Governance (ESG) Risks, including climate change, the Trustee Board has a Sustainable Growth Investment Belief which acknowledges that ESG can influence investment risks and returns and the Plan's reputation and contribute to the Plan delivering sustainable growth for the benefit of Members. Climate change, in particular, presents potentially material impacts for the Plan which must be identified and managed. In this regard the Trustee Board has the following sustainability objective, 'To be a responsible asset owner that aims to reduce carbon emissions from our investment assets such that we achieve Net Zero Carbon Emissions by 2050'.

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 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 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.

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 in 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 with securities to which the Plan is exposed. An increase of the weighted-average sensitivity factor of 13.0% in 2022 (2021: 12.4%) at the reporting date would increase the Plan's net assets available for members by \$959 million (2021: \$1,002 million). A decrease in the weighted-average sensitivity factor would have the equal but opposite effect assuming that all other variables remain constant.

The sensitivities have been calculated using volatility factors based on actual market or historical portfolio movements. 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 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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk disclosures have been prepared on the basis of the Plan's direct investments and not on a look-through basis for investments held indirectly through managed funds. Managed funds are classified according to the domicile of the managed fund, for example, an Australian managed fund would be shown under 'AUD' 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.

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

30 June 2022	USD A\$'000	EUR A\$'000	GBP A\$'000	JPY A\$'000	Other A\$'000	Total Foreign Currency Exposure A\$'000	AUD A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	134,638	114,669	3,244	17,166	9,320	279,037	639,331	918,368
Receivables	24,763	17,804	2,025	723	5,603	50,918	154,798	205,716
Financial Investments	2,127,738	167,593	63,426	116,979	503,393	2,979,129	4,483,763	7,462,892
Total Assets	2,287,139	300,066	68,695	134,868	518,316	3,309,084	5,277,892	8,586,976
Liabilities								
Payables	47,400	735	1,970	638	5,368	56,111	77,494	133,605
Financial liabilities	86,089	11,814	4,418	732	7,137	110,190	133,951	244,141
Other liabilities	-	-	-	-	-	-	105,741	105,741
Total Liabilities	133,489	12,549	6,388	1,370	12,505	166,301	317,186	483,487
Net assets available to pay benefits	2,153,650	287,517	62,307	133,498	505,811	3,142,783	4,960,706	8,103,489
30 June 2021	USD A\$'000	EUR A\$'000	GBP A\$'000	JPY A\$'000	Other A\$'000	Total Foreign Currency Exposure A\$'000	AUD A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	11,998	148,884	72	43,717	12,838	217,509	435,630	653,139
Receivables	8,521	5,854	2,149	122	3,252	19,898	124,119	144,017
Financial Investments	2,190,183	315,368	69,117	151,939	433,928	3,160,535	4,909,165	8,069,700
Total Assets	2,210,702	470,106	71,338	195,778	450,018	3,397,942	5,468,914	8,866,856
Liabilities								
Payables	27,384	2,366	679	1,435	1,967	33,831	75,639	109,470
Financial liabilities	49,069	882	1,753	279	838	52,821	22,131	74,952
Other liabilities	-	-	-	-	-	-	150,263	150,263
Total Liabilities	76,453	3,248	2,432	1,714	2,805	86,652	248,033	334,685
Net assets available to pay benefits	2,134,249	466,858	68,906	194,064	447,213	3,311,290	5,220,881	8,532,171

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity Analysis

A strengthening of the Australian dollar against the following currencies by the specified percentages as at 30 June 2022 would have decreased the net assets available to pay benefits and the net investment revenue by the amounts shown in the table below. A weakening of the Australian dollar against the following currencies by the specified percentages as at 30 June 2022 would have the equal but opposite effect.

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 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 2022				
Currency risk *	8.0%	8.0%	9.0%	9.0%
Impact on net assets available to pay benefits	172,292	23,001	5,608	12,015
30 June 2021				
Currency risk *	8.0%	9.0%	8.0%	8.0%
Impact on net assets available to pay benefits	170,740	42,017	5,512	15,525

* 10-year average of annual movements between each currency paired with the AUD.

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.

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.

	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non- interest Bearing \$'000	Total \$'000
30 June 2022				
Assets				
Cash and cash equivalents	918,368	-	-	918,368
Receivables	128,208	-	77,508	205,716
Financial Investments	341,203	649,753	6,471,936	7,462,892
Total assets	1,387,779	649,753	6,549,444	8,586,976

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non- interest Bearing \$'000	Total \$'000
30 June 2022 (continued)				
Liabilities				
Payables	74,707	-	58,898	133,605
Financial liabilities	32,246	7,651	204,244	244,141
Other liabilities	-	-	105,741	105,741
Total liabilities	106,953	7,651	368,883	483,487
Net assets/(liabilities) available to pay benefits	1,280,826	642,102	6,180,561	8,103,489
	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non- interest Bearing \$'000	Total \$'000
30 June 2021				
Assets				
Cash and cash equivalents	653,139	-	-	653,139
Receivables	87,109	-	56,908	144,017
Financial Investments	351,802	595,164	7,122,734	8,069,700
Total assets	1,092,050	595,164	7,179,642	8,866,856
Liabilities				
Payables	42,248	-	67,222	109,470
Financial liabilities	4,872	7,194	62,886	74,952
Other liabilities	-	-	150,263	150,263
Total liabilities	47,120	7,194	280,371	334,685
Net assets/(liabilities) available to pay benefits	1,044,930	587,970	6,899,271	8,532,171

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

An increase of 71 basis points (2021: 70 basis points) in interest rates would have decreased the net assets available to pay benefits and the net investment revenue by \$31.4 million (2021: a decrease of \$26.6 million). 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 \$31.4 million (2021: an increase of \$26.6 million).

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 Management's best estimate 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.

	2022 \$'000	2021 \$'000
Fixed income securities		
<u>Credit Grade</u>		
AAA	451,237	474,076
AA	117,704	120,115
A	32,525	-
BBB	57,715	19,121
BB	11,470	13,198
B	821	1,531
Not rated	1,188	-
	<hr/>	<hr/>
	672,660	628,041
	<hr/>	<hr/>

(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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022					
Financial liabilities					
Benefits payable	3,843	-	-	-	-
Accounts payable	36,670	-	-	-	-
Outstanding settlements securities purchased	18,385	-	-	-	-
Deposits held broker margin accounts	74,707	-	-	-	-
Repurchase agreements	84,100	-	-	-	-
Accrued benefits	7,778,097	-	-	-	-
Total including Member benefits	7,995,802	-	-	-	-
	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 2021					
Financial liabilities					
Benefits payable	2,904	-	-	-	-
Accounts payable	28,856	-	-	-	-
Income tax payable	2,459	-	7,041	-	-
Outstanding settlements securities purchased	35,462	-	-	-	-
Deposits held broker margin accounts	42,248	-	-	-	-
Accrued benefits	8,073,739	-	-	-	-
Total including Member benefits	8,185,668	-	7,041	-	-

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis for financial liabilities (continued)

	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 2022					
Derivatives					
Net settled derivatives	(56,377)	3,675	26,937	2,493	(767)
	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 2021					
Derivatives					
Net settled derivatives	(13,347)	(12,431)	4,313	8,427	(10,490)

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 3 to level 1 of \$130,543 (2021: \$nil) and a reclassification from level 2 to level 3 of \$136,269,309 (2021: \$62,604,820) in Australian and global managed funds. There were no other reclassifications during the period.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2022				
Financial Investments				
Derivative assets	12,126	128,339	-	140,465
Australian and global equities	2,904,759	286	-	2,905,045
Australian and global managed funds	125,199	216,968	3,137,064	3,479,231
Australian and global fixed income securities	-	671,160	-	671,160
Money market securities	-	266,991	-	266,991
Total financial investments	3,042,084	1,283,744	3,137,064	7,462,892
Investment liabilities				
Derivatives liabilities	8,916	151,125	-	160,041
Repurchase agreements	-	84,100	-	84,100
Total investment liabilities	8,916	235,225	-	244,141
Net investment	3,033,168	1,048,519	3,137,064	7,218,751

Fair value hierarchy

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2021				
Financial Investments				
Derivative assets	3,350	48,074	-	51,424
Australian and global equities	3,807,429	4,714	-	3,812,143
Australian and global managed funds	156,833	209,419	2,903,585	3,269,837
Australian and global fixed income securities	-	628,041	-	628,041
Money market securities	4,998	303,257	-	308,255
Total financial investments	3,972,610	1,193,505	2,903,585	8,069,700
Investment liabilities				
Derivatives liabilities	6,631	68,321	-	74,952
Repurchase agreements	-	-	-	-
Total investment liabilities	6,631	68,321	-	74,952
Net investment	3,965,979	1,125,184	2,903,585	7,994,748

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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:

	Australian and global managed funds \$'000	Total \$'000
30 June 2022		
Opening balance	2,903,585	2,903,585
Purchases	274,589	274,589
Sales	(257,410)	(257,410)
Transfers from level 1 to level 3	131	131
Total unrealised and realised gains/(losses) on level 3 financial instruments	216,169	216,169
Closing balance	3,137,064	3,137,064

	Australian and global managed funds \$'000	Total \$'000
30 June 2021		
Opening balance	2,289,981	2,289,981
Purchases	667,181	667,181
Sales	(367,256)	(367,256)
Transfers from level 2 to level 3	62,605	62,605
Total unrealised and realised gains/(losses) on level 3 financial instruments	251,074	251,074
Closing balance	2,903,585	2,903,585

Valuation inputs and relationships to fair value

The Plan's level 3 investments predominantly comprise investments in unlisted 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 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 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.

The COVID-19 pandemic and the war in Ukraine continue 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 these events as they continue to unfold.

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.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 has considered the nature of the holding entity, materiality and the complexity of each level 3 asset in presenting the information disclosed below.

30 June 2022

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 US gas & oil royalties & working interests	603,133	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 USD4.30 to USD5.66/mcf USD73.59 to USD99.76/bbl	Fair value sensitivity is subject to unobservable inputs such as current gas and oil prices, forward curves and well performance, as well as discount rate and various reserve risk factors with overall sensitivity reasonably expected to be between -27.5% to +15.9% or -\$166m to +\$96m.
A portfolio of Australian senior loans	596,862	Unit Price	-0.75% to +0.75%*	Fair value sensitivity is subject to a range of unobservable inputs with the overall sensitivity reasonably expected to be between -0.75% to +0.75% or -\$4m to +\$4m.
A portfolio of private equity investments	499,301	Unit Price	-11.5% to +11.5%*	Fair value sensitivity is subject to various unobservable inputs with the overall sensitivity reasonably expected to be between -11.5% to +11.5% or -\$57m to +\$57m.
A portfolio of Australian infrastructure	361,858	Discount Rate	+8.75% to +11.25%	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 -\$43m to +\$43m.
A portfolio of timber plantations and related assets	269,199	Discount Rate Cost of Equity Inflation Base Interest Rates Haulage Costs Av. Lumber Price Av. Log Price Franking Utilisation	+9.2% to +10.8% +9.2% to +10.8% +1.51% to +5.08% +1.78% to +3.52% +AUD\$12,355 to +AUD\$34,806 +AUD264.96 to +AUD670.40 +USD58.28 to +USD132.32 +0% to +100%	Fair value sensitivity is subject to unobservable inputs such as discount rate, cost of equity, inflation, base interest rates, haulage costs, timber prices, log prices and franking utilisation with the overall sensitivity reasonably expected to be between -14% to +14% or -\$38m to +\$38m.
A portfolio of distressed & special situations	255,690	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 +\$51m.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2022 (CONTINUED)

Description	Fair Value at 30 June \$'000	Unobservable inputs	Range of inputs	Sensitivity of unobservable inputs to fair value
A portfolio of US Real Estate loans	136,268	Unit Price	-11% to +11%*	Fair value sensitivity is subject to a range of unobservable inputs with the overall sensitivity reasonably expected to be between -11% to +11% or -\$15m to +\$15m.
A portfolio of Australian and Global equity (listed and private)	83,443	Unit Price	-27% to +41%*	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 -27% to +41% or -\$22m to +\$34m.
A portfolio of Australian agricultural investments	64,739	Net Tangible Assets	-10% to +10%**	Fair value sensitivity is subject to unobservable inputs such as net tangible assets, discount rates and market multiples with overall sensitivity reasonably expected to be between -10% to +10% or -\$6m to +\$6m.
A portfolio of infrastructure debt	60,988	Unit Price	-15.28% to 0.00%*	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 -15% to 0% or -\$9m to \$0m.
A portfolio of impact private equity and credit investments	60,950	Unit Price	-14% to +14%*	Fair value sensitivity is subject to a range of unobservable inputs with the overall sensitivity reasonably expected to be between -14% to +14% or -\$9m to +\$9m.
A portfolio of Australian retail property	59,124	Discount Rate Capitalisation Rate Terminal Yield	+6.00% to +6.75% +4.75% to +5.75% +5.00% to +6.50%	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 -\$5m to +\$5m.
A portfolio of Australian private equity investments	45,447	Unit Price	-17% to +17%*	Fair value sensitivity is subject to a range of unobservable inputs with the overall sensitivity reasonably expected to be between -17% to +17% or -\$8m to +\$8m.
A portfolio of credit hedge funds	32,686	Unit Price	-7% to +7%*	Fair value sensitivity is subject to various unobservable inputs with the overall sensitivity reasonably expected to be between -7% to +7% or -\$2m to +\$2m.
A portfolio of private equity investments	3,777	Unit Price	-17% to +17%*	Fair value sensitivity is subject to various unobservable inputs with the overall sensitivity reasonably expected to be between -17% to +17% or -\$0.6m to +\$0.6m.
A holding in residential loans	1,500	Unit Price	-5% to +5%*	Fair value sensitivity is subject to various unobservable inputs with the overall sensitivity reasonably expected to be between -5% to +5% or -\$0.1m to +\$0.1m.
Holdings in suspended Australian and global equities	1,057	Unit Price	-16% to +16%*	Fair value sensitivity is subject to various unobservable inputs with the overall sensitivity reasonably expected to be between -16% to +16% or -\$0.2m to +\$0.2m.
A portfolio of global infrastructure	1,042	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 -\$0.1m to +\$0.1m.
Total	3,137,064			

*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

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2021

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 US gas & oil royalties & working interests	350,468	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 USD2.71 to USD3.66/mcf USD57.26 to USD71.48/bbl	Fair value sensitivity is subject to unobservable inputs such as current gas and oil prices, forward curves and well performance, as well as discount rate and various reserve risk factors with overall sensitivity reasonably expected to be between -19.2% to +11.4% or -\$67m to +\$40m.
A portfolio of Australian senior loans	646,906	Unit Price	-0.75% to +0.75%*	A decline in the unit price of 0.75% results in a decrease in fair value of \$5m. An increase in unit price of 0.75% results in an increase in fair value of \$5m.
A portfolio of private equity investments	563,518	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 -\$56m to +\$56m.
A portfolio of Australian infrastructure	369,239	Discount Rate	+8.9% to +18.4%	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 -11% to +11% or -\$41m to +\$41m.
A portfolio of timber plantations and related assets	243,478	Discount Rate Cost of Equity Inflation Base Interest Rates Haulage Costs Av. Timber Price Av. Log Price Franking Utilisation	+8.7% to +11.6% +8.7% to +11.6% +1.85% to +2.35% +1.48% to +2.79% +AUD\$13,618 to +AUD\$44,366 +AUD\$315.40 to +AUD\$348.60 +USD84.55 to +USD93.45 +0% to +100%	Fair value sensitivity is subject to unobservable inputs such as discount rate, cost of equity, inflation, base interest rates, haulage costs, timber prices, log prices and franking utilisation with the overall sensitivity reasonably expected to be between -20% to +20% or -\$49m to +\$49m.
A portfolio of distressed & special situations	295,189	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 -\$9m to +\$59m.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2021 (CONTINUED)

Description	Fair Value at 30 June \$'000	Unobservable inputs	Range of inputs	Sensitivity of unobservable inputs to fair value
A portfolio of US real estate loans	36,464	Unit Price	-11% to +11%*	Fair value sensitivity is subject to various unobservable inputs with the overall sensitivity reasonably expected to be between -11% to +11% or -\$4m to +\$4m.
A portfolio of Australian agricultural investments	60,128	Net Tangible Assets	-10% to +10%**	Fair value sensitivity is subject to unobservable inputs such as net tangible assets, discount rates and market multiples with overall sensitivity reasonably expected to be between -10% to +10% or -\$6m to +\$6m.
A portfolio of infrastructure debt	141,711	Unit Price	-11.25% to 0.00%*	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 -\$16m.
A portfolio of Australian retail property	84,139	Discount Rate Capitalisation Rate Terminal Yield	+6.25% to +6.75% +4.75% to +6.50% +5.00% 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 -8% to +8% or -\$7m to +\$7m.
A portfolio of Australian equity (listed and private)	42,256	Unit Price	-20% to +20%*	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 -20% to +20% or -\$9m to +\$9m.
A portfolio of credit hedge funds	62,231	Unit Price	-6% to +6%*	Fair value sensitivity is subject to various unobservable inputs with the overall sensitivity reasonably expected to be between -6% to +6% or -\$4m to +\$4m.
A portfolio of Australian commercial and industrial property	6,700	Unit Price	-8% to +8%*	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 -8% to +8% or -\$1m to +\$1m.
A portfolio of global infrastructure	1,158	Unit Price	-11% to +11%*	Fair value sensitivity is subject to unobservable inputs such as discount rate with the overall sensitivity reasonably expected to be between -11% to +11% or -\$0.1m to +\$0.1m.
Total	2,903,585			

*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

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

14. TAXATION

	2022 \$'000	2021 \$'000
(a) Recognised in the Income Statement		
Current income tax		
- Current tax charge	2,757	32,256
- Adjustment to current tax for prior period	949	(1,279)
Deferred income tax		
- Movement in temporary differences	(35,134)	102,153
Income tax expense/(benefit)	(31,428)	133,130
(b) Numerical reconciliation between tax expense and profit before income tax		
Profit/(loss) before income tax	32,145	1,432,951
Tax applicable at the rate of 15% (2021: 15%)	4,822	214,943
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
- Movement in realised/unrealised positions	6,110	(56,551)
Tax effect of other adjustments		
- Imputation and foreign tax credits	(39,782)	(19,978)
- Exempt pension income	(3,527)	(4,005)
- Under/(Over) provision prior year	949	(1,279)
Income tax expense/(benefit)	(31,428)	133,130
(c) Recognised in the Statement of Changes in Members Benefits		
Contributions and transfers in recognised in the Statement of Changes in Members Benefits	250,454	242,584
Tax applicable at the rate of 15% (2021: 15%)	37,568	36,388
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
- Contributions revenue and transfers in	(14,197)	(13,169)
Tax effect of other adjustments		
- Insurance premiums	(4,969)	(5,258)
- Under/(over) provision prior year	171	1,207
Income tax expense	18,573	19,168
<u>Allocated as follows:</u>		
Contributions tax	23,542	24,426
Tax benefit on insurance premiums (to Members)	(3,523)	(3,682)
Tax benefit on insurance premiums (to Plan)	(1,446)	(1,576)
Income tax expense	18,573	19,168

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

14. TAXATION (CONTINUED)

	2022 \$'000	2021 \$'000
(d) Current tax liabilities		
Balance at beginning of year	9,500	29,512
Income tax paid – current period	(51,981)	(40,297)
Income tax paid – prior periods	(10,532)	(29,530)
Current year income tax provision	21,159	50,217
Under/(Over) provision prior year	1,007	(402)
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Current tax liabilities/(asset)	(30,847)	9,500
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(e) Deferred tax assets and liabilities

The amount of net deferred tax liability recognised:

Deferred tax assets

Accounts payable	1,011	1,028
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Deferred tax assets	1,011	1,028
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Deferred tax liabilities

Contributions receivable	1,587	907
Realised and Unrealised capital gains on investments (discounted)	105,165	140,884

Deferred tax liabilities	106,752	141,791
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Net deferred tax liabilities	105,741	140,763
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15. ADMINISTRATION EXPENSES

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

	2022 \$'000	2021 \$'000
Actuarial fees	548	730
Audit fees	306	355
General administration expenses	13,259	13,657
Project expenses	927	858
Regulatory fees	801	726
Tax agent fees	194	215
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TOTAL ADMINISTRATION EXPENSES	16,035	16,541
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QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

16. RECEIVABLES

	2022	2021
	\$'000	\$'000
Contributions receivable	11,092	6,522
Other receivables and prepayments	2,865	4,096
Deposits held with broker margin accounts	128,208	87,109
Investment income receivable	16,598	21,966
Outstanding settlements	16,106	24,324
TOTAL RECEIVABLES	174,869	144,017

17. PAYABLES

	2022	2021
	\$'000	\$'000
Creditors and accruals	36,670	28,856
Liabilities held with broker margin accounts	74,707	42,248
Outstanding settlements	18,385	35,462
TOTAL PAYABLES	129,762	106,566

18. CASH FLOW INFORMATION

	2022	2021
	\$'000	\$'000
(a) Reconciliation of cash		
Cash at bank	28,513	63,572
Short-term deposits	264,230	218,234
Cash held by investment managers	625,625	371,333
TOTAL CASH AND CASH EQUIVALENTS	918,368	653,139

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

Net operating result after tax	(131,773)	144,914
Allocated to Members accounts	187,149	1,145,975
Remeasurement in assets measured at fair value	122,666	(1,160,277)
(Increase)/Decrease in investment receivables	(26,833)	(51,949)
(Increase)/Decrease in receivables	551	(125)
Increase/(Decrease) in payables	(466)	(969)
Increase/(Decrease) in investment payables	184,571	(58,355)
Increase/(Decrease) in current tax liabilities	(40,348)	(18,688)
Increase/(Decrease) in deferred tax liabilities	(35,022)	102,483
NET CASH FLOWS FROM OPERATING ACTIVITIES	260,495	103,009

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

19. AUDITOR'S REMUNERATION

	2022 \$	2021 \$
Amounts paid or due and payable to PricewaterhouseCoopers for the following services:		
• Audit of the financial report and regulatory compliance	249,928	252,857
• Other audit related services	42,323	52,787
Other services:		
• Taxation services (tax agent and investment tax advice)	397,754	317,941
TOTAL AUDITOR'S REMUNERATION	690,005	623,585

20. RELATED PARTIES

(a) Plan Sponsor

Qantas Airways Limited is the employer sponsor 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 2022 (and received subsequent to that date) amounted to \$11,091,549 (2021: \$6,521,973).

The Plan contracts with Qantas Airways Limited for office accommodation, use of office equipment, technology and certain administrative services, which are provided on an arms-length basis. Cost recoveries paid to the employer sponsor for these services of \$259,376 (2021: \$324,400) are included in administration expenses in the Income Statement.

At 30 June 2022 the Plan held investments in Qantas Airways Limited to the value of \$3,272,498 (2021: \$11,731,629). 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 (Chair)
Andrew Monaghan
Cecilia Ho
Lorraine Berends
Rachel Yangoyan

Member elected:

Richard Garner (Group A)
Klair Safier (Group B)
Ryan Greaves (Group C)
Luke Murray (Group D)
Maria Ka Po Cheung (Group E) (ceased 31 Aug 2021)
Lyle Brownscombe (Group E) (appointed 26 Nov 2021)

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), Suzette Thurman (CRO) and Andy Moser (CFO) (from August 2021) are also KMPs.

The Trustee has a licence from the Australian Prudential Regulatory Authority. Its RSE licence was granted on 27 April 2006 and last varied on 13 October 2016 (Licence No. L0002257).

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

20. RELATED PARTIES (CONTINUED)

(c) Remuneration of KMP

The remuneration of KMP paid is set out below:

	2022 \$'000	2021 \$'000
Short-term benefits	2,248	1,673
Post-employment	79	67
	<u>2,327</u>	<u>1,740</u>

(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 \$102,623 (2021: \$160,682) for trustee related costs on behalf of the Trustee.

(e) Other related parties – direct holdings and associates

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

			2022 \$'000	2021 \$'000
	Place of business	% Int.		
QGR Trust	Australia	100	603,133	350,468
Q Diversified Credit Trust	Australia	100	596,862	646,906
Q Private Equity Trust	Australia	100	499,301	563,518
Q Infrastructure Trust	Australia	100	361,858	369,239
Q Timberland Trust	United States	100	269,200	243,478
QPIPO Trust	Australia	100	83,443	42,256
Q Agriculture Trust	Australia	100	64,739	60,127
Q Infrastructure Yield Trust	Australia	100	60,988	141,711
Q Private Impact Trust	Australia	100	60,950	-
Q Private Equity Direct Trust	Australia	100	45,447	-
Q Credit Trust	United States	100	5,762	4,774
Q Venture Capital Trust	Australia	100	3,777	-
QAIF Limited	Singapore	100	1,041	1,158
			<u>2,656,501</u>	<u>2,423,635</u>
Total direct holdings and associates				

The above tables list the fair value and the percentage interest of each investment asset at balance date. 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 investment return of the Plan is exposed to the variability of the performance of the underlying investment assets. The underlying investment managers receive a management fee for undertaking the management of these investments.

QANTAS SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

21. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

Contingent assets and liabilities

There were no contingent assets or liabilities as at 30 June 2022 (30 June 2021: Nil).

Commitments

The Plan had the following investment commitments:

Undrawn commitments	2022 \$'000	2021 \$'000
Private Equity	419,890	128,000
Real Assets	89,570	49,877
Opportunistic Alternatives	574	525
Alternative Credit	194,278	156,010
Defensive Credit	152,980	79,889
Multi-Strategy	286,580	-
	<hr/>	<hr/>
	1,143,872	414,301
	<hr/>	<hr/>

These undrawn commitments represent the amounts of capital the Plan has committed to invest but not yet allocated. Not all undrawn commitments are legally binding.

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 2022.

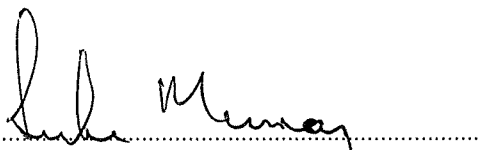
QANTAS SUPERANNUATION PLAN

STATEMENT BY TRUSTEE

In the opinion of the Trustee

- (a) the accompanying financial statements and notes set out on pages 2 to 39 are in accordance with:
 - (i) Australian Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) present fairly the Plan's financial position as at 30 June 2022 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 2022; 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 *LUKE O'KEEFE*


Trustee director *Ryan Greaves.*

Signed at Sydney this 21st day of September 2022.



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 trustee 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 2022 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves, 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 2022 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2022.

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 (including Independence Standards)* (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 is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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 judgment 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's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over the printed name.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CJ Cummins', written over the printed name.

CJ Cummins
Partner

Sydney
23 September 2022